I am particularly honored to have the opportunity to address you ladies and gentlemen of the Hardwood Plywood Institute for a number of reasons.

First, I have attended your annual banquets for the past few years and I have always been impressed by your selection of speakers. Those I have heard have been dedicated to the preservation of our free enterprise system against the insidious forces of collectivism. I may not have much else in common with your previous speakers, but I do share their concern for the grave threat which creeping collectivism poses to our freedom of initiative and our individual liberties. As a member of the United States Senate, I shall continue to fight these forces which are bent on throwing our people into the socialist and communist slave camps through the internal erosion of our government and, ultimately, the destruction of our liberties.

Second, I realize full well the importance of our hardwood plywood industry to my State of South Carolina, our national economy, and our defense program. I shall not stand idly by while the State Department offers up this vital industry as a sacrifice on the altar of foreign policy by maladministration of the so-called reciprocal trade program.

There can be nothing reciprocal about the administration of a program which permits more than 50 per cent of our domestic plywood markets to be taken over by foreign low-wage competitors. The free-trade program was never intended to be used as an instrument of foreign policy. Furthermore, the father of the Trade Act, Cordell Hull, and all Administrations which have been responsible for our trade program have contended that it should not cause harm to any domestic industry.

I am presently working on legislation that will carry out the original intention of the Trade Act without the opportunity for maladministration. In the meantime, I hope that several of the recommendations of our Special Textile Subcommittee of the Interstate and Foreign Commerce Committee will have some helpful
effects on your case/now pending before the Tariff Commission. In our report, which was unanimously approved by the full committee, we recommended import quotas, more realistic interpretation of the peril-point provision of the Trade Act, and faster action on escape-clause cases brought before the Tariff Commission.

After reading your brief which was submitted to the Commission, I feel you have set out an excellent case for relief/under the escape clause provision of the Trade Act. If you should be forced to come to the Congress/because of unfavorable action by the Administration, I shall exert every effort to assist you/in seeking a reversal of the action of the President. The provision which provides for the appeal to the Congress/is not realistic. The Congress should have approved, in the 1958 Trade Extension Act, the Kerr-Thurmond amendment which was added to the bill by the Senate Finance Committee. Our amendment would have placed the burden of appealing to the Congress/on the President, instead of an industry/such as hardwood plywood, which does not possess the power or influence of the President/in legislative matters.

At this point I wish to express my appreciation to Mr. Bob Hawes and Mr. Bob Dougherty for the assistance and support they have given me/in my efforts to get relief, or some means of obtaining relief, for the plywood industry. They were particularly helpful/on the Kerr-Thurmond amendment. There is another gentleman in your industry who deserves much praise for his diligent efforts/in behalf of our amendment. Mr. Walter Stilley of Conway, South Carolina, endangered his health to come to Washington, and appeared with me before the Finance Committee, in order to help us win in the Finance Committee/by a vote of 8-7.

I shall not dwell further/on the problems of your industry. You know them/far better than I.

There are two things which I would like to briefly discuss with you this afternoon. They are National Defense and our Federal fiscal policy. Each is, of course, affected by the other, and both are crucial in our struggle for survival. Let me say initially, that a strong National Defense and a sound fiscal policy/are not inconsistent, nor are they alternative choices.
I do not believe that there is anyone, either in the Congress, the Administration or in the military establishment, who does not agree that we should maintain an adequate defense force. It is the question of what constitutes an adequate defense on which opinions vary. I use the term "vary" advisedly, rather than the term "differ", for I am convinced that whatever conflict of opinion exists, is one only of degree.

The questions which perplex those responsible for defense needs, and indeed, all Americans, are of magnified perplexity because of the consciousness of the very life and death struggle which hangs on the outcome of our decisions. Whatever complacency may have existed as to the communists' aims for world conquest and domination, have, or certainly should have, been dispelled in the minds of objective appraisers by the reprehensible conduct of communist nations in the past decade. For every promise which they make, there are two threats; for every agreement, without exception, there is a breach. Whatever may be our variations of opinions as to the opposition's strength, no one will deny that it is more than sufficient to pose an immediate and ever-present threat to our continued existence.

