Abstract

Main objective of this article is to carry out an analysis on the theoretical debate about establishing a social discount rate to be used for evaluating projects with long-term environmental impacts. Thus, the article describes debate evolution about long-term discount concept and its implications in terms of intergenerational equity. It also analyzes criticism to traditional method for determining long-term discount rates and three alternative proposals are described. From empirical evidence stated by several studies in favor of low discount rates, it is concluded that discount rate used for evaluating projects with long-term impact should be a declining rate in time.

Keywords

Social discount rate, project evaluation, inter-temporal consumer choice, environment and development.