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ductivity gains are possible for a limited time and to a limited extent. But they will also raise prices, except as profits can be squeezed. Rising prices cut real wage increases back to the level of productivity gains. *Over many years it has been documented that real wage increases do not exceed productivity gains.* If they had done so for any length of time, the share of profits would have shrunk, which has been the case only to a very minor extent. This approximate stability in income shares has been made possible by a relatively high rate of unemployment. Lower unemployment would have caused labor to ask for higher real wage increases. Since the productivity gains that were achieved did not permit these, unemployment over the years has had to fluctuate around a level at which available wage gains were consistent with labor's demands. Price inflation, with lagging wage increases, might temporarily permit lower unemployment. But as soon as labor sheds its money illusion, the share of labor is bound to shrink enough to restore the equilibrium rate of unemployment. The possibility of trading more inflation for less unemployment exists only transitorily, and the effort to exploit it is bound to generate instability.

The proper conclusion to be extracted from the fact that a larger supply of labor would be forthcoming at a higher real rate of wage increase is not that some higher nominal rate should be offered and then nullified by inflation. It is that labor and business should bargain in such a way as to increase the amount of labor forthcoming at noninflationary wage increases.

GUIDEPOSTS

To reduce labor's real wage demands and to discourage employers from bidding for labor at inflationary rates so that unemployment can be reduced, is a major task. The present attitude of labor and business confronts the nation with the prospect of a choice between an intolerably high level of unemployment or periodic inflation.³ As this is increasingly understood, there will be growing public impatience with the institutions and processes that produce this dilemma. The present behavior of labor and business is a threat to their own freedom to determine wages and prices.

The U.S. must learn to live with full employment. What needs to be learned is that full employment is not the exception, but, with good management, can be the rule. Business and labor then will have to learn that the high demand and labor scarcity accompanying full employment should not be regarded as the fleeting golden moment that must be snatched to raise prices and exact maximum wage bargains. By acting on the presumption that the moment, unseized, will vanish, business and labor in fact are driving it away.

The guideposts on wages and prices have been the Administration's chief instrument for dealing with this problem. The future of the guideposts, as a policy instrument, is obscure. Their demise in this role will not alter the economic fact, however, that labor cannot get more than its productivity gains if the share of profits is not to be reduced and investment seriously restricted.

At a minimum, an effort should be made to salvage the economic truths underlying the guideposts. There is little point in rais-

³ Henry Bryants: *This way of putting the issue points the fingers somewhat unfairly at the manufacturing sector. Recent price history and income increases in the services imply that the service sector contributed the major share to the inflation so far. As matters stand, the guideposts for wages and prices do not apply to services. I believe that the guideposts themselves stand in need of reform.*

ing the guideposts to what seems to be the currently fashionable rate of wage increases, whether 5 percent or some other figure, and then claiming that this is noninflationary. Neither should the principle be compromised that nationwide productivity gains are the proper wage guide in most conditions. There is no basis for reverting to industry productivity as a standard. The President's Report is to be commended on the position it takes in these respects.

Meanwhile, monetary and fiscal policy will have to be brought to bear against the cost push inflation that seems ahead. They are not ideal instruments. But neither is it true that they are helpless. The size of the forthcoming wage increases will depend to some extent on whether they are negotiated in an environment of slightly rising or falling unemployment. The same observation holds true for the response of prices to whatever wage increases are negotiated. Because price increases in 1967 will influence wage increases once more in 1968, there is an evident need to stop this reciprocal levering early.

One use that could be made of the guideposts is to apply them to the incomes of Social Security pensioners and, in some categories, government employees. It seems undesirable to escalate these incomes by the price index, although cost of living adjustments will have to be made from time to time. Price escalation would undermine resistance to inflation. To escalate such incomes in terms of productivity gains means to let these pensioners and employees share in the overall advance of the economy.

EXPENDITURE CUTS

Quite aside from the effects of public spending on the level of economic activity, there are good reasons for taking a critical look at government programs. Both defense and civilian expenditures have been rising very sharply. Administrative Budget expenditures, which as late as fiscal year 1965 were held well below \$100 billion, are now budgeted at \$135 billion. The Cash Budget shows outlays are rising from \$99.5 billion in fiscal year 1961 to \$172 billion in fiscal year 1968. This is a more rapid increase in the size of the public sector than seems desirable in present circumstances. While part of the increase is due to war, experience shows that the postwar public sector share does not revert to its prewar proportion. Restraint therefore is needed even now.

It would be a tragic mistake, nonetheless, to let this restraint fall exclusively upon the Great Society programs. Some of these are the programs most in tune with our present needs. Insofar as they are intrinsically well conceived, these are among the best expenditures we can make. To be sure, organizational and management improvement seem necessary to increase the return on the taxpayer expenditure in these areas.

The majority of the panel believes that the same applies to the space and supersonic transport programs. These may be the great, forward looking investments in the future of our nation for which our age will be remembered. Twenty years from now, few will care how much the American people consumed in food, liquor, and cigarettes, nor perhaps even whether the rate of unemployment was 3.8 or 4.5 percent. But if, to gratify our desire for present consumption, we now default on the great technological challenges and yield world leadership to others, the effects will be felt for generations.

The budget-paring knife can be applied over a wide area. The Federal budget is permeated with accepted spending programs that will not stand the most lenient cost/benefit test. Subsidies to high-income farmers, to the inefficient ship-building and ship-operating industries, to fishing vessel owners and operators, to veterans without

service-connected disabilities; irrigation and reclamation expenditures increasing the amount of farm land on which surplus crops are grown, payments to keep down output of wanted food stuff—there are areas where several billion dollars could be cut if the political will can be rallied. Such a reallocation of public resources from low-benefit subsidies to high-benefit investment areas could be a major improvement in the fundamental efficiency of government spending.

BUDGET REFORM

The textual presentation of the fiscal year 1968 budget gives heavy emphasis to the so-called National Income Accounts (NIA) Budget. This presentation has advantages compared with the traditional Administrative Budget. It is not the best form of budget statement, however, and the shift from one budget form to another at this time raises questions. We welcome the President's recommendation for a bipartisan review of the budget presentation.

The traditional Administrative Budget suffers from important defects. A principal one is that it omits the receipts and expenditures of the Federal Trust Funds, such as the Social Security and the Unemployment Trust Funds. Thus the expenditures in the Administrative Budget for fiscal year 1968 are only \$135 billion, against \$169.2 billion in the NIA Budget.

The Cash Budget, which includes the Trust Funds, is a third presentation of the Government's accounts that remedies this defect of the Administrative Budget. It includes the Trust Funds and arrives at total expenditures close to those of the NIA Budget, with a 1968 total of \$172.4 billion. The Cash Budget differs from the NIA Budget by its greater comprehensiveness—it includes certain financial transactions of the Government—and by recording all receipts and expenditures at the time they occur, i.e. on a "cash" rather than accrual basis. The NIA Budget excludes these financial transactions and "accrues" revenues and, with certain qualifications, expenditures. Tax receipts, for instance, appear in the NIA Budget at the time taxpayers earn the taxable income, instead of some months or quarters later when the actual payment to the government is made. Thus the NIA Budget records more accurately, in this respect, the economic impact of Federal finances.

