

ber products. There is no question about it in my mind, but frankly, I am not familiar with the situation of lumber mills.

Senator MORSE. I think your reply is quite proper, so I will rephrase it in hypothetical form. Suppose we have this need in the next 10 years, as you testified, as to 2 to 2.5 million new housing units a year. Suppose further that, on the basis of the data obtained by the investigation of counsel the country has comparable needs for lumber products in connection with industrial development and manufacture of furniture and other consumer goods in which lumber is used. And finally, assume the country is trying to catch up on the failure of some past years to produce enough housing to meet domestic needs. It would follow, would it not, that we had better see to it that we have the manufacturing capacity available to meet the new demands for lumber products?

Dr. SUMICHRAST. If you put it that way I presume so, yes.

Senator MORSE. Counsel suggested that I ask for your opinion on this observation, and again it may very well be that you are not the witness to comment on it, but if you have a judgment I will be glad to have it. There may be a shortage of lumber products to sustain our national housing goals at least in the immediate future. Do you think the rapid increases in housing that will be required in the next few years might leave this country with at least a temporary shortage of lumber products, or a temporary shortage of capacity, and thus we might be confronted with the danger of a substantial increase in the price of building homes?

Dr. SUMICHRAST. Well, in the short run, the next 2 to 3 years, I don't think we will have any shortage of lumber that I can see. We don't have enough money to build all the houses we would like to build, and the interest rates are high and this by itself retards the demands for higher housing production. I think in the longer run the answer would be "Yes."

We have seen an increase in lumber prices 2 years ago when the demand started to be very heavy as a result of Government purchases of lumber for Vietnam, and prices have increased very sharply in just a few months. They came down again during the summer of 1966, but the raise in price was something we have not seen probably in 10 years or so. So my answer would be in short run I guess we have sufficient lumber to produce a very low level of housing units. We are not going to really break any records in 1968. We are very likely to build only 1.4 million housing units, or less, which is way below what I think we need. But beyond this year and possible 1968 I would have to agree with you. We may be confronted with the danger of a substantial price increase.

Senator MORSE. Some economists are projecting a steady but not necessarily runaway increase in the cost of living in the next few years. If that becomes an economic reality the cost of construction will increase. And, if there is not an available supply of processed wood products in lumber form and other forms, that may, in turn, increase the prices further on the basis of the law of supply and demand.

Therefore it is suggested by counsel that I ought to elicit points of view, of those who feel they have a competency to comment on it, as to whether or not the going out of business of many small lumber firms in communities that are pretty much dependent upon the operation of those firms may in itself help feed the spiral of costs, higher prices, and inflation to a degree. This is a mixed question, because there are a lot