In seeking to reach a proper balance of our defense structure, we realize the necessity of providing forces to meet at least two types of eventualities. One is an all-out global war, and the other is a limited conflict, perhaps better called an aggression with limited aims. In providing for each, we must consider our policy—insofar as we are given a choice in any particular situation—as to what aggression we will deal with in a limited manner, and what aggression against which we are prepared to unleash our ultimate destructive power. On this policy rests the initial determination of our balance of forces. Such policy decision must be dictated, in view of the enemies' superiority in manpower strength, by the area and magnitude of conflict in which we can maintain an advantage in tactical force through superior organization, training, equipment and ability of the individual soldier. This determination is necessarily subject to change, as dictated by the many developments in the cold war and technology.
It is obvious that this initial policy decision has more influence on the size and composition of forces designed to meet an aggression of limited aims, than on the force designed as a deterrent to world conflict. Our deterrent, or retaliatory strength—as the case may be—must be sufficient for the purpose at all times. In this regard, I do not believe that the members of the military establishment would testify of their belief in its sufficiency if they did not believe it so. I, also, have complete faith in their military ability. It follows that I subscribe to the view that the Administration has not requested a level of defense forces below the minimum necessary for adequate defense.

Nevertheless, I do not believe that the Administration's budget requests for defense are sufficient. It will not be waste to provide a margin of safety against the probability of human error, or even the unknown of our enemies' strength, in this area on which our very survival depends. There must not be left any room for even a shadow of a doubt in our own minds, and especially the minds of our adversaries, that our retaliatory power is capable in every circumstance, of complete annihilation of the enemy if such be necessary.

There are several areas in which I believe we should expand on the Administration's defense proposals. The first is by providing sufficient funds to insure the ability of the Strategic Air Command to maintain at least a reasonable portion of its force on constant air alert. For so long as we rely on a manned bomber force as an integral part of our retaliatory striking power, we must take whatever steps are necessary to insure that an enemy's advantage from the opening blow of war will not destroy our manned bomber force on the ground. The very fact that we have planes in the air will have a certain deterrent effect.

Second, it is my belief that we should move much faster with production of second generation missiles. This includes inter-continental missiles, the intermediate range polaris system, and particularly the anti-missile missiles. I realize that the ICBM's which we can produce now may very soon be obsolete.
I hope they will. But at each level of development, we must provide for the interim before we reach the next stage, for our intelligence estimates do not tell us when the enemy will strike—this being a human factor. If we permit such a thing as "a time before we are ready", that will be the day the enemy strikes.

Our greatest defensive weapon hope lies in the development of anti-missile missiles. This weapon is badly needed to balance our retaliatory forces, and their perfection should be pushed as rapidly as funds can be absorbed into the program.

Third, we must devote enough resources to our ground forces to enable them to deal effectively with aggression of limited aims, or the so-called "brush wars." Once again, the bare minimum is not sufficient; and I, for one, am willing to spend the necessary money for more and better equipped ground forces. If more of these wars of limited areas are to occur—and we must presume that they will—we should be prepared to immediately deploy the maximum force which can be utilized in the operation, without the delay attendant upon a mobilization of reserves. Not only should we move at once to modernize the arms and equipment of the ground units, but we should also provide the means to transport them rapidly to the areas in which they are needed.

While providing an adequate defense, we must be ever aware that the principal hope of the communists, as repeatedly expressed in their philosophical treatises and statements of their leaders, is for victory without their having fired a shot, or receiving one. If we continue our irresponsible fiscal policy, typified by increased deficit spending, their hope will surely be fulfilled.

This, truly, is our greatest danger, for while our people, in and out of public office, are aware of the danger of armed attack, we are not nearly so unanimous in our awareness of the threat of internal collapse from government spending and the resulting inflation.

In the last 20 years, the Federal budget has grown to nearly seven times its 1939 size. In that same period, we have operated the Federal Government within a balanced budget only five years, or one-fourth of the time. Last year, fiscal 1958, saw the deficit
climb to a new peace-time high of almost $13 billion. Despite the already astronomical size of the debt, this was an addition of 4.6 per cent. The debt is now approximately $283 billion, and even if we were to begin systematically paying it off at the rate of $2,830 million per year, it would take 100 years to complete payment.