In recent years, as individual and particularly corporate tax payments have been speeded up, the difference between the cash and accrual basis and hence between the Cash Budget and the NIA Budget has shrunk. Thus, the NIA Budget no longer has important advantages over the Cash Budget in this respect.

The NIA Budget, however, has serious defects of its own. It records Federal purchases of long lead items, such as heavy defense equipment, not while they are being produced, but when they are delivered to the Government. In the meantime, these "goods in process" appear as part of business inventories, even though substantial amounts of Federal expenditures are being made in the form of "progress payments" to defense contractors. In 1965 and early 1966, therefore, the NIA Budget failed to signal the great impact that accelerated defense spending was having on the economy. If defense spending should slow down suddenly, the NIA Budget would again fail to catch promptly the fading away of governmental support to the economy. The Cash Budget is superior in these respects, because it does record the progress payments that the Defense Department makes to its contractors before the equipment is delivered and entered in the NIA accounts as a Federal purchase.

A second defect of the NIA Budget is that, in technical terms, it is not a budget record of actual receipts and payments but an eco-

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nomie projection, i.e. an exercise in statistical analysis. No government department can be run by the NIA Budget, no purchase authorization signed, no audit of expenditures made. It thus fails to perform one of the basic functions of a government budget.

Compared with the Cash Budget, therefore, the NIA Budget has few advantages and several major disadvantages. In the January 1963 Budget Message, it was stated that the emphasis was being placed on the Cash Budget because it is the most comprehensive measure of Federal finance. We strongly believe, for these reasons, that if the Administrative Budget is to be replaced by another, which we agree is desirable, it should be the Cash Budget and not the NIA Budget.

The Cash Budget should be supplemented by a statement of the Government's financial transactions as a borrower and lender. (This would be true also of the NIA Budget, if it were chosen as the basic form of the budget.) Although the Cash Budget covers these transactions more completely than the NIA Budget, it tends to show only the net flow rather than the total of loan disbursements and repayments. The Federal Government makes a variety of loans, which means that it acquires financial assets. It also insures and guarantees private loans. At the same time the Government is a heavy borrower, under its own name and in the name of its agencies. Without passing judgment on how far the Government ought to go into the banking business, we believe that today the Government plays the role of a tremendously large bank. These financial transactions ought to be brought together and presented in a form that permits appraisal of the impact of government financial transactions upon the economy. It should be clear that this proposal has nothing to do with what has been called a "capital budget." The latter implies a segregation of the Government's current and investment expenditures, regardless of whether they are financed by taxes or borrowing. Our proposal is for a financial statement that would disclose the totality of the government's lending and borrowing transactions, showing whether they finance public or private investment. No such distinction is made at present.

The emphasis of the NIA Budget in the President's recent Budget Message calls for another comment. The estimated \$2.1 billion deficit in the NIA Budget for fiscal 1968 is somewhat smaller than the \$4.3 billion deficit in the Cash Budget and very much smaller than the deficit in the Administrative Budget of \$8.1 billion. This is due in part to the way in which the NIA Budget records the continuing buildup in defense expenditures. Even so, the Administrative deficit is held down primarily by various financial devices as the sale of participation certificates in Federal holdings of mortgages and other loans and the speedups in tax collections, which have so little impact on the economy that the NIA Budget does not reflect them at all. It goes without saying that efforts to minimize the apparent deficit should not influence the Government's budget presentation. Even the semblance of such motivation should be avoided. For this reason we regret that an otherwise desirable de-emphasis of the Administrative Budget exposes this year's Budget Message to possible misinterpretation.

Budget reform along the lines proposed need not disturb the principles of income distribution built into the present budgetary structure. The earmarking of payroll taxes for Social Security and unemployment is one of these principles. A clear line must be drawn between an accounting reform and a budgetary decision to redistribute income, such as would be involved in shifting Social Security to financing by the progressive income tax. The Cash Budget would show, of course, which receipts are recorded in the

Trust Funds accounts and which in the administrative (General Fund) accounts.

FLEXIBLE TAX CHANGES

The experience of 1966 shows that it would be very useful to have a method whereby anticyclical tax changes could be made expeditiously. The experience of the year also shows, insofar as unique incidents can demonstrate anything, that if this power is placed in the hands of a Chief Executive, he may not see fit to use it in an election year. Conversely, if a tax cut instead of an increase were at issue, the opposite contingency would have to be contemplated.

As an alternative to Presidential discretion, the Congress might decide in principle the kind of tax increase or cut that should be instituted when the need arose. The legislation could be prepared to the point where only the magnitude and the timing, as well, of course, as the direction, remained to be decided. Action in case of need could then be as prompt as under a system of Presidential discretion. The danger of error or political motivation is always present, to be sure, but the way of democracy is to face up to these risks where a worthwhile cause is at stake. A subcommittee of the Congressional Joint Economics Committee has made constructive proposals in this direction.

REVENUE SHARING

The proposals for revenue sharing with the States will probably have to be postponed until the occasion for a "fiscal dividend" again presents itself. But further exploration could go on now.⁴ The many attractive aspects of these proposals are well known: greater decentralization, matching of the great Federal revenue sources with the great state and local expenditure functions, improvement in the allocation of resources by allowing the states freely to allocate the money to the areas they consider of greatest local priority.

The proposal may also bring about a redistribution of incomes, both geographically and among income brackets. The decision to set tax rates and the allocation to states in a manner designed to redistribute funds should be taken deliberately. It should not be allowed to come about fortuitously or as the concealed result of decisions ostensibly aiming at other purposes. Better and more lasting decisions will be arrived at if these issues are faced clearly and openly.

If no tax increase should be enacted, a very large Administrative Budget deficit will have to be met. It will be necessary to face it realistically. A large deficit as such does not demand a tax increase, if the state of the economy does not require it. If strong inflationary pressures are present, taxes should ordinarily be raised, or government spending reduced, whether or not there is a deficit to be covered.

What is important is that the deficit, whatever its magnitude, be soundly financed. It should be financed by borrowing from the banking system only to the extent that an increase in the money supply, not forthcoming from credit to the private sector, is called for. The rest should be financed from genuine savings.

The deficit should be honestly stated. The rise in spending should not be concealed by treating as a reduction in expenditures the receipts from sales of Federal assets. Such transactions may be desirable, but the revenues should be clearly identified on the receipts side. When these operations take the form of sales of certificates of participation in Federal assets, moreover, they should not be made to appear as sales of the assets

⁴ Robert Ellsworth: *I believe that the need for starting on a new future for Federalism is so great that action ought not to be delayed on budgetary or economic grounds.*

themselves. Many persons who favor asset sales because, rightly or wrongly, they want to get the Federal Government out of the banking business, would not approve of sales of participation certificates at higher interest rates, which are an expensive way of mortgaging assets that continue to be held by the Government. Furthermore, the sale of Federal agency securities should be discontinued when these sales increase the cost of borrowing to the Government or threaten to disrupt financial markets.

