

try, as they pointed out in these hearings so many times, that is based to a substantial degree upon quite a bit of our timber supply. That is what we meant to say. To go beyond the billion feet just means we are giving away more and more jobs. We say we hope we do not have to do that.

Senator HATFIELD. But your reference to a leveling off of this unemployment economic loss is—

Mr. McCracken. Only if there is a limit placed.

Senator HATFIELD. In other words, it is coupled with, inexorably tied to, it is bound?

Mr. McCracken. Absolutely.

Senator HATFIELD. I want to make sure we get a full emphasis of a coupling of these two thoughts, because you have a paragraph in your presentation here this does not mean there is a separation of ideas.

Mr. McCracken. Not in the least.

Senator HATFIELD. One is interdependent on the other?

Mr. McCracken. If there is not a restriction placed there will not be a leveling off. The testimony from the Pacific Power & Light Co. indicates they are going up to 4½ billion feet.

Senator HATFIELD. And that this matter of agreeing or suggesting a limitation of 1 billion feet, this is not because there is any surplus; is that correct?

Mr. McCracken. Right.

Senator HATFIELD. This is not because there is a soft market today that we cannot sell all that we can produce?

Mr. McCracken. It is not for that reason.

Senator HATFIELD. It is strictly in terms of what you consider to be an international political consideration of maintaining friendly economic and political relationships with Japan to help meet their needs and to help maintain their close allied relationship?

Mr. McCracken. Surely.

Senator HATFIELD. Would you be opposed to any consideration of a formula that might set the billion feet as you have indicated here, but be a little bit flexible in terms of saying if they wish additional logs that that could be tied to a certain percentage of manufactured lumber products?

Mr. McCracken. Speaking personally, yes; I would be opposed, for this reason. We have attempted, Senator, in our statement, to point out the demand picture in Japan. It is well recognized that the Japanese prefer logs rather than finished products. Accordingly, if there were a formula which said they could take 1 billion feet, the 1966 level in round logs, and then increases over that would have to be accompanied in lumber, I think this is probably what would occur.

They would perhaps in 1968, or 1970, take an additional billion or 1.5 billion feet of logs. They would also buy, rent, joint venture, finance or whatever about 1.5 billion feet of sawmill capacity. They can do that and quite likely would do that. We would have given the Japanese, under that type of formula, the decision-making authority. They would probably take about 2.5 billion feet of logs and 1.5 billion feet of lumber within a very short space of time. The implications of this for our entire distribution process for lumber and plywood in the United States would be absolute chaos.