As you may have noted, there is a table presented in the report which shows the approximate implicit rates under various conditions.

Senator JORDAN. I can appreciate the problem that is created here because frequently the benefits are quite difficult to define. I can understand with respect to a water resources project that costs allocable, we will say, to power or to flood control or irrigation can be determined quite accurately and definitely by people experienced in the field. But frequently we find allocation of nonreimbursable costs on hard to define intangibles such as recreation or enhancement of fish and wildlife. We find if a benefit/cost ratio is not as favorable as it should be there is an inclination to transfer some of the costs from the reimbursable, compensable area over into an area more nebulous for the public good, one hard to define and intangible.

Mr. STAATS. What you are saying is quite true and, of course, there have been efforts to quantify and put in dollar terms many of these benefits which are virtually impossible to quantify.

Yet, on the other hand, a judgment has to be made and the plea we are making is that those judgments should, to the extent possible, be consistent both within the agency and among the agencies if the budget is to reflect the priorities which are based on a total assessment of all benefits and all costs. This is as true in other fields, more true, perhaps, than it is in the water resources field, where we have been employing benefit/cost ratios to determine these projects that go into the budget for a great many years.

It goes back well beyond, as you know, the issuance of Senate Document 97.

Senator JORDAN. Yes.

Mr. STAATS. It is about the only area where, until the PPB system was initiated, we have had this kind of test to evaluate proposed programs.

But even the Corps of Engineers follows, as you know, somewhat different practices in assessment of benefits than the Bureau of Reclamation.

Senator JORDAN. Yes.

Mr. STAATS. Sometimes in the same river valley. This is the kind of inconsistency that we would like to see removed.

To go back to your question on implicit versus explicit rates, if you have a copy of our report, on the bottom of page 14 is brought out fairly graphically an illustration showing how this affects the Veterans' Administration as against the Department of Commerce program. (See p. 51, this volume.)

I would like to ask Mr. Rathbun if he would elaborate on this. Here is a case where they are both talking about structures and the capital outlays and they are using different practices, so that you obviously are going to come out with different benefits/cost ratios.

Mr. RATHBUN. Well, as pointed out there, in the case of the VA, the discount rate is 20 percent, whereas the Department of Commerce practice involves the use of an implicit rate of only 8 percent. Obviously this is most unsatisfactory. If the two programs are of equal merit, the one in the VA would be rejected out of hand because of this use of a very short period of time in evaluating the program, and the associated implicit rate of 20 percent. Whereas the same stream of cost and benefits would yield a much higher benefit/cost ratio in the De-

89-654 O—68——3