neers—all of the agencies concerned with water resources development.

Chairman PROXMIRE. In other words, what you are saying is that the President, with the acquiescence of the Congress, a little more than acquiescence in view of Senate Document 97, and the Government decided that they are going to give preference and a very decisive preference to water projects over other projects of the Defense Department, and they are going to do it by having a discount factor which tells people that a project will yield a benefit higher than its cost in a way that is self-deceptive.

If you applied the 10-percent discount factor instead of the 3-percent discount factor, I think most of the water projects never would have been funded.

Mr. STAATS. It certainly would have ruled out a great many, no question about it.

Chairman PROXMIRE. A great many. And on the basis of reports that I have had where I have had where I have inquired about them, I find that most of them would have a less than unity benefit-cost ratio. It is a policy on the part of the Congress to favor the water projects.

This may be a good policy, but I think Congress should do it more with its eyes open, and we would be better off if we had a uniform system and said, "All right, we are going to fund the water projects if the benefit is half the cost."

Mr. STAATS. But to state the other side of the issue a bit, there are those also who would argue that they have consistently underestimated the benefits.

Chairman PROXMIRE. That is possible. It is very possible. But I think it is important, if that is the case, that the benefits should be more realistically appraised rather than fooling around with the discount factor, and having this clear discrimination.

Mr. STAATS. I believe from personal experience——

Chairman PROXMIRE. This is why I differ a little bit in your reply to Senator Jordan when you said there is a danger in a fixed rate. I am not so sure that we should rule that out, because I think a fixed rate might have its benefits; or at least if not a fixed rate, an assertion of the determination on the part of the Congress, determination on the part of the Government, to have a standardized system throughout.

You might want to vary the rate to everybody for reasons, as interest rates go up or for various other reasons.

Mr. STAATS. I think my response would be a little different if we were thinking in terms of a minimum or floor, and then go higher for such factors as obsolescence, the difficulties of estimating the benefits and the costs, and risk factors. Even a fixed rate——

Chairman PROXMIRE. But, you see, my argument is that this should not be a substitute for decision. This is a guide to decision, a help to decision. In other words, all this would do would give you what the discount factor develops in terms of the mathematical formula. Then you have to use your own value judgment.

Then you have to step in and make your own decision, and it would seem to me if you have a uniform system then you are in a much better position to make a clear-cut decision based on these other factors. You know what you are working with.

Senator SYMINGTON. Would the chairman yield?

Chairman PROXMIRE. Yes.