

ECONOMIC ANALYSIS OF PUBLIC INVESTMENT DECISIONS: INTEREST RATE POLICY AND DISCOUNTING ANALYSIS

THURSDAY, AUGUST 1, 1968

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON ECONOMY IN GOVERNMENT
OF THE JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room S-407, the Capitol, Hon. William Proxmire (chairman of the subcommittee) presiding.

Present: Chairman Proxmire.

Also present: John R. Stark, executive director; Robert H. Haveman, economist; and Douglas C. Frechtling, minority economist.

Chairman PROXMIRE. The committee will come to order.

As I said yesterday, this is an unfortunate time of year for hearings because Members of the House and Senate are busy winding things up and others are in Miami, Fla., winding other things up. At any rate, I am delighted with the quality of the hearings so far. We delayed the beginning of the hearings this morning a little bit, waiting for the statements. I had not seen your statement, Mr. Lynn, but I have it here now.

This is the final session in the current series of hearings on the interest rate and discounting procedures in Federal agencies. These have been most helpful hearings for a number of reasons. We have heard the announcement and rationale for a proposed new interest rate procedure for water resource agencies.

We have heard proposals for implementing consistent, across-the-board interest rate and discounting procedure in all Federal agencies.

It has been recommended that a base risk-free interest rate be published on an on-going basis as a guide to all analysts of public investments.

All of these are important steps in the implementation of a sound planning-programing-budgeting system in the Federal Government.

Indeed, it is becoming increasingly clear as the demands on the Federal budget grow that Congress requires the guidance of competent economic analysis of proposed expenditures. It is only with such guidance that we in the legislative branch can rationally choose among alternatives rather than apply the wasteful meat ax to the budget.

This morning we will hear the statements of representatives of three Federal agencies. We welcome Assistant Secretary Mackey of the Department of Transportation, Assistant Secretary Enthoven of Defense, and Dr. Laurence Lynn, who is his deputy, and Dr. Robert Levine, Assistant Director of the Office of Economic Opportunity.