

Report on Master Thesis

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Title of the thesis:	Environmental Cost-Benefit Analysis: Social Time Discount Rate (or "Pure" Rate of Time Preference) Determination in Social Discounting of Public Projects/Policies in the Czech Republic

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

The thesis aims at one key parameter of Cost-Benefit Analysis that is discounting. After introducing the argument behind CBA, Šárka – in very detail – describes each step of well-performed CBA. Despite the fact the work is here quit descriptive, I consider its substance very well done and very useful. Chapter 4 then present the core of the thesis; at first, market-based approaches to determine a social discount rate are discussed when critics and illustration how to derive the SDR by each of approach present the asset of this work. Then, intergenerational social discounting follows. It is just a pity Šárka did not spend more on this subject because I consider this part as the most challenging and controversial in economic literature. I would like to add that Šárka had made great progress in understanding this pretty much complicated issue that would require giving her excellent grade. On the other hand, there are still some arguments not properly defended or elaborated. Overall, her thesis is acceptable and I recommend **grade 2**, in the case of satisfactory answered questions being raised I would support evaluating this thesis by **grade 1**.

Here are some remarks and questions:

- I guess the discount rates determined from the market more reflect time preference of individuals having 'fruits' now or later, while the SDR used in the long-term evaluation more indicates one's altruism towards future generations, i.e. whether and how strong we want to discriminate against future people. Could the author discuss this point?
- There is no reason to blame neoclassical economists about economic growth without limits (page 42). In fact, chapter 4.2.3.1 (page 78) discusses optimal Ramsey-type economic growth model that ends in "bliss-point" with steady state. Moreover, other authors showed that – under usual conditions such as positive discount rate - sustainable growth need not be desirable goal even if it was reachable. The author might discuss the effect of social intertemporal preferences on sustainable growth. Moreover, it would be useful to discuss why the assumption of $g=0$ might be probable in the very long-run.
- The author argues in several places that heterogeneity in individual preferences disqualifies the methods deriving SDR from market. Why this is a problem?
- The author argues that the SDR in the EC guides "...it is very probable... it was inspired by this [on government's borrowing rate] model..." (page 62). However, at page 35 is argued that the SDR was based on estimates of long run growth potentials. Could the author clarify this?
- One source of critics on determining the SDR from weighted social opportunity cost of capital is that it cannot be applicable to all projects. I guess that author's intention at page 67-68 was to recommend the SDR for any project. Could the author explain for what type of project then the SDR she recommends can be used?