There is no question about that, and with your experience in the Department of Defense, you have found that to be true. You have many instances, I am sure, where you found that one system seems to work out better on a cost-effectiveness basis, but there are other reasons that could cause you to choose the one that has proven itself less. But at least you have these guidelines in front of you; is that not the case?

Mr. ENTHOVEN. Yes, sir.

Chairman PROXMIRE. And you have found that discipline, I take it, essential?

Mr. ENTHOVEN. Essential for the definition and defense of the public interest.

Chairman PROXMIRE. You seem to go a little lower in your discounting range. You said a 5- to 10-percent range for opportunity cost for Government investment. Yesterday, Dr. Eckstein—and you all know what an authority he is—said 7 to 8 percent, Harberger said 12 percent; Mr. Lynn said 7 percent and up, as I understood him.

Why did you go as low as 5 percent?

Let me just say that when we discussed this yesterday, it was brought out that 5.5 percent in Eckstein's view is just about the minimum we can expect for the riskless interest rate in terms of what the Federal Government borrows on a long-term basis. He just does not think it will go much lower than that, unless we get unemployment, which we do not expect.

Then you have to add to that, as Mr. Lynn pointed out, your taxes forgone. When you do that, you come up to a minimum, it would seem, of 7.5 percent.

How can you go as low as 5?

Mr. ENTHOVEN. When I said 5 to 10 percent, Mr. Chairman, I was merely describing my impression of the range of expert opinion today. For one thing, one could make a case for a rate as low as 5 percent, if one were to adjust current interest rates for the fact that they reflect expected inflation. For another thing, some economists argue that the Government should use a riskless rate in evaluating its investment.

Chairman PROXMIRE. That was disputed with great vigor yesterday by the economists who were here. They contended that—I think Eckstein's argument was that it would not go much more than 75 basis points, which would be three-quarters of a percent, below this present level in the future.

Mr. ENTHOVEN. I would not want to argue for anything like the 5-percent rate myself, Mr. Chairman. I personally believe that a much more accurate estimate of the opportunity cost of capital is somewhere in the range of 8 to 10 percent.

Chairman PROXMIRE. You cannot think—or can you think of any justification for the operation of the Corps of Engineers, which is in your Department, with regard to their present operation, which is about 3¼ percent, for public works projects, and which, for water resources projects, will be 4⅝ percent? Is there any possible economic justification for that, in your view? I do not mean to be putting you on the spot.

Mr. ENTHOVEN. I must admit I have not studied that particular question recently, Mr. Chairman. But that does seem to me to be a very low rate. If we expect other projects in the Government to be designed around a higher rate, then that is too low.