Mr. RATHBUN. Well, I agree that use of the 3⅛ percent in these important water resources areas probably is helpful but I am disturbed by the thought that in other areas, an agency using 12 percent, for example, may be rejecting projects which are really much more attractive——

Chairman PROXMIRE. I think it is an excellent point. The same agency—Interior, as you pointed out—uses 12 percent on those projects which are competitive or comparable to private industry, and 3⅛ on some of their other projects.

Mr. RATHBUN. A second observation, it seems to me, is that the stage is set for substantial progress.

Chairman PROXMIRE. The what?

Mr. RATHBUN. The stage is set for substantial progress. In our discussions with the agencies in connection with their response to the questionnaire on this subject, we detected a rather widespread acknowledgement that the differences between the opportunity costs school and the cost to the Treasury or borrowing school are not terribly important, are not as important as they were thought to be a few years ago, because when you approach the cost to the Treasury of borrowing in a realistic way and include taxes foregone——

Chairman PROXMIRE. I think it is a very interesting contribution, very, very good. That comes to about 7½, 8 percent as compared to maybe 10 percent for a strict opportunity cost application.

Mr. Stockfisch was going a little higher than 10 percent, he wanted 10 to 20, but I think this is an excellent conception because, as you say, it reconciles differences of opinion between the cost of the Treasury, the realistic cost, and the foregone opportunity cost.

Mr. STAATS. It doesn't close the gap, but it approaches the opportunity cost figure of 10 percent as a recognized figure. You are within a 2- or 2½-percent difference.

Chairman PROXMIRE. Especially the way interest rates are going.

Mr. STAATS. Yes.

Chairman PROXMIRE. It won't be long before they will be what we think are consistents.

Mr. RATHBUN. When you couple this recognition fact that the rates advocated by the two schools are drawing together with the widespread acceptance of the notion of discounting, I think you have the stage set for rather substantial progress.

A third observation is that a good deal of additional work remains to be done even after the agencies move up to a higher discount level and agreement is secured on the use of this level. I think of some work going on in the General Accounting Office now on the evaluation of benefits. For years and years the benefits associated with reclamation projects have been based—the calculation has been carried out—on the assumption that all of the power produced by these projects could be sold at going rates. To an increasing extent this is not true and there is going to have to be a lot of additional work on the evaluation of these benefits.

Similarly in the case of Senate Document 97, where you do have the discount rate spelled out rather clearly, the various agencies use quite different practices in, for example, treating the benefits associated with the enhancement of the value of shorelands.