Goulder, L.H. & Stavins, R.N. (2002) 'Discounting: How economists' controversial practice of discounting really affects the evaluation of environmental policies', Nature, 419(6909), pp. 673-674.

The general understanding of the paper

- Economic analysts typically discount future impacts to evaluate policies, which can lead to concerns about the well-being of future generations.

- Discounting is a common practice in private investments due to the productive nature of capital, as it earns interest over time.

- A comparison of investment options can be made using discounting to assess whether a project yields a higher return than alternative investments, such as bank interest.

- The present value of net benefits (PVNB) is calculated to determine if a project will yield returns greater than the market interest rate.

- Discounting translates future monetary values into present equivalents, enabling a comparison of costs and benefits.

- Public sector investments, such as climate policies, can also be evaluated using discounting to assess their potential benefits over time.

- The potential Pareto improvement (PPI) criterion assesses whether the benefits to future generations outweigh the costs to the present generation.

- The use of a lower discount rate could give more weight to future benefits, but it may blur the distinction between efficiency and equity criteria in policy evaluations.

- Analysts must acknowledge uncertainties regarding future benefits, costs, and interest rates in their evaluations.

- The application of discounting in environmental policy evaluation remains controversial due to misunderstandings about its purpose and implications.