

In the most recent series of hearings,⁷ the subcommittee limited its consideration of the economic analysis of public investments to the question of discounting procedures and interest rate policy. Because of its newly proposed interest rate procedure, both the Chairman of the Water Resources Council and its Executive Director were asked to testify. In addition, testimony on the question of appropriate discounting analysis was requested from the Bureau of the Budget, three executive agencies, and two prominent economists noted for their work in this area. These hearings were guided by the following objectives:

1. To seek an appropriate and meaningful conceptual framework upon which consistent interest rate policy could be based.
2. On the basis of this concept, to establish an accurate measure of the interest rate which should be currently used.
3. To determine a methodology by which the appropriate base interest rate could be calculated on a continuing basis.
4. To insure consistency among agencies in interest rate policy and the application of discounting procedures for evaluating public investments.

The discussion which follows is based upon the record of these hearings. In addition, it draws upon the previous inquiries of the subcommittee into the question of consistent discounting practice and interest rate policy. The subcommittee believes that its assessment as presented below reflects the overwhelming judgment of the economics profession on these matters.

⁷ "Economic Analysis of Public Investment Decisions * * *."