

SEPARATE VIEWS OF REPRESENTATIVE PATMAN

I would like to express my disagreement with the conclusions presented in this committee report concerning the discount rate yardstick for the evaluation of public investments. The essence of the report's conclusions is that public investments can be evaluated in a manner similar or identical to that which is relevant for private investments. I believe that this is not true, and that once this premise is abandoned, the remainder of the conclusions can no longer be valid.

A Joint Economic Committee study estimated that in the decade 1966-75, public facilities costing \$500 billion—half a trillion dollars—will be needed in communities across our land. Many of these facilities will provide services which will substantially improve the quality of life in our society, but these are improvements not easily measured in dollars and cents. Furthermore, many Government activities may have few direct economic benefits, but may have indirect, or longterm, economic and social effects which will expand the productive capacity of our economy over the long run and greatly increase the national welfare. Reliance on profit-oriented business criteria to evaluate Government investments would inevitably result in the abandonment of projects with more potential and far-reaching benefits, such as I described above, in favor of those which showed an immediate financial return. I believe this would be disastrous to the fulfillment of a whole range of the goals of our society.

The committee report recommends, in particular, that public projects be evaluated with the use of a discount (interest) rate which reflects the potential return on private sector spending which has been displaced by the public investment. This private sector rate would be higher than that generally used by Government agencies today in the evaluation of alternative public investments.

According to the report: “* * * where the rate of interest used (by the Government) is lower than that used in the private sector, funds are being guided from uses bearing a higher return to uses bearing a lower return. The result * * * is to depress the size of the national income and to sacrifice potential economic growth.”

This finding would be conclusive support for the recommendations of the report only if several conditions were met: (a) if the noneconomic benefits of Government projects could be included in the measure of returns from these projects to make them fully comparable to measurements in the private sector; (b) if the measure of return from Government projects could also include all the longer term indirect economic benefits, which do in fact contribute to the productive capacity of our economy, and (c) if we were all agreed that the size of our national income were the single and uppermost goal of our society. I believe that none of these three arguments can currently be supported.

I think we should also bear in mind the implications of accepting strict, business-oriented criteria for Government activity. Do we mean