CONCLUSION

The year ahead poses unusually delicate problems. An economy at high employment may turn down, or it may tend to inflation, particularly in war economy setting. This suggests caution in all actions to be proposed. It does not mean inaction, and it should not mean resignation. It would be unwise to conclude that nothing can be done about inflation on the grounds that this year's inflation is the inevitable response to last year's. It would be unwise to yield control of the budget to the forces of inertia and conclude that nothing can be done about taxes, or spending, or the size of the deficit. All policy variables are in some measure amenable to guidance, and there is none that we can afford not to guide.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Is there further morning business? If not, morning business is closed.

ORDER OF BUSINESS

The PRESIDING OFFICER. Under the previous order, the Chair recognizes the junior Senator from Oregon [Mr. HATFIELD].

Mr. MANSFIELD. Mr. President, will the Senator yield without losing his right to the floor?

Mr. HATFIELD. I yield.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

PROBLEMS FACING THE FOREST INDUSTRY IN OREGON AND THE WEST

Mr. HATFIELD. Mr. President, when I came to the Senate early this year, I did so with the thought that I would begin my term by listening and observing for some time before speaking—but recent events make it necessary that I speak now.

I am addressing myself to the Senate, as I believe this body should be apprised of one of the most significant problems facing my State and other Western States in which the economy is inextricably tied to land and natural resources.

Most of the lumber, plywood, and other wood products manufacturing plants in the West, now depend, for the most part, upon federally owned timber for logs—the raw material necessary to sustain their operations.

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The ever-increasing demands for logs from Federal lands for domestic and foreign use has caused abnormally high prices for this log supply.

The health of the forest industry in Oregon, which has one-fifth of the timber resources of this Nation, has a direct bearing not only on the economy of my State and the prosperity of its citizens—it also has a direct bearing on the economy and prosperity of this entire Nation.

The tree is the source of many things. Logs are the raw material that provide the lumber for homes, schools, churches—for paper, containers, and more than 4,000 items which contribute so much to the pleasure and well-being of our citizens wherever they work and live—whether in the crowded cities here in the East, on rural farms and ranches, or in small communities throughout this Nation.

I am bringing this situation facing the timber industry to the attention of the Senate for another reason. The executive branch of Government has apparently refused to accept the responsibility for actions required to solve some of these problems and has demonstrated its indifference to its economic impact.

Failure on the part of the administration to act, its tendency to postpone, to drift, and to settle for consensus rather than for specific solutions, is at the root of the problems facing Oregon's forest industry.

For many months the forest and homebuilding industries have had to bear more than their fair share of the results of the fiscal policies and manipulations of the present administration. As the log supply and price problem become more aggravated, there will be more lumber and plywood mills forced out of business in Oregon and the West unless definite corrective measures are soon applied.

The time for action to solve the problems facing the forest industry in Oregon and the West is past due.

The existing high cost of logs from Federal lands in Oregon has, in itself, become a serious problem, and these high prices do not stem from a physical lack of log resources as much as from Government practices which unduly limit their availability to the market.

Even as high interest rates and lack of mortgage moneys this past year drove the cost of home financing beyond the reach of the average family—a situation which I am happy to report is beginning to change for the better—the administration continued programs which drove still higher the price of Government-controlled timber in Oregon and the West.

While I was Governor of Oregon, I became seriously concerned with the situation facing the State's forest industry, as well as the inequity in Federal Government administration of the same resource as between the several States, and I engrossed this concern directly to the President.

In that letter written last October, I pointed out that the most serious problems facing Oregon's forest industry related to:

First. An alltime high cost of logs from Federal lands in Oregon;

Second. Policies concerning allowable

cut which are inconsistent and inadequate;

Third. The need for faster development of primary access roads in the 13 national forests in Oregon; and

Fourth. The need for some concrete action at the Federal level to relieve the high cost of the Federal log supply in Oregon resulting from the impact of log exports to Japan.

In that same letter to the President, I offered four specific recommendations to ease the timber problems just outlined. These were:

First. That the President direct a review, at the executive level, of the philosophies and policies of Federal agencies as they affect the control and administration of the same types of federally owned timberlands in different States;

Second. That the President request the Secretaries of Agriculture and Interior to speed up reviews now underway within their agencies aimed at increasing the regulated annual allowable cuts from Forest Service and Bureau of Land Management timberlands in Oregon—also that these agencies put up for sale, without delay, the additional 469 million board feet of unregulated cut in thinnings and mortality salvage the agencies were then capable of selling last year over and above their regulated annual allowable cuts;

Third. That the President direct that the Federal budget for fiscal 1968 include funds enough to complete, with the least possible delay, the underdeveloped primary access roads in the national forests in Oregon; and

Fourth. That the President arrange for the earliest possible high-level, decisionmaking conference on log exports between the appropriate representatives of the Governments of Japan and the United States, along with the Governors of Oregon, Washington, and Alaska, to discuss candidly—and in a spirit of co-operation—the problems for some and the benefits to others from log exports to Japan and to work toward solutions which will satisfy all involved or affected without decreasing the balance of trade between countries, and without imposing any Government interference on private industry trading.

My letter to the President of October 1966 was never acknowledged. Therefore, after arriving in Washington, and when the situation had worsened and more men had lost their jobs, I again called this problem to his attention. I received a letter dated February 7 from Mr. Gardner Ackley, Chairman of the Council of Economic Advisers, replying for the President and answering both of my letters, the one in 1966 and the one in 1967.

Mr. Ackley's letter acknowledged the number and complexity of issues involved with regard to log supply and indicated that a review of alternative plans is underway to increase the volume of timber for sale from national forests. He also advised that discussions are underway in the Bureau of the Budget between the Forest Service and Bureau of Land Management with a view toward achieving closer harmony between policies of the two agencies.

It appears that the administration is beginning to recognize at least this part of the problem. However, the reply to my recommendation for a high-level decisionmaking conference on log exports was that the proper course at the present time was to keep the situation under constant and careful review, and that any international conference would be premature.

Log exports, one of the most serious problems facing the timber industry in Oregon and the Northwest, was simply brushed aside by the Johnson administration.

I stated in my October letter to the President that this issue is one that transcends political party lines, and one that requires prompt attention. I urged the President to intercede personally and forcefully to move the subjects outlined from discussion to solution.

The evasive and negative answers to my specific recommendations for action to alleviate the distressing situation facing the forest industry in my State and the West leads to the obvious conclusion that there will be little action at this time by the executive branch of Government. I am, therefore, alerting you to a serious situation that has been ignored by the President and Federal agencies.

The subject of log exports to Japan requires immediate attention.

During the time of my letters to the President, the Japanese were announcing an expected doubling of their log imports. According to figures compiled by the Pacific Northwest Forest Range and Experiment Station, the research arm of the U.S. Forest Service, log exports for 1966 from Oregon and Washington to Japan were 32 percent greater than in the preceding year of 1965. Softwood log exports from the two States reached 1.1 billion board feet in 1966. The doubling of log exports to Japan will not only add to the existing problem of inadequate and high-priced log supply now facing most of the lumber milling industries in the Northwest, but which will also add to other problems as well.

