the discount rate, and then I think there is a difficult problem of devising an acceptable, widely understood way of estimating the appropriate rate. I think we need to do each of these things and, as I have indicated, we have been moving to get started on this process.

Chairman PROXMIRE. Is there not a great deal of unanimity, really, in the economic profession in having at the very, very least this 4⅝ percent as opposed to the 3⅛?

Let me read very briefly the testimony of Professor Baumol, of Princeton, who did a wonderful job for us in testifying last year:

> However, I think if one were to poll, for example, the current and past officers of the American Economic Association for the past 10 or 20 years, you would find the unanimity which I described in my statement. I think you would find that, without a single exception, they would agree that something like the figure I have mentioned is a minimum for the pertinent discount rate, and would agree, therefore, that there is nothing shocking about the fact that very few water resource projects would pass a cost-benefit test if carried out on a rational basis.

Mr. HOFFMAN. Sir, with respect to the agreement on the rate, my own impressions from talking with a number of economists are in accord with that opinion. But I would like to point out that there is one school of thought among economists which could result in their arguing for a lower rate. I am referring to those who believe that the discount rate ought specifically to reflect peculiarly governmental objectives—that it is more than an opportunity cost notion.

Chairman PROXMIRE. Perhaps there is this defect in figuring benefits. Perhaps we are not sufficiently comprehensive or accurate in estimating benefits, but it would seem pretty clear that if you are consistent and accurate in computing benefits, you are just defeating yourself when you apply a different discount rate in one area than you do in another, that you are sure to have a waste of resources.

You are going to invest in some areas that you should not invest in, and fail to invest in some that you should.

Mr. HOFFMAN. My feeling would be somewhat like the one you just expressed, but I would point out that you would not carry all economists with that position.

I might add there are perfectly respectable, competent economists who hold the view that the discount rate ought to reflect more than simply the private opportunity costs.

Chairman PROXMIRE. Well, if we wait until we get a unanimity of agreement among economists, we will never do anything, we know that. Economists have agreed and disagreed on the tax increase and on almost every policy or action Congress ever takes. But there is preponderance of opinion among economists who have studied in this area and who speak with authority that we should have at least a 4⅝, and the evidence we got from the people who testified last year was that many would go, and I think a predominance, would go to between 10 and 15 percent.

Mr. HOFFMAN. Yes, sir, but that, too, is a specific point of view. There, I think you would begin to lose a good deal of that preponderance. The profession would truly be divided over whether to go to 10 or 15 percent in the evaluation of public investment programs.

Chairman PROXMIRE. Mr. Holum, Mr. Hoffman in his statement, says that only projects whose benefits at least equal cost should be undertaken with regard to water projects. Would you agree to that?