

of money. How shall the cost of money be treated in the private sector-public sector comparisons?

In some of the earlier circulars or instructions there was very little reference to this item at all. In the latest bulletin we have made some progress. But the question still remains as to whether the cost of money shall be determined on the basis of what money costs the private sector or what money costs the Government when it seeks funding. Shall it be the prevailing commercial rate that is entered or shall it be the prevailing governmental rate?

FOREGONE TAXES

No. 3 is far more important perhaps than the other two that I have named. This is the whole area of foregone taxes. How shall taxes be treated in a comparison to cost of production in the public and in the private sector? Is it a meaningful policy of the Bureau of the Budget still to exclude State and local taxes from such determinations?

This exclusion is defended on the basis that it is difficult if not impossible to arrive at an estimate of what the State and local taxes would be.

Within industry groups and certainly among accountants, with whom we have consulted, there is a feeling that such figures can be readily derived, and that there should be a recognition of the inadequacies of cost comparison, because of this exclusion.

DIFFERENTIAL TO EMPLOY

Last, and by no means least, is the question of what differential should exist in final determination as to whether to make or buy. There is a widespread belief again on the part of those in industry that the differential is too narrow, as it currently exists, and winds up in too many instances in favor of Government making rather than buying. This differential in good part comes from the exclusion of State and local taxes and the inadequate treatment of the cost of money.

What is being suggested—and I think it is looked at somewhat receptively by some in the Bureau of the Budget—is that this differential is still too narrow, and recognizing the inadequacies of treatment of State and local taxes in the cost of money, perhaps it might be 15 or 20 percent rather than the present 10 percent.

I am using those figures largely as illustrative, however, rather than as being specific.

AREA FOR COMMISSION STUDY

Senator JORDAN. This is an area that you would anticipate in your suggestion of the proposed new Commission that it might explore.

Mr. GAINSBROUGH. Yes, I think this is another one of the sectors that lends itself now to some better degree of empirical determination.

What we lack throughout all of this is a body of data that you and others can use for final determination. The Bureau of the Budget has moved steadily toward quantification of many of these problems. Circular A-76 is a step in that direction. But, you see, there are many