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VALUATION

R.L. McDonald, S.M. Chilton, M.W. Jones-Lee,
H.R.T. Metcalf



PII: S0095-0696(16)30449-1
DOI: <http://dx.doi.org/10.1016/j.jeem.2016.11.005>
Reference: YJEEM1985

To appear in: *Journal of Environmental Economics and Management*

Received date: 29 October 2014
Revised date: 17 November 2016
Accepted date: 19 November 2016

Cite this article as: R.L. McDonald, S.M. Chilton, M.W. Jones-Lee and H.R.T. Metcalf, EVIDENCE OF VARIABLE DISCOUNT RATES AND NON-STANDARD DISCOUNTING IN MORTALITY RISK VALUATION, *Journal of Environmental Economics and Management*, <http://dx.doi.org/10.1016/j.jeem.2016.11.005>

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EVIDENCE OF VARIABLE DISCOUNT RATES AND NON-STANDARD DISCOUNTING IN MORTALITY RISK VALUATION*

R.L. McDonald^a, S.M. Chilton^b, M.W. Jones-Lee^b, H.R.T. Metcalf^b

^aUniversity of Warwick, UK

^bNewcastle University, UK

*Corresponding author. Postal Address: Room C3.106, WBS Scarman Road, University of Warwick, Coventry, CV47AL, United Kingdom. Tel.: +44 (0) 24 765 28127. rebecca.mcdonald@wbs.ac.uk

Abstract

Time discounting is central to the valuation of future health and mortality risks in public sector allocative decision-making, particularly for environmental policies with delayed health impacts. Using a Risk-Risk trade-off survey, we elicit discount rates for fatality risks and establish discounting functional forms on both a sample and an individual level. We find wide variation in implicit discount rates for fatality risk between individuals, as well as between-individual heterogeneity in discounting functional forms. In aggregate, the sample is best characterised by subadditive discounting. Our work has implications for the academic investigation of intertemporal choice involving mortality risks, and potentially for the evaluation of policy options with delayed mortality risk outcomes. A thought experiment

^{*} This paper and the work it describes were funded by the Health and Safety Executive (HSE) (Contract No. ND2484). Its contents, including any opinions and/or conclusions expressed, are those of the authors alone and do not necessarily reflect HSE policy. The paper was also supported by the Leverhulme Trust [grant number RP2012-V-022].

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