It cannot and should not be assumed, however, that the log export issue is the sole issue in creating the present critical situation now facing the Northwest's timber industry. It is an important factor and should be dealt with as such.

At this time, I question the proposing or placing of legal restrictions on log exports. It seems that this would be attacking a symptom rather than the cause of the ailment. But I do believe that a frank evaluation of our problems and those of Japan in a conference of the two nations would be mutually beneficial in avoiding a severe crisis which will inevitably come unless we act and act now.

The most serious threat in the rapidly developing timber crisis in the Northwest is not so much to the large organizations which have their own timber resources, but it is to the small and middle-sized milling operators having no timber supply of their own and who depend entirely upon the Government-controlled log supply. These are the mills that, while providing thousands of jobs,

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encourage full participation of the small businessman in the economic mainstream in communities throughout the Northwest. The threat of a further decline in these types of operations is far more than to just the individuals and their mills. The threat is to the competitive system that has given strength to the growth of this Nation.

The crisis in timber supply in the Northwest has been developing over a number of years. The demands upon the forests of Oregon and Washington during World War II were enormous, when some 45 billion board feet of lumber were cut in these two States alone during that war period. Of the 45 billion board feet cut, less than 3 billion board feet came from national forests due to the inaccessibility of forest timber. The result was that the readily accessible privately owned timber was harvested first thereby turning the industries' present demands to the Government timberlands for raw material supply.

To illustrate recent trends, approximately 9 billion board feet of timber was harvested each year in 1964 and 1965, of which 5 billion board feet came from public timber lands and 4 billion board feet from privately owned timberlands. It is now estimated that the commercial timber reserves in private ownership in Oregon will shortly be able to produce less than 3 billion feet per year.

The further reduction in timber supply from private lands in Oregon, coupled to an increase in log exports to Japan, presents the probability of a staggering imbalance between timber demands and supply in Oregon unless the supply from Federal lands is increased.

Permit me to emphasize, and reemphasize, the point that Federal policy in management of timber is the key to the health of the timber economy, and, therefore, the entire economy of Oregon, for one very basic and very simple reason—the Federal Government owns well over 80 percent of the existing commercial timber in our State, and over 51 percent of our geographic area. The large scale of Federal ownership in Oregon makes it obvious that the solutions to forest industry problems of demand and supply must come from the Federal Government. There are solutions to these problems and one part of a possible two-pronged solution is to find a way to increase the available supply of logs. The other part is to develop a policy on log exports within the framework of free trade and existing treaties between this country and other nations.

The first part of the solution—finding a way to increase the available supply of logs—bears serious consideration on the basis that the two Federal agencies controlling most of the commercial timber in Oregon have annual allowable cuts which vary, as between the two agencies, as much as 100 percent.

A study completed last fall for the Oregon Department of Commerce showed that in Oregon the annual allowable cut of the Bureau of Land Management is well above that of the Forest Service for similar lands in similar geographical parts of the State.

In a letter written to me while I was Governor, the top Forest Service official in Oregon commented on the specific amount of difference in the allowable cut of the Bureau of Land Management and of the Forest Service in western Oregon.

He stated that this was difficult to determine because of the differences in measurement systems, differences in growing sites and productivity of lands, differences in allocation of acreages for experimental purposes, and the differences in marketability of species.

Forestry experts and others tell me that no matter what the extent of the percent of difference in annual allowable cuts may be, the Bureau of Land Management is still well above that of the national forests in getting its lands into high production.

The basic question is: What is the factual justification for the wide difference in allowable cuts from comparable lands administered by different agencies of the Federal Government?

Regardless of the exact amount of percentage difference, and this is the important point when considered in terms of volume, this percentage difference could be measured in billions of board feet, and could conceivably go a long way in providing a log supply which could begin to meet the needs of both the domestic market and the log exports to Japan.

I must emphasize that I am in full accord with a properly coordinated and balanced sustained-yield program for our natural resources that insures the maximum continued renewal of these natural resources. This is the highest concept of conservation.

I have noted that the Forest Service revealed just recently it expects to sell an additional 217 million board feet of thinnings and salvage timber in the Northwest by June of this year. These will be selective cuttings to allow better growth or to remove diseased or fallen trees.

I have asked for funds to permit the sale of an additional 252 million board feet of thinnings and salvage timber which is available now over and above the annual allowable cut.

I am also in accord with a program whereby Congress will provide funds to allow the fullest and fastest development of its access road system in all national forests in the country. Access roads are urgently needed to harvest overripe timber in Western States. During the past several years, Senators from other Western States have testified to this urgent need.

Recent congressional action increased the authorization for the development of forest roads. Since the Federal Government receives 75 percent of the revenue from the sale of Forest Service timber, a speedup in road construction will increase returns to the Federal Treasury and at the same time provide access to the needed timber. I emphasize at this point the need is to extend the access road system, not necessarily merely to improve existing roads.

It must be remembered also that such roads not only open the forest for harvest operations, but are used for recreational

purposes and as access routes to protect the forest from insects, disease, and fire.

The second part of a possible two-pronged solution to the problems facing the forest industry in the Northwest is to undertake steps now that will provide the most practicable and equitable settlement of the issue of log exports to Japan.

Two of Oregon's leading newspapers, the Oregonian and the Eugene Register-Guard, in recent editorials very clearly brought the subject of log exports into sharp focus. I ask that the editorial entitled "Persistent Problem," from the Oregonian of February 20, 1967, and the editorial entitled "It Is Time To Talk Turkey With Japan," from the Eugene Register-Guard of February 24, 1967, be included in the RECORD with my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. HATFIELD. While the damaging impact of log exports to some in the forest industry has been the subject of almost continuous dialog between industry and Government for a number of years now, a new wood product—woodchips—is now being exported to Japan to the advantage of others in the forest industry. Woodchips are manufactured from the portions of the log that were formerly waste and are used in the manufacture of pulpwood.

According to figures compiled by the Forest Service, the volume of woodchips to Japan from Oregon in 1966 totaled more than 180,000 cords. This is double the 1965 volume and is expected to continue to rise. Woodchips and logs must, therefore, be viewed in the context of the total forest products exports to Japan.

Another subject related to the log export issue is the difference in Federal rules as they apply to the different States. The Federal Government controls over 80 percent of the commercial timber in Oregon and places no restrictions on where this timber may be marketed. Yet under the provisions of a Federal law enacted 40 years ago, the Secretaries of Agriculture and Interior have imposed certain restrictions on the exporting of timber cut on any public lands in Alaska—even to the extent of prohibiting the export of logs from the State of Alaska to the States of Oregon or Washington.

The restrictions on log exports from Alaska to Japan mean that the bulk of Japanese demand for export logs must come from the States of Oregon and Washington, and some contend that the spiraling price of logs from Government-controlled timberlands in these two States results, in part, from this restriction on log exports from Alaska.

