out exception but with the instructions, of course, to provide for appropriate cost and benefits to adjust to the fact that you have this?

Mr. ECKSTEIN. It would be proper for the Congress to instruct the executive branch in that way. Perhaps it should be a minimum, because in the technology areas you probably should use higher rates. You should make some——

Chairman PROXMIRE. Oh, I see. Then, you say there should be a floor.

Mr. ECKSTEIN. Yes.

Chairman PROXMIRE. And that floor would be 7 to 8 percent, in your view——

Mr. ECKSTEIN. Yes. Then the technology areas——

Chairman PROXMIRE (continuing). Ten percent in Mr. Harberger's view, and then you have some of these programs which represent a high degree of technology. Let us see. One of the programs here is radiation pasteurization, for example, Atomic Energy Commission. Industry benefits, 15 percent. I do not know whether—that is what they apply now which is above what you recommend. I take it, you would not say they should come down.

Mr. Harberger?

Mr. HARBERGER. I think, Senator, the idea of a uniform discount rate for all Federal agencies has a great appeal and it is an idea that can be sold. I think that talking about, let us say, the whole problem of adjusting for risk is an extremely difficult one, and that the only basis on which one could argue for differential interest rates would be on grounds of risk. When you get to the question of risk, it is obviously not an agency-to-agency phenomenon so much as a project-to-project phenomenon, so even taking risk into consideration does not give you much of a basis for saying one agency should have a different discount rate than another agency.

My own preference would be to set upon a single risk-free discount rate, and then to say that agencies and the Bureau of the Budget should make appropriate allowance for risk in all of their projects and activities. The allowance that they make for risk may consist of raising the discount rate in certain cases above the risk-free one, but it may also consist in shading the benefits or possibility making special upward adjustment of costs.

Chairman PROXMIRE. That is our difficulty. There is so much political incentive involved here and political power involved that the more exceptions you make, in some cases you say you can raise the discount rates and in other cases you can shade the benefits, unless you have pretty firm and explicit guidelines, unless you are going to arrive at a fairly consistent discount rate it is going to be very hard to break this bad habit. You know how hard it is to change a situation in Government as it is when you have vested power involved as you have in this case. Men of great influence in the Senate are going to fight to the death on this. There could be a filibuster if we ever succeed in bringing a bill to the floor. It is going to be very, very hard to achieve this kind of reform in any event.

Mr. HARBERGER. I think if you operate with a risk-free discount rate of 8 percent, the options there are only one way. You either penalize a risky project by using a 9- or 10-percent rate, or you penalize