Mr. CAULFIELD. That may be—there may be such projects, yes. But in any policy change, there has to be a provision for transition. The projects that are involved in the approvals in this Congress have many commitments made by local people, by States, and so forth. You cannot just all of a sudden cut them off, in equity.

There has to be a transition-type of provision.

You will notice that in our transition provision, however, we have made the proviso that if the Congress should otherwise decide, they could require a higher interest rate to be used. However, as far as the Water Council is concerned, we think this is equitable—at this point, we do—and prior to getting prior comment from all interested persons, I should say. At this point, as a proposal, we think this is an equitable way of bringing about the transition from one state of affairs to another.

Representative MOORHEAD. My time has expired, so I am not asking this as a question. I might suggest that in addition, you say, "and funded within x number of years." I concede that a transition period is necessary.

Mr. CAULFIELD. I see. December 1969, is the stated cutoff date, and then only for projects authorized by the present Congress, sir. Where the financial commitments have not been made within 3 years, the authorization dies. So these cutoff points are in here.

Representative MOORHEAD. Thank you.

Thank you, Mr. Chairman.

Chairman PROXMIRE. Senator Jordan?

Senator JORDAN. Thank you, Mr. Chairman.

Mr. Hoffman, I was very much interested in your explanation of how we evaluate various expenditures that Congress is called upon to make. You state, and I agree with you fully, that the inability to compare the value of additional spending on national security and on water resources, on education, on highways, on manpower training—these are very difficult judgments to make.

You have outlined several procedures for setting up a discount rate. You have set up two ways of treating these different types of expenditures. When the marketplace is involved, you use one way; you use a cost-benefit ratio. When that is not possible, then you go to another measure of value, in which you use cost effectiveness.

Now, my question to you is, how can the Congress know whether we should spend money for the national security, for manpower training, or for a highway or for water resource development projects that do lend themselves to some connection, some relation to the market?

Mr. HOFFMAN. Senator Jordan, the approach I favor is to pursue the implications of decisions that have market implications in market terms as far as we can, and to express their market implications as far as we can, but also to identify as explicitly as we can all of the other considerations that ought to bear on the decision. In such cases, individual judgments are important elements of the decisions. The political process comes to bear on these issues, and we have other ways of evaluating some of these problems. But the important thing is to identify clearly and explicitly both kinds of considerations and to present them as parts of the implications of the decision. This is why I have proposed the procedure that I have.

Senator JORDAN. What you are saying, in effect, is that either the