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Anne Toppinen, Heimo Karppinen & Kati Kleemola (eds.)

Optimal rotation with differently-discounted benefit streams

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Several reasons have been given to justify discount rates which decline through time. The expected and computed result is a sequence of progressively lengthening rotations. Reasons have also been given why different kinds of benefit (or cost) might be discounted at different rates: in particular, carbon fluxes. A similar lengthening sequence of rotations then invariably arises, whether the benefits are consumptive ones realised at the rotation end, or non-consumptive ones whose annual value increases through the rotation. (Constant annual benefits have no effect on rotation, irrespective of discount rate.) The factors which justify different discount rates for different *kinds of benefit* do not lead to the dynamic inconsistency that arises when discount rates differ according to the *length of the discounting period.*