I realize that the law prohibiting log exports from Alaska was designed to protect a timber supply for the development of Alaskan industry—and I am in full accord with the buildup of industry in Alaska. It seems, however, that this 40-year-old law designed for this particular purpose might now be detrimental to competitive and full utilization of our natural resources, as it is my understanding that a sizable amount of the annual allowable cut from the public

lands in Alaska has been unsold each year and is, in effect, wasted. Such being the case, it could be argued that inconsistent Federal policies have inequitably prohibited the export of logs from public lands in a State where logs have been plentiful and contributed an artificial log shortage, and abnormally high prices for these logs, in neighboring States.

As the Governor of one State, I realized at the time that an attempt to resolve what appeared to be an inconsistent administration of the same type of federally owned lands in another State was certain to be a sensitive matter. For this reason, and since Congress had by law delegated authority to the Federal agencies for the handling of the matter of log exports from national forests, I recommended to the President last October that he take whatever steps were required to review an inconsistent Federal policy by the States as it related to the same natural resource.

Since the administration has virtually turned its back on the log export issue, I call upon my Senate colleagues to join me in requesting an early meeting between appropriate representatives of the U.S. wood products industry, Federal and State officials of the United States, Japanese business interests, and Japanese Government officials to review all aspects of the log export issue with a view to uniting the effort needed for remedial action.

This type of conference, I believe, can point the way for resolution of this vexing problem.

The crisis confronting the timber industry in my State illustrates the tremendous impact of Federal policies upon the State and the need for the State's voice to be heard in the shaping of policies relating to one of its great natural resources. The situation that I describe in Oregon can well illustrate what can happen in other States and to other natural resources.

Mr. President, in conclusion, let me remind you and all the Members of this body that the forest lands in Oregon and the West are a source of richness for all of America. From these lands flow an abundance of benefits granted no other nation on earth. The custody of these benefits demands no less than the combined national efforts in assuring their maximum and equitable use forever.

EXHIBIT 1

[From the Portland (Oreg.) Oregonian, Feb. 20, 1967]

PERSISTENT PROBLEM

The Pacific Northwest Forest and Range Experiment Station has revealed that log exports to Japan from Oregon and Washington last year were 32 per cent greater than in 1965. Japan took 1,023 million board feet of logs, accounting for nearly all the exports. Canada got 59 million board feet, not quite half as much as in 1965.

Japan also more than doubled its imports of pulpwood chips from Oregon to a total of 182,651 cords.

Log exports provide jobs for loggers and longshoremen. The good prices the Japanese are willing to pay bring profits to both private timber owners and the federal government, which has the largest supply of timber.

But Japanese competition for logs raises the price American industry must pay for

its raw material. Export of raw logs also cuts wages and profits running into millions of dollars which would go to U.S. workers and mill owners if lumber were exported instead.

The log-export issue, which has boiled and simmered for years, is about to boil over again. Recent low prices for lumber and plywood have placed the Pacific Northwest industry in a serious squeeze. Much of this can be blamed on the slump in home building. But the ever-increasing export of logs is a factor which makes a large segment of the domestic industry see red.

Those who profit from the log trade naturally have a different perspective. They contend that the Japanese mainly buy logs which are too small for the domestic market or are of species not in great demand here. Douglas fir accounted for only 11.5 per cent of last year's exports and Port Orford cedar 3.1 per cent. The remainder was made up primarily of hemlock and true firs.

That the export trade is valuable is shown by the \$91.9 million price tag the experiment station placed on last year's business. This was 30.5 per cent greater than that for 1965.

Some foresee a doubling of Japan's demands on this region's principal raw material. This, they fear, would tighten insufferably the price squeeze on U.S. wood processors and would make even more ridiculous the position of a region fully able to manufacture finished products which, nevertheless, is sending out much of its resource in a raw state.

How can log exports be controlled within a free-trade framework and without endangering other highly valuable trade with a friendly nation? Many suggestions have been made but as yet none has proved effective when adopted.

Oregon law (ORS 528.805 to 526.835) provides that all timber, except Port Orford cedar, sold by the State of Oregon or any of its subdivisions shall be "primarily processed" in the United States unless the State Forestry Department has issued a permit for processing elsewhere. Issuing of a permit depends on a finding that there is no reasonable local market for the logs. A similar proposal is before the Washington Legislature. British Columbia has strict controls on export of raw timber and Alaska forbids it.

State timber is a small part of the supply in Oregon and Washington. To have much effect on log exports, the Forest Service and the federal Bureau of Land Management would have to establish primary processing or other controls. Such proposals have been rejected in Washington. Export quotas and distribution of export purchases over a wide region so that no locality takes the major brunt have been suggested.

Sen. Mark Hatfield has again asked President Johnson to call a conference of high-level United States and Japanese officials to consider the problem. As he did last fall as governor of Oregon, Sen. Hatfield requested that policies affecting government timber be made consistent, i.e., that export of Alaska logs be permitted on the same basis as those from Oregon and Washington.

Whether U.S. and Japanese cabinet-level negotiators could arrive at a solution acceptable to both sides and to interests within the U.S. industry is problematic. However, it is worth a try and Mr. Johnson should get such a meeting under way.

[From the Eugene (Oreg.) Register-Guard, Feb. 24, 1967]

IT IS TIME TO TALK TURKEY WITH JAPAN

Eventually, so why not now?

That familiar line has become the keynote in arguments by Oregon and Washington lumbermen for federal action to limit log exports from these states to Japan.

Citing constantly increasing Japanese purchases of logs taken from Oregon and Washington forests, the lumbermen are proving

a point that sooner or later reasonable controls must be adopted. Otherwise, the forest products industries of these two states will be drastically affected. To an impractical and unreasonable degree, Oregon and Washington will lose economically if they become too much raw material suppliers for Japan and mills in these states are forced to close down because they can't match prices the Japanese are willing to pay for logs.

A Seattle publication predicts that Japanese log purchases in Oregon and Washington will be "well over 1 billion (board) feet" a year by 1970. That volume is greater than Lane County's annual log harvest ran prior to the close of World War II and not significantly larger than the greatest log harvest made in Lane County since the war.

Next to Douglas County, Lane is the largest log-producing county in the United States. So, in this perspective, Oregon and Washington lumbermen cannot be accused of exaggerating their claims that controls must be worked out to keep log exports to Japan within bounds.

British Columbia, whose mills export large quantities of finished lumber and plywood to the United States, permits hardly any exporting of logs to Japan. And Alaska, where timber growth easily exceeds mill demands, enjoys federally imposed prohibition of raw log exports. Consequently, Alaskan mills—some partly capitalized with Japanese money—sell practically their entire lumber output to Japan.

Why Oregon and Washington lumbermen ask, shouldn't the Japanese be required to buy more finished lumber and plywood from these states—in return for negotiated rights to continue making controlled-rate log purchases?

The Japanese are reasonable, wise in the ways of business. It should not be hard to convince their government that a quid pro quo agreement involving Oregon-Washington logs and lumber would be to the long-range advantage of both Japan and the United States.

