discount rate would have killed Headstart. Again we are using the same range of discount rates, Mr. Chairman.

Chairman PROXMIRE. Let me just interrupt to say that your assumption that it would have killed Headstart is on the further assumption that you just cannot crank in all the benefits of Headstart. The benefits that you have alluded to in these other respects, with regard to stability in socialization and therefore reducing the crime rate and that kind of thing.

Mr. LEVINE. Not completely, really.

Chairman PROXMIRE. As part of it, though; because I understood you to say your benefits were primarily related to specific increases in earnings.

Mr. LEVINE. Yes, sir.

Chairman PROXMIRE. Which certainly is only part, and perhaps a small part, of the benefits.

Mr. LEVINE. That is true. This applies, I think, perhaps to both programs, the intangible benefits. My prestudy guess, which proved wrong, that the discount rate would kill Headstart, however, was based purely upon the idea that any comparable set of benefits would be killed by 10 years of discounting, 10 or 11 years of discounting.

Chairman PROXMIRE. You found out that was not true?

Mr. LEVINE. We found out this was not true. Let me then make a point on that basis. It is going to be true for some programs. This leads us specifically to a final point I would like to make, which is on the discount rate as such.

I am not sure what discount rate should be used even on the investment portion of programs like ours. Because there is a conventional analysis, we use a discount rate we believe to be in the opportunity cost range, this 5 to 7 percent, for our kind of program. I have not thought this all the way through, but it may be that because the American people, with our kind of program, have exhibited a clearly different kind of time preference, a time preference which can be expressed in the phrase, "Let us do this once and for all, and do it in a fundamental way, which will cure something for the long run," in the long run implying a weight on the distant future which ordinary discount rates will not give you—it may be that for some programs of this nature, there is a political preference expressed for a low discount rate. In a sense, the American people are saying that comparing benefits of similar programs, getting away from the comparability of these programs to others, comparing benefits of similar programs to one another, it may be that the political preference which must be honored here is to do things in a way which values the distant future much more heavily than any economic use of discount rates on economic benefit programs will ordinarily give you.

Chairman PROXMIRE. I wonder if that is the case or if you simply should extend your benefits over a longer period? After all, in some of our physical programs, we extend benefits for 100 years. You could—it is true that the benefits would diminish rapidly if you have a higher discount rate. I am not sure that there is necessarily a preference for great-grandchildren. After all, in many ways, life in this country has been getting easier and education greater and leisure more abundant, and so forth. This trend seems likely to continue. The children and those of us who are living now are probably the ones who will have a tougher time than future generations.