percent source of the Harberger calculation to a 10- or 25-percent source, you bring the Harberger estimate down to the other studies.

I do not think, apart from that, it matters for the outcome whether you use a straight borrowing approach corrected with taxes or whether you take a tax approach going directly to rates of return. All of these things are weighted averages of the actual rates prevailing, and they all get up to 7 or 8 percent. I have no particular brief for my method of 10 years ago. It can be done reasonably by a borrowing approach, corrected by taxes.

Chairman PROXMIRE. Can you gentlemen agree that there is any consensus on these approaches in the economic profession among those who specialize in this area, the Government investment area?

Or is it one that is fairly evenly divided, or is it partly so?

Mr. HARBERGER. I am afraid, Senator, that the profession has been rather lax in working its way into this theory. You have sitting before you two out of a handful of people, or maybe a couple of handfuls of people, who have paid serious attention to this problem. I do not think that we can talk about professional consensus at this stage of the game. The particular formulation that I was working on in preparing my comments is going to come out probably later this year or early next year in a paper, and to my knowledge, it has never before been explicitly thoroughly developed in the economic literature.

Mr. ECKSTEIN. We should report that there is a group of scholars mainly concerned with the problems of less developed countries that still develop theoretically the social time preference approach. Now, to my knowledge, except for one attempt of mine, they have never attempted to convert this into numbers. It is a very intricate and amusing theoretical game to devise these social time preference rates from models. If you ask them, would you recommend that the Congress build a project which promises to yield 3 percent, they would say, no, on the grounds that there are better uses for the money.

Chairman PROXMIRE. Yesterday, we had testimony on the views of the economic profession. You usually get more of that when you do not have the economic profession in front of you, although the men were all competent, fine men. But is there, in your view, a feeling, an overall feeling in the economic profession, would you say, that the present system, A, is inadequate; B, is much too low; C, whether you take the Eckstein or Harberger approach or some other approach, that it would be in the area of 7 or 8 to 12 or 15 percent—at any rate, substantially higher? Is that a fair conclusion?

Mr. ECKSTEIN. The present approach is indefensible, even on its own logic.

Chairman PROXMIRE. That is not only your conclusion but the conclusion of other people in this area?

Mr. ECKSTEIN. I cannot imagine any economic scholar who would endorse the present approach.

Chairman PROXMIRE. By that you mean the 4⅝?

Mr. ECKSTEIN. No; I was thinking of the 3.1.

Chairman PROXMIRE. How about that 4⅝ percent?

Mr. HARBERGER. I believe the overwhelming bulk of the economics profession would say that the rate on Government bonds is itself far too low to be used as a discount rate for public investment decisions.

Chairman PROXMIRE. Would you agree, Dr. Eckstein?