The public debt has reached such staggering proportions, that the ordinary person finds the figures almost incomprehensible. But were an attempt made to collect even last year's deficit, the realization would be brought home with an impact; for to collect in one year the $12.8 billion we went in the hole in fiscal 1959, would require the confiscation of all personal incomes in excess of $4,000.

One direct result of deficit spending is readily understandable to all. That is the pinch of inflation. For example, to maintain equal purchasing power, one who earned $2,000 in 1939 must now earn $4,806. One who earned $5,000 in 1939 must earn $13,604, and one whose income in 1939 was $10,000, must now earn $30,971 to maintain identical purchasing power.

Not only has deficit spending by the Federal Government been responsible for inflation, but the cycle has run the circle, so that inflation itself is making further deficit spending even more dangerous than it has been in the past. There is a growing reluctance to lend money to the Federal Government at any rate of interest. This is well-illustrated by the fact that in the Treasury Department's latest debt refinancing attempt, the attrition rate has increased to 22 per cent, as compared to the normal 10 per cent. The obligations which were sought to be refinanced bore interest rates of one and seven-eighths, and two and one-half per cent, and the offer was to renew them with securities paying three and three-quarters and four per cent. No realist can doubt, that in the absence of inflation, there would have been much less than the normal 10 per cent rejection of the offer at these substantially increased rates of interest. This illustrates that the rate of inflation is in excess, by far, of the prevailing interest rates. Investors and savers have by now been thoroughly impressed by the disastrous results of
investing in fixed-income securities. The current round of Government borrowing was necessitated by the maturity of $9.1 billion of debt obligations. The sum sought to be borrowed to cover the attrition is $1.5 billion. Lest we console ourselves with the thought that it could be more, we should remember that during this year a total of $42 billion of Government securities will fall due.

It is obvious that as far as borrowing is concerned, we are nearing the end of our rope. It will be extremely difficult, to continue securing private funds for refinancing the existing debt. Even if we manage to hold the debt at its present level, it is also evident that unless inflation is checked immediately, the Congress will be faced with an increase in the statutory interest ceiling, passed in 1918, of four and one-quarter per cent on National debt securities.

There are those who would rely on a hoped-for increase in our gross national product, and the increased government revenue resulting therefrom, to remedy the impasse with which we are faced. The same people would hold the line on taxes and, in some cases, increase them. An increase in gross national product will undoubtedly help, and I fervently hope that those who predict an eight per cent increase will have their prognosis justified. As a realist, however, I cannot forget that the only year in which there has been an increase in gross national product of eight per cent was following 1954's 7.5 billion-dollar tax cut. Additionally, in all candor, we must admit that a measurement of gross national product increase, when measured in dollars, has a built-in inflation factor.

As much as I would like to see our fiscal problems painlessly solved by a big increase in national product, to place any reliance in what is essentially wishful thinking, would be an expansion of our fiscal irresponsibility.

To some of you, it may appear, from what I have said, that we must choose between providing adequate defense and eliminating deficit spending. I repeat, they are not inconsistent--both are obtainable. We can reduce overall spending drastically without endangering our defense policy. This is illustrated by the fact
that defense spending for 1959 will be $4.3 billion lower than the 1953 Korean war defense budget, while non-defense expenditures for 1959 are estimated at $9.2 billion above the 1953 level. Also, non-defense spending for fiscal 1959 is to be increased by $5.9 billion, against an increase of only $2 billion for defense purposes.

Spending can be cut without injury to our defense posture by reducing such items, among others, as foreign aid, public housing and urban renewal, by declining to enter the fields of community facilities and area redevelopment with Federal aid, and by rejecting any increase in Federal aid to education. Even desirable programs should be postponed until Federal expenditures can be reduced well within our income. Special interest groups must not be allowed to sap the strength from our free enterprise system, regardless of their attempts to increase their doles from the United States Treasury and the taxpayers' pockets.

Both the national defense and the curtailment of non-defense spending are matters that must be put above partisan politics, for the consequences of failure are too dreadful to admit any consideration except the country's welfare. I can assure you that Congress is still most responsive to public opinion, and our efforts to defend ourselves from both armed attack and bankruptcy can only be achieved if they have the solid support of the American public.