as it may be in the Corps of Engineers budget, or may have been in the past.

Chairman PROXMIRE. Otherwise, you have two minuses trying to make a plus, trying to compensate for one error by another bigger error.

Mr. Hoffman, do you think it would be proper for the committee to undertake a study to measure the appropriate base interest rate to be published on an ongoing basis for guidance to all Federal agencies?

Mr. HOFFMAN. Yes, sir, I do. I think it would be a difficult thing to do. It might be comparable to the problems that were faced in developing price indexes or measures of gross national product. It would involve agreement on a conceptual basis, and then it would involve the working out of a method for estimating the actual numbers.

Chairman PROXMIRE. Should that not be done by your agency?

Mr. HOFFMAN. I would have to think about that, Senator. I think, based on the analogy with the other two measures that I mentioned that the answer might be "No." It might be better done with some other executive department as the operator.

Chairman PROXMIRE. First, it would have to be done by some executive department that has some responsibility for all of them. It would have to be done, secondly, by an executive agency that does not have an ax to grind. You would not have much in the way of investment in the Bureau of the Budget, at least not in the usual sense, so you would be qualified from the standpoint of objectivity.

Mr. HOFFMAN. Yes, sir.

I think if it were done elsewhere within the executive branch, the Bureau would certainly have to exercise some oversight.

Chairman PROXMIRE. I would appreciate it if, in correcting your remarks, if you think of it, you could come up with any alternative that you might consider in this area. This is something we want to pursue as vigorously as we can.

Mr. HOFFMAN. I shall reflect on it.

Chairman PROXMIRE. Now, Mr. Stockfisch, and also some of the other gentlemen who have testified before us disagree with you pretty vigorously—I am not sure I do. You may be right—on this risk aspect. They argue that the opportunity cost in the private sector has already taken into account the risk. Mr. Stockfisch puts it this way:

> And exactly the same thing happens from the point of view of society, because society obtains the returns from many thousands of investments and some will do better than expected, and some will do worse than expected; but on the whole, the risk incurred by any one individual project is no more pertinent to the overall returns expected by society than the risks incurred by one particular policyholder are pertinent to the overall returns of the insurance company.
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> For that reason, what is relevant, it seems to me, and I think it seems so to a number of other economists that have some reputation, what is relevant is the average rate of return obtained by industry from those resources with no special account taken of the individual risk of the investors in that particular company. The investors in that particular company may end up losing money on that investment.
>
> But on balance, society will lose on some and gain on others, and come out on the average.

Mr. HOFFMAN. That is a position which has been urged by other economists as well as Mr. Stockfisch. However, I think in order to maintain that the rate of return has averaged out risk, it would be necessary to explain differences, for example, in the rate of return on