

tions may also point toward a purchase decision. However, it is often necessary to borrow money in order to purchase a major computing system today. This is particularly true in view of the current financial straits of most universities. Yet, the government will not permit its users to pay their fair share of the interest charges on the funds used to purchase the computer, requiring instead that the university-funded users pay not only for their own share but for the government-sponsored users' share as well. The magnitude of the inequity becomes apparent when one considers that the interest costs for a \$3-million computer system amortized over 5 years amounts to more than \$780,000 at today's interest rates.

It is easy to understand how the government policy of not allowing interest expense came into existence. Where commercial profit-making organizations are involved, the government can validly argue that profit is defined to include return on capital investment as well as rewards for risk-taking and accomplishment. Thus it would neither be fair nor in the government's interest to permit a contractor to exercise high leverage through debt rather than equity financing, recover the interest cost of borrowed capital and obtain a profit on it while other contractors, using invested capital, must pay their capital costs from profits alone. Therefore, no cost allowance is permitted for "interest" computed on invested capital, for dividends on equity capital, or for interest paid on borrowed capital. The source of capital is not of concern, and the contractor is expected to pay the cost of capital from profits. In the case of nonprofit educational institutions, however, it is clear that the above factors are irrelevant.

Private colleges and universities operating under the Internal Revenue Service regulations for nonprofit institutions cannot very well sell stock to raise capital, so borrowing from the bank must be the avenue for financing equipment acquisitions. Even if an institution were willing to invest endowment capital in a new computer, the loss of endowment income would represent a real cost to the institution, equivalent to the payment of interest. Yet, when such an institution performs work for government-sponsored users, it is allowed neither profit nor interest recovery regardless of the fact that a capital cost is incurred. One must then conclude that the government is ad-

versely discriminating against colleges and universities in the handling of computer costs.

Further, the policy of not allowing interest expense can also result in government funded users paying more for computer usage than they would if the interest expense of nonprofit organizations were allowed. For example, a nonprofit contractor often elects to lease computers from the manufacturer or from a third party (interest on the capital being included in the lease price) for shorter periods of time than they otherwise would so that cumulative lease costs are less than purchase price. Yet, the purchase price plus the interest expense less the residual salvage value of the equipment at the end of the period will frequently turn out to be less expensive than the cumulative lease payments over the period.

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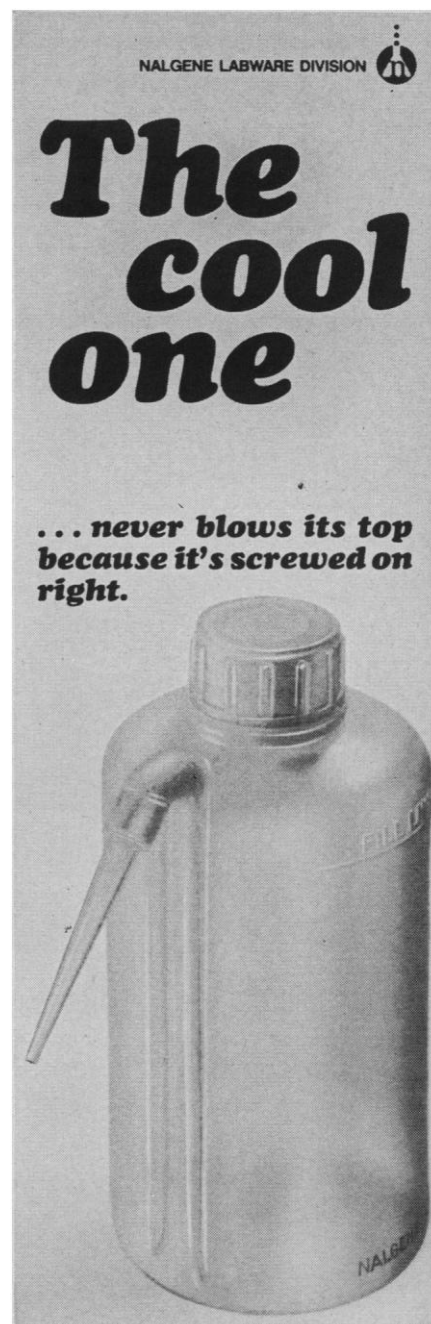
New Ringmaster—Same Circus?

The article by Carter (26 Dec., p. 1603) records the departure of Yannacone as general counsel of the Environmental Defense Fund (EDF) and states the scale of compensation which furnished the incentive for his cross-examination of scientific witnesses. Wurster [*BioScience* 19, 809 (1969)] has extolled Yannacone's courtroom tactics as furnishing the "acid test of relevance and competence" for obtaining information on DDT. Yannacone was described in *Science* (22 Dec. 1967, p. 1552) as without "formal training in ecology."

The bizarre tactics employed by Yannacone at the Wisconsin hearings, according to the hearing examiner, included "histrionics and badgering witnesses." I have hoped that the material in those hearings might some day be reexamined in a more orderly scientific atmosphere, but this seems doubtful: EDF's new general counsel boasted in the hearings at Seattle on 16 October of his lack of training in biology. My prediction for the EDF is: same traveling circus, different ringmaster.

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