

Les AuCoin

Extension of Remarks
By Congressman Les AuCoin
In the House of Representatives
May 5, 1980

ENGINEERED CRASH FLATTENS
HOUSING AND TIMBER INDUSTRIES

Mr. Speaker, last week when I was home in Oregon, I spoke to a young man who considers himself lucky to have at least part of a job.

This young man lives in Willamina, a small town in the Oregon Coast Range, one of the most productive timber-growing regions in the world. He works at the sawmill. Because operations are curtailed, he works only every other week, earning \$375. On the weeks he isn't working, he collects \$125 in unemployment benefits.

This is the income with which he is struggling to support himself, his wife and a two-year-old son. I asked him how he manages to support a family on that. He explained he'd been drawing from his savings account. He said hotdogs and rice have become the mainstays of the menu in his household.

I asked how the savings were holding out.

"They're pretty well drawn down," he told me. "Last week I had to let my life insurance lapse."

When I inquired how long it had been since he and his wife had been out to dinner, he replied that it had been in April, on their wedding anniversary. Her parents had treated. They had gone to McDonald's.

Mr. Speaker, the grim truth is this young man is fortunate, because unlike thousands of jobless millworkers and other workers whose livelihoods are linked to housing and timber, he's still getting a paycheck.

In Oregon and the Northwest, there is no more critical issue today than the engineered crash in the housing and timber industries. This crash is not only painful; it is unnecessary. And in the long run, it will cause more inflation than it is supposed to cure.

"Crash" is not too strong a word to use in describing what has happened. Look at the statistics:

o Housing starts are down dismally because of shortage-generated price inflation and double-digit mortgage interest rates. During the first months of 1980, as the prime rate rose to above 20 per cent, housing starts were down 27 per cent from last year at the same time. Estimates are that housing starts in 1980 will barely exceed 1 million. This at a time when we need at least 2 million starts annually to meet growing housing demands. But who can be surprised at this when history shows that for every 1 per cent increase in mortgage interest rates, 720,000 potential homebuyers are priced out of the market.

o When the housing market plummets, so does the timber industry. In Oregon, 108 lumber mills either closed or are operating with curtailed production schedules, putting 8,964 workers out of jobs. 56 plywood plants in Oregon are closed or curtailed, putting another 7,525 workers on the bread line.

o Nationwide, more than 20,000 plywood workers are jobless and on the West Coast 44,000 lumbermen are out of work. And the figures are still rising, as the bottom absolutely drops out of the U.S. housing market.

o The economic situation is compounded in the Northwest because we are our own major customer for our own region's lumber, because transportation costs are so great our lumber isn't competitive east of the Rocky Mountains. So we get a double shot -- inflationary high interest rates, and recession caused by sharply escalating unemployment.

Mr. Speaker, what we are witnessing is another episode in the relentless boom/bust cycle, which is ever-deepening. Each cycle, as it grows steeper, super-inflates housing prices while on the upswing and knocks out more timber operations, more homebuilders and more carpenters on the downswing.

The sad reality is that tight money policies, in the name of curbing inflation, actually perpetuate and accelerate it, certainly as far as housing goes. The demand for housing doesn't diminish, but the ability to supply it does -- with fewer builders and fewer carpenters -- and that forces up prices.

You can't build 2 million houses one year, and 1 million the next, and expect the homebuilding industry to remain stable. You can't expect the housing industry to gear up to meet peak demand when it knows just around the corner it will be plunged into the abyss. You can't expect carpenters to hang around and wait for the good times to return. They have families to feed, and they can't do it on an economic roller coaster.

I call this latest round of premeditated high interest rates an engineered crash because there no can be no doubt what happens when this old medicine is tried. The housing and timber industries suffer. And their suffering has reached the point of where their very futures are imperiled, and with them the dream each American has of owning his own piece of paradise, a home.

We must bring down interest rates now, and the first step is to balance the federal budget.

Tight money policies imposed by the independent Federal Reserve Board are a response to deficit spending by the Congress. It's sort of like gorging yourself one day and fasting the next.

