June 30, 1968. We intend to give special attention to the adequacy of the guidelines contained in the Circular for such matters as comparative cost analyses; the circumstances under which cost differentials in favor of private enterprise are appropriate; and the use of contracts involving support services that require minimal capital investment.

We welcome your suggestions.

PROGRESS REPORT ON A–76

Since issuance of A–76, revised, on March 3, 1966, we have required two reports from the agencies on the progress being made by them in implementing the provisions of the circular. Briefly, the situation is as follows: (*a*) Organizational and staffing arrangements for assuring that the policies and procedures are being effectively applied are complete; (*b*) the inventory of commercial and industrial activities has been completed; (*c*) the "new start" provisions of the circular are being implemented in all agencies; and (*d*) most agencies expect to finish their reviews of existing commercial- and industrial-type activities by the target date specified in the circular, June 30, 1968. On the last item mentioned, much work remains to be done, especially in the larger agencies, and until it is complete it is not possible to obtain a composite summary picture of the results achieved in terms of activities continued and discontinued.

DR. STOCKFISH'S ARGUMENT ON OPPORTUNITY COST

Chairman PROXMIRE. I am not sure if it is pertinent at this point, but it seems to me that the Stockfish argument, and the argument by the other very competent economists who were here, which they said represented the overwhelming view of the economics profession, is that what Government should do in determining whether to invest in a reclamation project, for example, which is something a little different from this, or for that matter in almost any other kind of investment, is the opportunity cost, which is not a 4.9-percent return, but at least a 10-percent return. And that is the average return for industry before taxes. And that seemed most logical to me. As I say, this is not a matter of conservative economics. This is a matter of the whole economics profession—Otto Eckstein, all these people—agreeing this is a fair basis. If this element comes in here, in this particular circular, it would seem to me that you might very seriously consider revising the circular on that basis, because the economic profession, as I say, is united, and their case is very logical.

Mr. HUGHES. We are sympathetic, Mr. Chairman. With respect to the general question of interest rates—you mentioned reclamation projects, public works projects in general—we know of your views on this. We think the interest rates applied in evaluating the benefits and costs of these projects are somewhat lower than desirable, in a true economic evaluation.

Chairman PROXMIRE. You have a gross misallocation of resources on the basis of—what is it now, 3¼ percent they use for reclamation projects?

Mr. HUGHES. Generally it is a coupon rate. We have a lot of bent and broken lances in working on this problem. One of the most recent ones was so-called section 7 of the Department of Transportation bill.