implicit rates, or one using discounting and one not applying discounting?

Mr. STAATS. I don't think we have done anything beyond pointing out the possibility or likelihood that this has happened. We have not actually gone beyond that point, that is to say we have not actually examined the Appropriations Acts from the standpoint of those items which were excluded or included on the basis of higher or lower use of discount rates. I suppose this would be possible, but our main purpose in this report was to bring out sharply the differences in practices among the different agencies and, therefore, the need for a more common policy concerned.

Chairman PROXMIRE. Then you can properly conclude on the basis of this study that the Federal Government has been engaged in practices which do inevitably result in a substantial amount of misallocation of resources. We know that. You are not giving us an estimate, but my own estimate is that it would be in the billions of dollars a year as compared with the kind of investments we would make if we had a standard system which was used throughout Government—and not rigidly, still permitting value judgment, intuition and going ahead with low yield programs if there were other reasons for doing so—if we had this criteria, a basis for the Congress and President making a decision.

Mr. STAATS. This certainly could be a proper conclusion. I think unless a decisionmaker has this kind of information before him, certainly the opportunity is there for errors of judgment, and I think it would be almost certain that this does occur in the absence of this kind of——

Chairman PROXMIRE. You showed a dramatic example of comparing the Department of Commerce and the Veterans' Administration with respect to a building, one 5 years and one over a period of, a greater period of years, 8-percent discount compared to 20-percent implicit discount.

Mr. STAATS. Of course, as you know——

Chairman PROXMIRE. Of course, where you have the Defense Department investing on a 10-percent basis, and by and large the water projects, and so forth, on a 3-percent, three and a fraction percent basis, we know there is a misallocation there.

Mr. STAATS. We used this particular illustration because they are both in the nature of construction type programs, I think at the same time though we would have to recognize they are in noncompeting areas. This problem that we are talking about comes up most sharply where you have agencies who are in a sense in competing programs. The land and water resources field is a good case in point, where you have Agriculture, Interior, TVA, and the Public Health Service, all concerned with investments in water supply or water improvement. It also comes up dramatically in any other areas where you have a number of agencies that are concerned with carrying out common objectives, common programs on a Government-wide basis, and similarly as in the example we brought out here in the Interior Department, even within a department. If you put the Department of Interior budget together, all of these programs in some sense or other are related, so that you need a common policy to assure even within a given department that they are following a common policy.

Chairman PROXMIRE. I want to come back, but my time is up.