

I want to take you to the table which you show on page 4, which shows a drop in stumpage prices in Douglas-fir. Do you think that drop is due to a lessening of need for the products or is it due more to other economic factors such as high interest rates, tight money, policies that result in taking over of the Eastern market by and large by Canada, and other factors?

I ask this question because the record of this case shows thus far, Mr. Cliff, that with all of the need for housing and with all of the need for new construction in this country—and we had two economists testify yesterday on this point—there is no questioning the fact that there is a great need for more lumber products. But it appears that need can't be filled because of other policies that we are following in this country, to which I have just alluded.

Mr. CLIFF. My analysis, Senator Morse, of that drop in the first three quarters of 1967 is that it reflects the condition of the domestic lumber market during those three quarters. The lumber market did fall off in 1966 and 1967, due to a number of factors, which include the ones you mentioned of interest rates and the housing starts didn't materialize as was anticipated and other factors. But this dropoff reflects the condition of the lumber market, and after all, most of our timber in the Northwest is marketed on the domestic lumber market, 13 percent of the logs are going to Japan and the rest of it depends on an outlet to our domestic market, and the prices can be expected to be influenced by the condition of that market. Also, there was a dropoff in the total cut in 1966 and 1967 from the high of 1965. I think that too, is a reflection of the lumber market.

Senator MORSE. Although there is this dropoff in the lumber market, the evidence is pretty clear, and you can get some of it from the state of the Union message the other night when the President made his proposal for a great increase in the middle and lower cost housing program, that the need for housing and the need for construction is not diminishing but increasing. If we follow governmental policies that meet that need, it is bound to result in a great impetus to the lumber market, is it not?

Mr. CLIFF. I think that is correct, Senator. The figures I remember on housing is that our housing starts have been about 1,300,000. On the basis of population trends and predictions in trends in gross national product, it is estimated that by the late seventies that we should be building 2 million new housing starts a year.

Senator MORSE. That was the testimony yesterday.

Mr. CLIFF. So there is a pent-up demand here that is going to be breaking loose as soon as some of the other problems get sorted out.

Senator MORSE. I will now turn to another point very quickly. The staff report of the Treasury as you know is involved in this hearing, and as you recognized in your own testimony. Did anyone in the Treasury consult with you or to your knowledge with the policy-level staff members in the Forest Service at the time that they were preparing the Treasury Department report?

Mr. CLIFF. As near as I can find out, none of our people were consulted.

Senator MORSE. Mr. Cliff, would it be fair to describe the Treasury Department report in part as a report that made recommendations to