

Mr. MACKAY. I think in our area there are some attractive aspects of trying to identify the more or less business-oriented aspects of Government. But I am not sure that you gain much in the long run. Some of the investment we undertake is clearly very similar to what business undertakes. We go at it in a very businesslike way; others, we do not.

You get into a great many questions. One, for example, is what if the public investment you are undertaking is really due to the fact that you have a private monopoly, either in that field or some other field, and you have to get into it. Questions of this sort tend, in my mind, at least, to detract from the usefulness of this kind of distinction. So I guess where I come out is I am probably more inclined to say that the social opportunity costs applied across-the-board may make more sense.

Chairman PROXMIRE. Mr. Levine?

Mr. LEVINE. I am less certain than the rest of my colleagues about the importance of a single discount rate covering all programs and all purposes. I feel this way because I think our problem is a very real problem. I think the answer that applies to your question is it depends upon what policy question you are asking. If the policy question is one of a nature comparing two programs with similar use of resources—in our field, for example, a public housing program versus a private housing program—I think that the appropriate discount rate might be the cost of private capital in the mortgage market. For the same public housing program, however, if you could compare it to another sort of antipoverty program, a different discount rate might be appropriate. I am not scared of having two different discount rates for two different purposes. So I think for some purposes this would be justified, for some policy decisions. For other policy decisions, the proper discount rate might be the overall opportunity cost of capital to the Government.

Chairman PROXMIRE. How about the utilization of resources aspect of this question in light of a different assumption? Would you change your views on this if we did not make the assumption I assume all you gentlemen are making and that the economists yesterday made, that we are operating, if not at full employment, fairly close to it or at least at the level of unemployment at which any lower level would result in unacceptable inflation? Supposing we had a situation of unemployment that was very high and of utilization of plant capacity which was quite low, so we had available resources, we would not be displacing resources when we engage in Government activity.

How would this affect the discount rate, if it would?

Mr. ENTHOVEN. Well, if we have significant unemployment, it makes sense for the Government to spend more or tax less to correct it. If you used a lower discount rate, that would stimulate public investment. If that were done, however, it ought to be justified explicitly as for that purpose, and there should be a uniform policy.

Chairman PROXMIRE. How would you do that? This is quite a serious problem. Yesterday Dr. Eckstein made the assumption that we just cannot get below 5.5 percent unemployment. He felt that if you were below that, we would not stand for it, Congress would not stand for it. He may be right or he may not be right. In the 1950's we had periods where it was 7 percent. We have had periods where our plant capacity has been utilized at 75, 70 percent.