

every Government agency. Instead, we are more interested in the range of rates now utilized; our point is that the entire discounting structure should be adjusted upward to some parity with private rates, and that some degree of Government standardization be achieved.

I might say that it is encouraging to note that in his forthcoming budget, President Johnson called for increasing the interest rate used in evaluating water resources projects. The Budget says, and I quote:

The Water Resources Council is developing a more appropriate rate to be applied in formulating and evaluating water projects. The revised rate will be related to the average estimated current cost to the Treasury of long-term borrowing. It will be higher than the rate now in use for project evaluation. The new rate will be applied to future projects in order to assure the most effective use of Federal funds in the development of the Nation's water resources.

Hopefully the higher rate should reflect the results of the GAO study, which puts the cost of long-term borrowing around 7½ percent rather than just the current Treasury rate which is around 4.875 percent. It might also be advisable to apply the higher rate to current or just-started public works projects. If many of these projects showed negative present value, there would be a strong case for discontinuing them.

Of course, my own feeling is that opportunity costs are more relevant and the Stockfish report which was, as you know, a part of the hearings which we had last September, I think indicated that private industry was better than 10 percent on the average, manufacturing being around 15 percent of return on invested capital before taxes.

With this in mind, we are very happy to have as our witness the Honorable Elmer B. Staats, Comptroller General of the United States, and members of his staff.

At this point in the record we will include the announcement of this hearing.

(Announcement follows:)

JANUARY 20, 1968.

CONGRESS OF THE UNITED STATES, JOINT ECONOMIC COMMITTEE, SUBCOMMITTEE ON
ECONOMY IN GOVERNMENT

Senator William Proxmire (D-Wis.), Chairman of the Joint Economic Committee, said Sunday the results of a General Accounting Office probe into serious inconsistencies in the Government's system for determining spending priorities will be disclosed at a hearing, Monday, January 29th.

The Wisconsin Senator was joined in announcing the hearings, to be conducted by the Subcommittee on Economy in Government, by Representative Thomas B. Curtis (R-Mo.), ranking minority member. Senator Proxmire is the subcommittee Chairman.

Senator Proxmire said: "Hearings conducted last September by the subcommittee showed virtual unanimity among economists in the view that discounting procedures used by the Federal Government in evaluating the benefits of proposed projects were economically irrational.

"No attempt is made in present practice to consider the rate of return that public investment might earn if employed elsewhere in either the public or private sectors and, worse still, there is not even any correspondence between rates used by different agencies, even for similar programs."

The Comptroller General of the United States, Mr. Elmer Staats, and his staff will testify at the January 29th hearing, which is scheduled for 10:00 a.m., in room 1202 of the New Senate Office Building.