

to how this can apply not just to water projects, not just to the big public works projects, but it can apply across the board to a great deal, not all, obviously, but a great deal, of public expenditures, and that it can give us a much more objective criteria, at least, on the basis of which we exercise our value judgments. We are not going to be bound by this, not going to say we will never violate it but at least we will know what we are doing. We would not deceive ourselves by providing a discount rate that provides a benefit-cost ratio that is completely false. Because there is so much money involved and the people do not like to pay taxes and because taxes in the view of many people are already high, it would seem to me that we can summon a great deal of political support for a more rational approach once we can get the idea so that the economic profession espouses it and then the public picks it up.

Wherever I have had a chance to talk with people in my State, I found great support for this. But I am just wondering if the economics profession cannot do more with it.

Mr. ECKSTEIN. Mr. Chairman, the academic community can feel guilty on many scores and many issues where they were late rather than leading, but in this area I do not think we need to plead guilty. I think the basically correct answers have been developed over the last 15 years and have been available for at least 10 and it has just taken this long for the needs to become understood in the Government, and here in the Congress.

To me it is a source of great pleasure that a congressional committee would devote itself to this apparently obscure technical subject which in fact, is a very fundamental subject and guides our public—the interest rate does guide the pattern of public investment. So, I wish you well. [Laughter.] And I think if we can make progress on this at last, I think that is the way I have to put it, if at last we can make progress on this, we will have helped set the stage in a small way toward a more effective public effort in all our social programs.

Chairman PROXMIER. You see, one of the difficulties is there is a tendency in some administrations, some a little more than others, not to reveal all the facts, not to give all the information and not to keep Congress as well informed as possible. After all, knowledge is power. When you know the score you are in a much better position, much more powerful position, to act than when you do not and I think that if administrations in the future will do their best to take the initiative in informing Congress on what PPB leads to, what it spells out, what these things can do in arriving at more rational decisions, then I think we can begin to make progress.

Let me just ask one more quick question. That was a rollcall, so I cannot detain you very long.

What assumption, if any, do you make, Mr. Harberger, with regard to monetary policy in your calculations about displacement of the private investment by Government investment and borrowing? Do you just assume monetary policy is fixed and established and will not vary? Obviously you could adjust monetary policy, could you not, to permit a greater rate of investment and then not displace, at least in the borrowing area, not displace private capital.

Mr. HARBERGER. I assume that within the context of the tax-fiscal system which is prevailing at a given moment in time, that monetary