

THE NEED FOR DEVELOPING A POLICY ON A SOCIAL DISCOUNT RATE FOR AUCKLAND COUNCIL

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This study outlines the rationale for the council in developing its own policy on a social discount rate. This will be used in social cost-benefit analysis for appraisals of regulation, policy and investments across council. The approach is to conform with the vast bulk of the welfare economics literature, which carefully explains that one should use a social rate of time preference, coupled with a shadow price of capital when the impacts on private sector savings and investment matter. This is in contrast to the Treasury's policy of an 8% real social opportunity cost rate.