Eventually, something will have to be done to prevent ruination of Oregon and Washington forest products industries. Even if regulations are changed to permit Japan to import some Alaskan-grown logs, as Oregon's Senator Mark Hatfield has suggested, policies governing exports from Oregon and Washington must be thoroughly reviewed. It is senseless for the United States to import Canadian manufactured lumber and plywood on the one hand, while, on the other, Oregon-Washington mills are going broke and releasing workmen because they can't afford logs grown virtually within sight of them.

Again, the Japanese are realists. They would not sacrifice their own best economic interests as the United States is doing in this instance. Nor, honestly and fairly dealt with, would they believe they were being discriminated against if their log-buying opportunities were sensibly controlled.

Senator Hatfield has asked President Johnson to call a high-level conference of U.S. and Japanese officials on questions in this area of the two nations' trade relations. Delay of such negotiations can only lead to aggravation of the questions involved and make their sensible solution more difficult.

Mr. PERCY. Mr. President, I am privileged to commend the junior Senator from Oregon on his maiden speech. I know how he feels in not wanting to rush into this endeavor, but I think when he has a problem as vexing as this is, affecting a great State and a great industry, and he sees that action must be taken and is not being taken, he has an obligation and a responsibility to speak as he has.

I think that in the junior Senator from Oregon we have a degree of exper-

tise in a complex field that is unique. He was Governor of his State for 8 years. He has a profound understanding of the interrelationship that must exist between States and the Federal Government. With the Federal Government controlling 80 percent of Oregon timber, it is not possible for the people of that State or the industry to solve the problem unless the Federal Government is responsive to the wishes of the people.

Second, the Senator from Oregon has with great foresight looked ahead to the problem that we will be facing and that will be much more critical in the years ahead. Too frequently the Federal Government deals with immediate problems and does not concern itself with ultimate problems. I think that we in the Senate should look ahead and solve problems that are not yet crises, with the thought of warding off crises by timely action.

Third, in indicating that it will be necessary to work with our friends in Japan, I would hope the Senator would find a responsive audience. I would be pleased indeed if I could be of assistance in this regard. My own relationship with the Government of Japan goes back many years. I felt the camera industry should be encouraged in that country following World War II. I worked, in the reciprocal trade agreements, to reduce tariffs on cameras into this country, so that Japan and Germany could have an equal opportunity to compete with the domestic camera industry. I saw the expertise of the competition result in the "heat getting hotter in the kitchen." I stood firm on the idea that we should allow our friends to compete with the domestic industry, and that we should develop our own research and development and expertise. I stood firm for that principle rather than the principle of withholding their access to our markets.

I think the Japanese people are cognizant of the fact that we have been firm friends and ought to think of being amenable to helping us work out the problems that we find in the great lumber industry.

Lastly, I should like to commend the Senator from Oregon for his contribution to a better understanding on the part of all of us a very complex subject which I, from the Midwest, did not fully understand or comprehend. The quality of his analysis provides understanding of an effort toward solution. It will enable us to look ahead to a solution that will be of aid not only to the people of Oregon and the industry, but to the entire Nation as well.

Mr. HATFIELD. I wish to express my appreciation to the Senator from Illinois [Mr. PERCY]. I would add one further thought concerning this particular problem, which goes far beyond even the borders of this country.

About 2½ years ago, it was my privilege to join with a group of business leaders of my State in what is commonly referred to as a trade mission to Japan. We had the privilege of visiting one of the largest pulp paper mills in the country of Japan, the Oji Paper Mill at Tomakomai, in northern Hokkaido.

While going through the mill with the plant manager, we fell into a discussion about the need for the natural resource to continue their paper production. He readily and frankly acknowledged that they had to find the resource somewhere. They were hopeful that they could continue to obtain it from the Pacific Northwest of the United States, but he stated that if they were forced to do so, they would have to turn to the Soviet Union.

He then commented, I think very profoundly, in a rather facetious tone and manner, but yet communicating a very important idea. He said:

I have long believed that red pulp tends to lead to red newsprint.

I think it is of major importance us that we seek to have friends throughout the world. We cannot isolate ourselves with trade barriers and obstacles that prevent the flow of goods and services. At the same time, we have a responsibility to our own domestic producers and to the people who depend upon prosperous domestic companies for their employment. But I believe all these things can be accomplished beneficially both to our neighbors in the world and to our own people, as we work together to solve these problems, which are not insoluble. That is why I feel strongly about such an avenue of approach to this problem as a conference. We found a warm response to such suggestions when we were in Japan, talking with its business and political leaders.

Japan is our friend, and wants to continue to be our friend; but the Japanese must also produce jobs for their people and must seek natural resources to provide such jobs. That is why the Pacific Northwest States—and I believe we are unanimous in this—are deeply concerned, and invite the interest and support of other States as well.

Mr. HANSEN. Mr. President, will the Senator yield?

Mr. HATFIELD. I yield.

Mr. HANSEN. I add my congratulations to those expressed by the junior Senator from Illinois for the excellent presentation of a complicated and certainly widely misunderstood subject, with which the junior Senator from Oregon is so intimately familiar.

The Senator has contributed mightily to a better understanding of the problems that confront the Nation in the presentation he has made this morning. I say that because, coming from the West as does the distinguished Senator, I believe the Pacific Northwest has an important role to play in the strengthening and the full development of the country. Certainly if we do not use all of our natural resources, particularly our renewable natural resources, of which timber is a most important one, we cannot hope to make the contribution that otherwise would be within our power.

I shall not add much to what the distinguished Senator from Illinois has already stated about the importance of strengthening the ties between the United States and Japan. I was in Japan about a year and a half ago, and I, too, appreciate the tremendous contri-

bution which that country is making toward the extension of a democratic way of life in Asia, and the added strength that is thus given to our determination and our convictions in all of the Orient.

Certainly newsprint is an important commodity, one that is becoming more important as time goes on. I, too, come from a State which has some timber stands. Because I do, I would say to those from the East who are not as aware of the fact as some of us are that with the ravages of insect disease, the problem with timber is not simply a matter of storing or keeping a resource for use at some future time. Timber has a life-span; it has a life cycle; it grows up. If it is not used at the time when it becomes ripe, it is often felled by insect diseases, and it can be scourged by the ravages of fire.

That fact lends a special importance to the wise observations made by the junior Senator from Oregon as to taking advantage now of the opportunity to institute a national program that will contemplate the use of these resources on a sustained yield basis, and which would permit the great capability of the State of Oregon and other States in the Pacific Northwest to utilize better this important renewable resource.

As we do that, as we make more jobs available, and as we add to the income, to the industry, to the prosperity, and to the tax base of the States in the Pacific Northwest, we will contribute to the strength of America and make possible places for Americans to find homes where the air is clear and the streams are clean, and we do not have all of the problems that exist in some of our metropolitan areas.

What the Senator from Oregon has said this morning is of great importance. I compliment him for his keen understanding of the many ramifications of the problem, and I urge that the Senate heed and consider carefully the important message he has given us.

Mr. HATFIELD. Mr. President, I wish to express my appreciation to the Senator from Wyoming [Mr. HANSEN] for his comments and observations. I had the privilege to serve with him as a fellow Governor and am completely aware of his great leadership in the area of natural resource development. I am proud to sit with him now in the back row of the U.S. Senate.

