

to say that we believe society will benefit more from a new gadget than from the construction of a new school or sewage system because the immediate financial return on the former might be 6.5 percent as opposed to 5 percent on the latter?

The argument for judging the value of public investments on the basis of rates of return, or interest rates, in the private sector is further weakened when we realize what sort of factors go into determining the private sector rates. The discussion on appropriate interest rates in the committee report, itself, is begun with the admission that the capital market in our economy is far from being a perfectly competitive one. The interest rates established in this market are influenced not merely by the regular forces of supply and demand, but also, among other factors, by the policies adopted by various government units. In particular, the Federal Reserve System plays a major role in the determination of interest levels, and these levels have been maintained at an artificially high level for many years. Indeed, as I have pointed out on numerous occasions, the Fed is the beneficiary of a \$50 billion portfolio on which it collects these inflated interest rates. The Congress, itself, has been lax in acting to allow interest rates to fall to levels which would better accommodate the needs of our economy.

One of the distressing aspects of our economic and social development as a society is that there are serious imbalances. We have neglected human resources in the interest of material things too often. One reason for this is that the public sector is on the low end of the scale so far as the credit of the Nation is concerned. Whenever money is tightened and interest rates boosted, our public facilities suffer, along with the small businessman and homebuilders. That is what is happening right now. Not only do the public facilities have much more difficulty in obtaining credit when scarcity prevails, but they must increase their expenses to pay high interest charges. This is a grievous burden for them and involves a transfer from the ordinary citizen to the wealthier class who have the lending power.

I must, therefore, disagree with the conclusions expressed in this committee report with respect to the appropriate discount rate for evaluating Government investments. Our society has many objectives which could never be shown on a profit-and-loss statement, and our Government has obligations to its citizens which cannot be dismissed by reference to a profit-maximizing rate of return.