

Speech to the City Club dated 7/26/85

Its always a pleasure to appear before the City Club because as we all know it is one of the most prestigious forums in our state. I was asked to give a speech recently before a large audience and I was sitting there waiting for the Masters of Ceremonies to say a few kind words about myself. I sat there in keen expectation and the intro went something like this: Friends, the obvious duty of a toastmaster is to be so dull that the speaker will appear brilliant by contrast. But today, I don't believe I can do it.

Late last night as I got out of Washington, much later than I thought, and I was winging my way out to Oregon I couldn't keep from thinking again and again as I thought about the introduction that might be given for me today how apt that introduction might indeed be. But I am very very pleased to be here and the topic we come to discuss is an extremely important one for all of us, for our state, for our region and for future generations of Oregonians and Northwesterners.

What I'd like to do, if I could, is deviate to some extent from the norm in the format of the CC and deal in a dialogue on how we might chart a course for Oregon and for the country that will get us out of what I consider to be the incredibly dangerous seize that I think economically we are in.

But before I begin, I'd like to share some news with you about a separate but very serious situation that has been on your minds as well as mine as well as the minds of other members of the delegation. As most of you know on November 7 of last year the US attorney for Oregon said publicly that he had demanded the resignation of Christine Olson Rogers, an assistant US attorney. Christine Rogers had chaired your study of adult prostitution in Portland and presented that study to the public in August last year. Less than a month later as most of you know the US attorney asked his superiors in the US Justice Dept in Washington for instructions as to how to handle Ms. Rogers and her association with the City Club study. A short time after that Ms. Rogers was out of a job. You don't have to agree with the details of the CC study to be worried about the implications of the Rogers case. I have many concerns myself about the freedom of Federal employees to participate in community life without fear of reprisals, about apparent contradictions in the statements by various Federal Law enforcement officials and about the unwillingness by the Justice Dept to provide adequate explanations either to Christine or to the community about the behavior of its employees.

And so it was on April 1st of this year I submitted a list of eleven specific questions about this case to the Justice Dept. along with a personal letter to the US Attorney General, Mr. Meese. I have waited since then for a response. And waited and waited longer. Ironically, yesterday after 4 months of waiting, a response was received in my office...just as I was leaving the Capitol to make this trip to appear before you. And this is what the reply stated. It said that the Justice Dept will not publicly discuss personnel matters.

I find this incredibly curious and I suspect a number of you do as well. The US Attorney here has said that the situation would be clear for all to see if only Christine's personnel file were to become public. Well, given that statement and at my request, Christine gave Congress written permission to obtain personnel files so that the facts could become clear to the entire community but still the Justice Dept has said no and I find it curious that the Attorney General took four mos to finally decide that there would be no answers to the eleven questions that I posed. In fact, this case gets stranger and stranger as time goes on so I just want to share with you today the decision that I made as I thought about this message that I received almost the moment I took off for the airport. The

decision that I made is that I am going to seek a meeting next week with my good friend Congressman Neal Smith of Iowa...the Chairman of the House State Justice and Commerce Appropriations subcommittee which deals with budgets of certain agencies including the budget of the US Justice Dept. And when I return to Washington on Monday we will see, Neal Smith and myself, what we can do about getting eleven simple answers to eleven simple questions that deserve a straight answer and that is something that I will continue to inform the leadership and membership of this club about.

Now if I may I'd like to turn to my topic. Let me begin by coming into it from a more general perspective perhaps but in doing so I want to be very candid with you. I have been working for the 1st Congressional district of Oregon for 11 years now and never once have I experienced so strange of an environment in Washington as exists there today. Positioning for the '88 Presidential race has already begun. It is causing rancor and desent and mistrust among Congressional Republicans. The Campaign for 1986 has also begun paralyzing key people in both parties on the tough key economic questions that face the Congress and the country. In the House of Representatives, the contest between right wing Republicans and liberal and moderate Democrats has virtually turned into a brawl. Literally, on three occasions we have come close to open fist fights on the floor of the House during floor debate. Meanwhile all around us, dramatic shifts in the economy and in the world economic and political forces are challenging those things that we as Americans and Oregonians value very highly. Among those are our National Security, our rightfl place in the world, our business and their future prospects for prosperity, our natural resources, and our schools to name only a few. This isn't a myth, a celluloid cliff hanger dreamed up by some script writer but it is, in fact, the case. It is the most successful nation in the world coming face to face with the reality the likes of which it has never before experienced and has no experience in handling. And we see the attention of the leadership being diverted at this critical hour. What is required today is statesmanship on the part of party officials, on the part of both sides of the aisle, not political opportunism such as we have seen over the last six months in this session of Congress. History is literally full of examples of successful people who have settled back into the cushions of achievement and have been pushed out of the way by people with a greater sense of vision, urgency and discipline. And what is true of people is also true of nations and states who are members of the Union. For over two hundred years our nation has been so successful that we now are slow to acknowledge that the changes that are rearranging the landscapes of our lives requires some very basic rethinking. The last six months of this Congress I've been haunted by the possibility that I personally do not want to believe, that maybe only a major disaster will force us, both major political parties, to become the masters of change rather than its servants by neglect.

