I am going to ask my two colleagues to proceed, because they have been here through the entire statements and they may have questions first.

Representative MOORHEAD. Thank you, Mr. Chairman.

Mr. Secretary, first, referring to your statement, as I understand the thrust of your testimony, it is that at least in the past, a lower rate of discount was justified, partly because, as you say, "In many instances, the projects provide much more than goods and services," and things like water quality control, esthetics, amenities, recreation, and so forth were often underestimated. Am I correctly analyzing your testimony, sir?

Mr. HOLUM. I think there has been a very definite inclination on the part of the agencies involved in water resource development to underestimate particularly the regional and social benefits and what we call the indirect benefits, that result from water resource development. As part of the effort to improve Senate Document 97—and I guess that is essentially what we are talking about this morning—we also need to sharpen up those techniques and provide for the ultimate decision the best possible analysis of the benefits as well as the costs.

Representative MOORHEAD. Mr. Caulfield, in your testimony, you quoted from Senate Document 97. At one place, you point out that Document 97 directs the inclusion of both the tangible and the intangible benefits, and also the secondary benefits. Would there be any other benefits?

Mr. CAULFIELD. In Senate Document 97, secondary benefits are defined in such a way as to include what some people talk of as indirect benefits. Secondary benefits here are inclusive of all the types of benefits other than primary benefits, in tangible form, quantitative form, that people have discussed in this field.

Representative MOORHEAD. So there can be no improvement over Senate Document 97 in this respect, is that correct?

Mr. CAULFIELD. Oh, I would not say that. I feel that when we can spell out more clearly, procedurally exactly how to use these concepts in context, particularly in areas of underdevelopment and unemployment, I think we can make a real improvement in the statement of the document. As far as I am concerned, conceptually, it is all in the document, but we can make improvements in the way the document is stated; yes, sir.

Representative MOORHEAD. Mr. Hoffman, in your prepared statement I think you summed up what I am driving at here. On point 6, you said that where subsidies are regarded as socially desirable, they should be expressed explicitly in cost-benefit calculations rather than in the discount rate. Would you agree with me, sir, that the present $3\frac{1}{8}$ percent is a subsidy in the form of a lower than realistic discount of rate?

Mr. HOFFMAN. Yes, sir. I believe that this rate is a subsidy. The subsidy may or may not be warranted, but I think it makes it hard to understand the nature and reason for the subsidy if it is loaded into the discount rate. That is my reason for preferring a more explicit statement of subsidy.

Representative MOORHEAD. In your opinion, Mr. Hoffman, is there any subsidy remaining in the proposed $4\frac{5}{8}$-percent discount rate?

Mr. HOFFMAN. To answer that I would have to evaluate procedures