

rate would cease to be a proper indicator of social value. A lower interest rate might lead to a larger number of projects, would favor projects which are particularly long-lived, and would lead to the fuller development of the potential of many project opportunities.

The decision not to abide by the market judgment need not be based entirely on ethical considerations. As we have seen earlier, the capital market is imperfect because of the riskiness of investment and for various institutional reasons. Also, because of imperfect perception of future circumstances and the uncertainties surrounding individual lives, it is less likely that consumers make their saving-borrowing decisions as rationally as their choices among commodities. Consequently, the actual intertemporal choices in our economy, including the determination of the over-all level of saving and investment, are made in a rather haphazard manner.⁴⁵

These arguments provide a point of contact between economic analysis and conservationist philosophy. Most of the policies advocated in the name of conservation are designed to make stronger provision for the future than the market mechanism would call for. Resource development is a particularly potent area for the kind of investment designed to benefit future generations. There are opportunities for development of extremely enduring, in some cases perpetual, additions to the nation's capital stock, which will increase in value as population and the economy grow. It may well be that the desire to redistribute income toward future generations can provide some rationale for continued use of a low interest rate.

But this line of argument has limitations. Insofar as a low interest rate leads to the justification of some projects at the expense of others which can produce a better return, the rate will result in a social loss even within water resource fields. Also, if the fundamental objective is the redistribution of income toward the future, the critical variable is not so much the interest rate as the over-all level of investment.⁴⁶ The best policy to meet this objec-

⁴⁵ It is not clear whether the actual level of saving is higher or lower than the ideal (defined in terms of the judgment of the present generation). On the one hand, the large gap between borrowing and lending rates indicates that the level is too low; on the other, the saving carried on by corporations may far exceed the level desired by their stockholders.

⁴⁶ For a fuller discussion of this point, see Otto Eckstein, "Investment Criteria