I remember, along this line, one day when I was 20 years old and in the army, and serving on a weekend pass in Nashville, Tennessee...it was in the 60's, during the civil rights era. On one Sunday morning I saw a couple of young people with grease-backed hair that I can only describe as punks run their pink cadillac up over the curb in a direct attempt to hit a group of young black school children who were marching for their rights and the hatred that filled that city street and that city block that was cordoned off by the police was the kind of explosive force that effected not only Nashville, Tennessee but also the entire country. I can see even today the hope on the young faces of those school children who were grade school children turned into terror as they saw the threat that was posed to them. And it was only then, with a catastrophe of school children who were terrorized and when cities were set fire and aflame that this nation finally came around to the realization and the understanding that human dignity and equality was given to people of all races, rightfully, not simply to those who were white or who had two

cars in the garage or the driveway or a swimming pool and vacations in Europe. We finally came to that realization. But it took an enormous crisis for that to take place.

Today, we are faced with an equally dangerous challenge. The times brought us to a crisis that is in the future yet but is infinitely more complex and ultimately more dangerous. High deficits in the federal budget, the serious competitive challenge we face in international trade pose a direct threat to the future growth of the United States economy. The United States is engaged in a boom of public, private consumption financed by the liquidation of its assets, foreign and domestic. If we continue on this course the budget deficit will absorb three quarters of the net private savings in this country leaving almost nothing for capital formation and private investment. If we continue on this course, our children will experience a reduced standard of living, smaller pool of capital and the burden of repaying the debt that we, in our generation, create.

As I left Washington, the Senate Republican leadership was reported to be preparing an offer in the stalemated budget talks between the House and Senate in an effort to break the budget stalemate. I want to say a word or two about that recent development. Reportedly, the Senate leadership is thinking about presenting a package to the conference on the budget that would index tax cuts and entitlements and COLAs every two years instead of one each year and on top of that pose a surcharge on oil imports. In addition to the other budget cuts that have already been passed by both House and Senate Chambers.

In my judgement, this might be the break that we have been waiting for. If such a package were to be grafted on to the House passed budget, for example, we would produce next year not a 56 billion \$ deficit which is what the House passed plan produced but instead an 80 billion \$ deficit reduction package for next year. And over the next three years it would produce, when all of those cuts and provisions are combined, a three hundred billion dollar deficit reduction.

As I left the capitol I was trying to round up a large group of Democrat and Republican members who are moderates and understand the most serious crisis the lumber industry faces, but all other sectors our economy faces is the deficit...round up a group, on a bipartisan basis, and try to see if we can encourage the conferees to break this budget stalemate that has gone on much too long, entirely too long...to accept some configuration along the lines of the package I just described. You will know more about the results of that effort in the days ahead. Our target is to do so before Congress recesses for the August break which is next Friday. I cannot imagine the Congress of the US going back home across the country...maybe they'll all take junkets, I don't know. They should if they walk out of there without a budget when every other city and every other village and every other county has a budget. As the President said I can't imagine going out for the August recess without one of its own.

No single development would be more important it seems to me than an agreement along the lines that I have just described. An 80 billion dollar deficit package would send the most positive message to the credit markets of this country that both party's are serious about deficit reduction. We can hope and I certainly will work to see that just such a result is achieved.

And yet, our future and ever so much more. We live in a world today where competing economies coordinated and helped by national governments have gained superior flexibility in the skill to adapt more quickly, at least in some sectors, to economic opportunities in the world market place. And yet here we are, the United States, the greatest economic power in the world, six months after the nation rendered a gigantic mandate for fiscal change and we set with no federal budget whatsoever,

a slowing economy, the prospect of a growth recession, a huge increase of Canadian lumber pouring across the border into the United States, market share Canadian lumber...Canadian soft wood lumber... has reached 35% here in the US despite a demand for housing...the Canadian market penetration has kept mills idle and kept unemployment down, finished dimension lumber. On that score Canadians control about 50% of the market. And for the 1st time since the 1800's, the US has become, because of its massive borrowing, a debtor nation.

We can do better. Too many, on both sides of the aisle, care far more about rigid orthodoxies, partisan orthodoxies if you will, than about the fabric of society or the fabric of our economy, or what our future prospects are for ourselves and our children including the well being of our natural environment, the education system, and our ability to remain safe in a more secure world.

