industry, potential investors will easily find better uses for their money.

These considerations lead to the conclusion that if a major portion of the Nation's most productive timber-growing area does not contribute to servicing the Nation's demand for lumber, either or both of two things will happen:

1. The price of lumber and, in turn, housing will rise; and
2. Use patterns will change so that consumers will use less lumber and more brick, stone, glass, steel, plastics, and aluminum. This shift will present new demands upon other industries. If they are unable to supply these demands, their prices too will rise.

No matter how you slice it, it is difficult to see how the American consumer will benefit.

Furthermore, Mr. Chairman, I fail to see how the American balance of payments will benefit from increased exports of logs. The key point here is the value of exports and payments, rather than the volume of exports. If the volume continues to rise while sawmills and plywood mills continue to close, the price which the Japanese have to pay may eventually drop from lack of competition in some areas.

The Forest Service report of December 8, 1967, entitled, "the Softwood Log Export Trade", notes that there may already be evidence of this happening in the recent downturn of stumpage prices from their 1966 levels.

If log prices drop, the Japanese could export increasing volumes of logs without comparable improvements to our payment balance problem. As long as no limit is put on log exports the capacity of the Japanese industry to handle our logs will continue to grow. Once that capacity is installed, the Japanese will become even more powerful competitors for the domestic log supply and American mills will be increasingly squeezed out of business, strengthening Japanese control over the timber supply in the Northwest. This can take place within 2 years.

Conversely, if U.S. export of manufactured goods were to be increased, the balance of payments would tend to benefit the United States, since value of product exported would be approximately double the value of raw materials and importing manufactured materials can rarely help a balance-of-payments problem.

Much has been said in the past 2 years about the rural-urban balance. The forest products industry, being a rural-oriented industry, represents a great potential for providing employment and improved living standards in nonurban areas. Does it not seem reasonable that the Federal Government in managing federally owned resources should consider the mix of products manufactured by American industry and ways to influence a better rural-urban balance?

If the forest products manufacturing industry is repeatedly and increasingly discouraged from developing, and a climate is created encouraging production of substitute materials in urban areas, have we not lost an opportunity to improve the balance? These questions, while rhetorical, nevertheless deserve consideration in respect to solving the Northwest log export problem.

(The attachments to Dr. Muench's statement follow:)