Mr. FANNIN. Mr. President, I join my fellow Senators in commending the junior Senator from Oregon. Although I did not have the privilege of being present when he made his remarks, I did hear the statements by the junior Senator from Illinois and the junior Senator from Wyoming in relationship to his remarks. I know of his great ability, how articulate he is in expressing himself, and how dedicated he is to his State of Oregon. My State, too, is vitally interested in the problem to which he referred; so I shall be eager to read his statement. I again congratulate him for his outstanding services to his State and to the Nation.

Mr. BROOKE. Mr. President, will the Senator yield?

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Mr. HATFIELD. I am happy to yield.

Mr. BROOKE. Mr. President, I am pleased to commend the distinguished junior Senator from Oregon for his timely and informative remarks concerning the crisis confronting the timber industry in the State of Oregon and in the western part of our Nation.

I sincerely trust that we in the Senate will join with Senator HATFIELD in requesting an early meeting of United States and Japanese Governments and industry officials to review all aspects of the log export issue with a view to uniting the effort needed for remedial action.

Senator HATFIELD is to be congratulated for bringing this important matter to the attention of the Senate.

Mr. HATFIELD. I thank the Senator.

THE ABM—LET US BEGIN

Mr. FANNIN. Mr. President, years from now when historians sit down to write a treatise on the 90th Congress they doubtless will emphasize its concern with foreign policy and military affairs. For this Congress, more so than most other Congresses, it seems to me, has focused its attention on efforts to secure and construe a meaningful peace in the world.

Admittedly, our efforts to secure man's oldest dream, his natural right to be his own master, have been strikingly dissimilar. On one hand, we have substantially increased military aid to South Vietnam, a small Asian nation struggling for the right to determine its own destiny. And at the same time, we have entered into another agreement with the nation that, by deed no less than word, is our principle adversary; and we have done so in the hope that it might somehow be a step toward peace.

Needless to say, these were not easy decisions to make, either for the President or for Congress. Nor were they unanimously made. They involved complex and interrelated problems and men of good will supported each side of both issues, as they do even today.

Some years ago Yale classicist Richmond Lattimore observed that the essence of Greek tragedy is not that it is between good and bad, but that it is between good and good—an observation that applies equally well to the present situation. No one knows with certainty that his choice is necessarily correct, for wisdom and truth and right are rarely 100 percent on one side. But the decisions have to be made, and—differ though we do—we make them.

It is important, Mr. President, that we remind the world that our differences never reflect a fundamental disagreement on the basic issue of peace. That matter is never contested. There is no one among us who does not desire the cessation of hostilities, not only in Vietnam, but also throughout the world. There is no one in this Chamber who does not pray for better relations among all nations. Nor is there a responsible American who does not long to curb the worldwide aggressiveness of what Edmund Burke, in another age, described as an armed doctrine.

But, as Professor Lattimore suggested, the choice open to us is not clear, neither black nor white. And those who view these decisions in terms of "war or peace" or "Red or dead" or "hawk or dove" do a great disservice to the Nation.

But still the euphemisms are hurled about carelessly, often maliciously.

This dilemma can best be illustrated in the present controversy of whether the United States should proceed to install an antiballistic missile—ABM—system. To some, principally spokesmen for the administration, the deployment of such a network, even though it is purely defensive in design, is viewed as a needless escalation of the nuclear arms race. To others, including many military experts, some of whom are Members of this body, the ABM system is viewed as the best deterrent to a nuclear war. Surely, no one can say with assurance that those who support the second proposition are less concerned with peace than those who support the first; neither can one logically argue that those who endorse the initial proposition are less concerned with national defense than are those who support the second. The issue is not that deducible.

Personally, although I am neither a military expert nor a scientist, I am convinced of the superiority of the second argument: that the United States must undertake immediately to develop and deploy an effective antiballistic missile system.

I take this position for two reasons. First, according to intelligence reports, Soviet Russia is already beginning to deploy a defense system designed to protect its major cities against attack by intercontinental ballistic missiles. And, second, increasing amounts of reliable evidence suggest apparent advances in the Soviet's offensive capacity, notably in the area of multiple warhead technology.

Since the beginning of the nuclear age, approximately two decades ago, the United States has preserved an uneasy world peace by its unquestioned superiority in strategic offensive weapons. We have made it clear to would-be aggressors that any sneak attack they might initiate, however damaging to the free world, would invite an automatic response so terrible as to be intolerable to them. And our strategy has worked. Nuclear peace has been maintained. But we are faced now with a different set of circumstances. We are confronted with the realization that a potential enemy—convinced his scientists and engineers have built a practically perfect defense against retaliatory attack—need no longer restrain his belligerence and might in fact be encouraged to unleash a nuclear attack that would rain fire and death and destruction across the length and breadth of our land.

Clearly, the decision to develop and deploy an antiballistic missile system is a painful one for the administration to make, but it is a decision which must nevertheless be made, and made now. We stand once again at a crossroads in our efforts to deter a major nuclear war, and the decision to act cannot be held any longer in suspension.

So far the administration has resisted

every attempt to speed up the deployment of an antimissile defense network, arguing that to do so would touch off the biggest and most expensive arms race the world has ever known. And, according to this argument, when the balance of military strength is again stabilized, on the new plane so expensively purchased, the world will be less secure than ever. Consequently, the administration has sought to end the arms and defense spiral through diplomatic efforts, through negotiation. It has attempted to persuade the Russians to enter into an agreement banning the deployment of antiballistic missiles by both the United States and the Soviets. But its efforts so far have been in vain. In fact, only 7 weeks ago in London, Soviet Premier Alexei Kosygin apparently ruled out a ban on antiballistic missiles.

I believe that defense systems, which prevent attack—

Said the Premier—

are not the cause of the arms race, but constitute a factor preventing the death of people.

Yet even if the Soviet Union were to express interest in such an agreement, the agreement itself must be suspect. Surely, the Soviet Union will not enter into an accord that provides for verification and inspection, particularly when verification in this field would involve disclosures even more sensitive than those involved in inspection of thermonuclear explosions. And, from the standpoint of the security of the free world, an agreement without verification is totally unacceptable. Also, there is the important point that my knowledgeable colleague, the Senator from South Carolina [Mr. THURMOND] raised when he said:

A piece of paper with the name of the Soviet Union on it is not an acceptable alternative to an effective ballistic missile system.

It is not that the distinguished Senator, or myself or the majority of American people would not like to believe the Russians and to take these agreements at face value. It is not that at all. It is rather that history has proven, by example after example, that Soviet officials will honor agreements only as long as they serve their sinister purposes to rule the world.

But even if we share the administration's opinion and optimism that Russia is interested in halting the arms race, that it will open its country to inspection and verification, and that it can be trusted to abide by the terms of the treaty, even if we grant all these improbabilities, where does that leave the United States in the face of Red China's growing nuclear threat? What could be more foolish than to agree with the Soviet Union on a treaty banning ABM's if it meant eventually facing a Communist China armed with sophisticated nuclear weapons and protected by an ABM system of its own? And Red China's threat as a nuclear power must not be dismissed lightly. Indeed, Defense Secretary Robert McNamara has conceded that the Chinese probably will launch a long-range, nuclear-tipped bal-

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listic missile before the start of a new year.