But I believe there is a corollary cause, if you will. That too many Americans outside of the gov't try, almost at any length, to avoid contact with the gov't and the process by which we choose those who make policy until they may become a statistic themselves in some of the quantifiable data. It may be unemployment and by then its too late to do a heck of a lot of good.

Think about this. Many of America's best programs...the interstate highway system, our land grant colleges, private housing finance, foreign agricultural marketing result from years of careful thought between gov't and business. Our ability to reduce the deficit and respond to the competitive international environment, requires the same spirit of cooperation to prepare America competitively for the challenge that's out there in the years to come.

I do not want my remarks, thus far, to be mistaken in any measure for pessimism but only as a signal of alarm...a call, if you will, for action and a call for a renewed spirit of statesmanship on the part of the political leaders and an appeal for an informed response on the part of the electorate because all of that and more is going to be required to make our institutions respond to the challenge America faces.

I'm not a pessimist and in this era of change I can look around, as I represent this district, and find many people in the private sector, in Universities, in business, in the back benches and the middle management of the Congress who are facing these long term problems that I've described and they are the pacesetters today. They are pointing the way. For myself, its a reminder that our greatness is not just our military or economic strength, rather its our ability to pool our strengths across these sectors and use them to give us opportunities that we would not otherwise have. Were it otherwise I could never come before you today with the deeply held conviction that I do hold.

And that is that the natural resources of the Pacific Northwest are being well tended to in the Natural Resources appropriations bill that will be brought before the House of Representatives next week. This bill has been shaped to reflect a very central fact. One, that bears repeating at this forum and in forums across the state, and that is that timber and wood products are the foundation of Oregon's economy. High technology, international trade...these and other sectors are incredibly important but our foundation for now and for the foreseeable future and I suspect that in my life time and yours, our foundation will be the well being of wood products industry. It must be healthy first before the gains we achieve in high tech and in trade result in real increases in our relative prosperity.

Now coming back to that natural resources bill that I mentioned a moment ago...consider just for a moment the fact that my chairman on the Interior appropriations subcommittee that handled the bill, his name is Sidney Yates, comes from a part

of Chicago that is within a span of a few short blocks...actually it is taller than it is wide...you find elegance and affluence and at the same time a messy grimey montage of drug addicts and drifters. That's Syd Yate's district and he chairs the Committee that writes the Forest Service appropriations bill. Syd Yates has about as much in common with a two by four as I do with a Chicago loop and there are many issues which divided the two of us and yet we've been able this year to put together a bill that protects the vital interest of the Oregon timber industry and that mainstay of Oregon's economy. I value the service of Mr. Yates and I think it stands in stark contrast, in many ways, to the prevailing attitude on the other end of Pennsylvania Avenue for reasons that I will get into in a moment.

We can start with this fact. If the administration should get its way in its budget submission to the Congress, only 4.6 billion board feet of timber in Oregon's and Washington's national forest will be put up for sale next year. That represents a serious decline in the volume of timber to be offered for sale. That can only produce one thing. An increase in price at the very time when Canadian cheap imports are crowding out our producers. It would be the lowest timber sales level in years and combined with cuts that were proposed in the funding of the management of the O&C counties, the federal gov't would be putting up for sale several hundred million board feet of timber less than has been made available over the last decade. This comes at a time of near record demand for soft wood lumber. You can figure out those priorities as well as I can. I think they are seriously misplaced and I am pleased with the bill that will be on the floor next week that rearranges those priorities.

I also want to say that I value the service of Tom Bevill, the chairman of Energy and Water subcommittee, last week who gave me his commitment in the conference committee for the supplemental appropriation to push for and fight for on the House side of these negotiations for the funding for the Bonneville lock and a retention dam at Mt St Helens. Two projects which are absolutely critical to keeping that waterway we know as the Columbia river open for the international commerce and the barge traffic that supports it and the jobs that are dependent upon that. This lock is one of the top priorities of the Oregon delegation and the news of Tom Bevill's support was conveyed very quickly to Mark Hatfield and represents a real breakthrough, it seems to me, on the negotiations on the supplemental bill. Tom Bevel is a champion of projects of this kind which are a catalyst to economic growth and development. He has seen it happen in his corner of the world in the Tennessee Valley Authority in the Appalachian Regional Commission and his commitment, as I said, gives me confidence that we will win finally the battle over the Bonneville lock which is the biggest bottleneck for barge traffic for the Columbia river that we face today.