I submit that the gorging must stop, and that federal spending must be brought into balance with federal revenues. The only way to force down interest rates is to get the federal government out of the borrowing business, because when it borrows money, you can't, at least at interest rates you can afford. The federal government can afford it because it prints more money, which you wind up paying for through inflation.

Because the working people of our country have already paid their share through high interest rates and inflated tax rates, I believe we must balance the federal budget without resorting to new taxes.

And, we can balance the budget and still have programs sensitive to the needs of the poor and disadvantaged. That's why, for example, I voted last week for the Obey Amendment that preserves funding for important social programs by making deeper cuts in areas that are wasteful.

But balancing the federal budget won't stop inflation alone, nor is it all that should be done. I support implementing the Brooke-Cranston program that will stimulate new housing and put people back to work.

The Brooke-Cranston Emergency Home Purchase Assistance program will ease the current downturn in housing by stimulating commitments for up to 200,000 additional units of housing, with interest rates middle-income Americans can afford.

This is a tested program that worked before during a serious housing crisis in 1974-75. It requires a minimum of federal red tape. It will work immediately. The money is already there, through repayments on mortgages issued earlier.

If we can stimulate commitments for 200,000 housing units -- including a fair share in the Pacific Northwest -- it will mean 350,000 jobs. This will go a long way toward reversing the recession we find ourselves in.

In addition to Brooke-Cranston, there are other steps we can take, such as the Comprehensive Housing Development Act, which I have co-sponsored in the House.

This measure would boost construction of single-family houses by modifying the Section 235 low-mortgage interest program.

It also would establish a new program to lower interest rates on rental housing projects, at a time when virtually no multi-family rentals are being built anywhere.

Together, these two steps would stimulate 220,000 units of single and multi-family housing, and create another 385,000 jobs. This is another sound step toward returning stability to the housing and timber industry.

And we shouldn't stop there. We are facing major energy shortages in this country, and one immediate, non-controversial step we can take is to conserve electricity. I am the chief sponsor of legislation that would accelerate energy conservation in communities throughout the nation.

The program is called the Energy Development Block Grant program, and it is patterned after the successful Community Development Block Grant program. Under my program, money would be earmarked for energy conservation plans devised at the local level on a community-by-community basis. Federal guidelines would be held to a minimum. Results are all that would count.

My program recognizes that the major obstacle to conservation is not the absence of regulations, but the availability of financing and a plan to follow. My measure will provide both the means and the direction to accomplish an important goal. As a spinoff, it would encourage grassroots innovation.

Investing in energy conservation on a community-wide basis is our surest short-term investment in energy resources. Studies indicate we can salvage as much as 40 per cent of the energy we are now using -- and wasting.

Not a small dividend is that we are talking about labor-intensive activity, and that, too, means jobs.

Let me conclude by saying that the Energy Development Block Grant program symbolizes how I think we can best fight inflation and keep people working.

This program begins to cure one of the basic causes of inflation by reducing energy waste, and thus our dependence of precarious foreign sources of oil. At the same time, it creates jobs to keep the economy going. We have not reached the point in our nation's history when we have to surrender to shortages and to bleak economic news. Our tradition has been, and will continue to be, to produce our way out of our fix.

Another example of how we can work ourselves into better shape is sound management of our federal forest lands:

- o We should keep funding for the U.S. Forest Service at adequate levels to ensure timber is ready to be sold when housing markets explode once more, as they surely will.

- o We should settle the wilderness issue in Oregon once and for all.

- o And, we should invest in reforestation. The Forest Service maintains almost 1 million acres that have not been reforested. Every day that passes means one less day of growth of trees, and that costs all of us money -- and will cost people in the Northwest jobs.

These are investments that will block inflation down the road and provide greater stability in the timber and housing industries.

In the United States, we can beat inflation -- and we can do it without resorting to threadbare conspiracies that plunge us into recession.

We can have an economy that allows people to earn a decent living without seeing their earnings sapped away through inflation and rising taxes.

We can have millions of Americans realize their dream of owning a home, without be subjected to punitively high interest rates.

We can build America without tearing her down first.

We can rally the American people to sacrifice if they are convinced our leadership is sound and the sacrifice is fair.