Therefore, any agreement between the United States and the U.S.S.R. not to deploy a ballistic missile defense system would be of questionable value. To be truly effective, such an agreement must bind all nuclear nations; and there is little likelihood that China, given its present bellicose nature, is in any way interested in it.

I am not suggesting the United States abandon its efforts to reach an acceptable agreement. These negotiations should continue. Yet the fact remains that while we agonize over what to do, and while the administration speaks hopefully of an effective anti-ABM system treaty, the Soviets are deploying an ABM system throughout the U.S.S.R. and, at the same time, are enlarging their offensive arsenal.

Reliable intelligence information proves that the Soviets' missile defense system is not limited to the Moscow area, as spokesmen for the administration have thus far insisted. Rather, the Soviet system reportedly rings several large cities and is stretched throughout the northeastern regions of the country, the corridor which U.S. land-launched missiles must travel to hit vital Russian targets. In fact, less than a month ago leading Soviet military leaders, including Gen. Pavel F. Batitsky, a deputy defense minister, boasted unqualifiedly that missiles fired at the Soviet Union would never reach their targets. While that claim doubtless is an exaggeration, it nevertheless indicates, or certainly implies, that some Soviet officials are convinced they could protect the most vital parts of their farflung territory from attack.

I need not remind anyone, Mr. President, that the Soviets never stopped to consult with American authorities before beginning to deploy their missile defense network. Unquestionably, they had previously concluded that the antimissile missile would in some way enhance their overall strategic military posture. Authorities are of the opinion that the Soviets' decision to start production on an ABM system was made in 1964, after they had time to analyze the results of their A-bomb tests of 1961-62.

It is worthwhile to remember that with those tests, which were designed in part to gage the effectiveness of antimissiles at various altitudes, the Soviets broke a pledge to the United States by ignoring a moratorium on nuclear explosions.

But, however, the Soviets arrived at the decision to proceed, by doing so they clearly rejected the assumption that U.S. reaction to such deployment would negate its strategic importance, whether that value is viewed in political, psychological, or military terms.

However, it is in terms of the U.S. strategic requirements—not the Soviets'—that the issue must finally be resolved. It is useful, therefore, to examine the question of an antimissile defense system—Nike X—from the following three viewpoints: First. Would it save lives? Second. Would it strengthen our deterrent force? Third. Would it en-

hance our overall strategic position in a meaningful way?

As for saving lives, it must be acknowledged that the very best defense system man can ever hope to devise probably will be inadequate against a nuclear attack. And in this regard the ABM is no exception. But in light of the unavailability of a better defense network, and with full recognition of the fact that many millions more would die if left unprotected, the Nike X system offers Americans an element of hope—at least until such time as we can effect a change in the international situation or, better yet, in human nature. An adequate defense system is necessary because all men have not accepted the teachings of the prophet Isaiah, who warned that lasting peace will come only when men "beat their swords into plowshares, and their spears into pruning hooks; nation shall not lift up sword against nation neither shall they learn war any more."

In the United States alone, it is estimated that an ABM system could cut deaths from 130 million—the estimated number who would die in a surprise attack if no such system were in force—to 60 million—thus a saving of 70 million American lives. Such an estimate cannot be dismissed lightly. James Burnham, a highly respected military analyst with whom I mostly agree, argues against an antimissile defense by writing that there is no significant strategic difference between 130 million and 60 million casualties. And perhaps he is right—strategically. But Americans by and large have been conditioned by Hawthorne's belief that each and every individual is important in some respect, whether or not he is important strategically. Fortunately, the Nation's value system is not so disjointed that it will carelessly write off the lives of 70 Americans—to say nothing of 70 million.

No, we can never hope to save the lives of all Americans, or perhaps even the majority of Americans; but that does not mean that we should not safeguard however many lives as possible, within our capacity to do so.

As to whether the ABM system would strengthen our deterrent force, the answer is again an unqualified "Yes." No matter how good its own defense, no nation would be so foolish as to unleash an attack against another nation whose defense it could not hope to penetrate and whose retaliatory capacity it could not hope to immobilize. To do so, would be, at best, to fight a nuclear stalemate; at worst, to commit nuclear suicide. Conversely, if one assumes a relative balance in strategic offensive forces, and then introduces a defensive component on only one side, it is entirely conceivable that the defensive capacity might, in a given situation, swing the balance to such a degree that the favored nation would initiate a nuclear exchange, knowing that the damage it would inflict would be far greater than it would sustain. Thus, possessing the same approximate offensive weapons as the Soviets, the United States is benefited by the ABM deterrent factor in two situations: either when we alone have such an operational system, or when we have as

effective a system as they have. It is only when we lack the protection that another nuclear nation has, or thinks it has, that the true danger of nuclear war is maximized.

More significantly, U.S. military policy relies heavily on what has been characterized "extended deterrence"; that is, our strategic capabilities have a restraining influence on Soviet foreign policy generally. This vital role could be seriously, perhaps irrevocably, impaired by an effective, comprehensive Soviet ABM system. In the final analysis, deterrence is a state of mind, a euphoric condition that could lead a would-be aggressor, who is himself protected by antimissile missiles, to conclude he could support a more aggressive foreign policy at an acceptable level of risk. If he were correct in his assumption, the U.S. strategic position would be eroded; if he were wrong, a confrontation of fateful consequences could follow. But in either case, U.S. security—in fact, the free world's security—would be impaired. It seems to me that this possibility could best be avoided by deploying the ABM as one element of a comprehensive defense network.

This leads, then, to an analysis of the third proposition, whether a missile defense system would materially strengthen the overall strategic position of the United States. And here the answer also is "Yes"—it would. In this instance, the question is not simply whether an ABM system would save lives or preserve what one news magazine called the "balance of terror" in the world. Rather, the question is whether the Nike X would strengthen the U.S. strategic position to a degree that would enhance our foreign policy generally.

However distasteful the thought might be, the fact nevertheless is that America's greatest foreign policy successes have occurred during periods when the balance of strategic forces—geography, economic strength, psychological considerations, military strength, et cetera—clearly favored the United States. For, beyond their function as a deterrent to nuclear attack, the forces serve also to limit a would-be aggressor's freedom of action by posing an ultimate threat. And the true measure of superiority is the degree to which they limit or support other courses of action, military and political alike.

As I previously indicated, the United States has enjoyed a strategic superiority by reason of its massive offensive capability. And while this capability remains of continuing importance, its significance may come increasingly to depend upon our capacity to protect the Nation from nuclear attack, if for no other reason than to reduce the potential for nuclear blackmail. Conversely, the Soviet deployment of a high-confidence anti-missile-missile system might lead them to conclude, however, erroneously, that the balance of power had been altered in ways to justify foreign adventures, an illusion which could produce decisions damaging to our foreign policy interests and threatening to the nuclear peace.

Both Secretary McNamara and James