But to get back to my thoughts on the Administration's proposal that we dramatically cut back on timber production this year. What does that have to do with the industry and with workers in the Pacific Northwest? Well, first it does, as I have indicated, drive up rather than bring down the price of stumpage...the price an operator pays for the opportunity to cut timber on public lands and that ultimately drives up the price of lumber on the market, the price we pay for two by fours and building homes, and for all other related lumber building products. That, in itself, is bad enough. It is under any set of circumstances, but with the incredibly fierce competition from imports of Canadian soft wood the problem is chronically worse and thus even with the near record of soft wood demand in the United States today, and it has reached nearly record levels, growth in the American wood products industry is stalled. It is in a stall today as Canadian imports gain an even larger share of the US soft wood market. By the way, while trying to be constructive on the budget crisis which I have mentioned a moment ago and which is the single most effective way to deal with the import problems that

I have described and that is the over valued dollar...I am working at the same time to bring pressure to bear on the Canadians and in following up on my recent trip to British Columbia I've had subsequent meetings with the Premier of British Columbia in Washington, D.C. and Canadian forest industry officials. Next week I'll be meeting with Tom Waterland, the Minister of Forests for British Columbia in D.C. and we will be pushing as a group of four of us did about a month and a half ago in a trip to Vancouver, B.C. for voluntary production restraints to give some breathing time for our producers here in the US...restraints on the cutting of Canadian forests because they are being over cut today and we'll be pushing for a voluntary imposition on their part for some kind of surcharge on their stumpage that will be dedicated to reforestation because one of the essential facts in Canada today is that Canada, particularly British Columbia, the one timber producing region, is liquidating its timber stands. Not only is stumpage cheap but the cut, at this rate, cannot be sustained. Someone in British Columbia, some group of people in British Columbia have reached the conclusion that by flooding the market today even though that means that they can't sustain the cut, the profits today are worth the pain that will be caused tomorrow. I think that that is a very misguided notion both for the sake of Canadians as well as for those of us here in the US who are dependent upon a healthy timber infrastructure. You'll be hearing more I promise you about the meeting with Minister Waterland in the days to come. And that meeting as I have indicated is next week.

The pressure on high stumpage prices in the US, as you'll recall, was targeted for some relief last year when Congress passed the Timber Contract Payment Modification Act or the Timber Contract Relief Act of 1984. I was one of the authors of that act and I worked with the senior Senator, Senator Hatfield in passing it. And I can tell you that the purpose of that act was to give the industry an opportunity to avoid paying the price of being caught in the inflationary spiral of the 1970's when the price of stumpage in the Pacific Northwest went absolutely through the roof. I find it ironic, at a time when we are hearing out of Washington, a celebration of a general economic recovery that the Administration today and over the last several months, be it the Office of Management and Budget or the Dept of Agriculture or the White House or the Forest Service itself, has not done the job that it was required to do under the terms of the Timber Contract Relief Act passed by the Congress. First, the regulations were issued in late June of this year, a full 5 months after they were called upon to be released by the Act itself. Five long months as we witnessed out here, in the absence of the implementation of that Act, plant closure after plant closure because operators couldn't survive. And once the regulations on contract relief did come out they were not what they should have been. The Forest Service wrote the rules in a fashion that prohibits members of the wood products industry from taking full advantage of the legislation and will force our timber operators to perform on contracts that will produce, for those operators, a serious financial loss. That was never intended by the authors of the Timber Contract Relief Bill and ironically in the BLM which has a comparable timber contract relief program no such requirement obtains. The inconsistency here is something that I find impossible to explain and it falls upon those who proposed it to explain it to those operators who may lose their businesses and to those workers who will lose their jobs. We will, the delegation, seek whatever is necessary to overcome those terms and to have the regulations abide by those parameters we laid down in the act.

We have many challenges facing us in the Northwest. It starts with a healthy, prosperous timber industry. With that base stabilized then I think the gains we can achieve through investments in human resources, education, in the investments in trained minds that will produce for our economy the work force that's needed to promote additional technological innovation the high technology industry needs...these and other steps can be the other building blocks that give us a road map

toward a prosperous future but without it, these additional steps, these efforts to diversify our economy, in my judgment may well be for naught. So it's a time, it seems to me, for bureaucracies in Washington, for different players and political parties in Washington, for the Executive branch and the Legislative branch, for labor and for management, for environmentalists and for industry to pull together and recognize that unless we strengthen this base our future is in some trouble.

What captures the spirit of what is needed is something that is written on the wall in the House of Representatives behind the Speaker's podium. It's a quote by Daniel Webster. It describes his generation's view of the world as he and his generation saw it. The words are these: Let us develop the resources of the land, call forth its powers, build up its institutions and see whether we also, in our day and in our time and in our generation may not perform something worthy to be remembered. A view of the future as well as one firmly rooted in the present and reflective of the past. That was the view of Webster's generation. I believe it can be the same in ours.

I thank you for the opportunity to sketch out these views for you today and respond to your questions. Thank you very much.