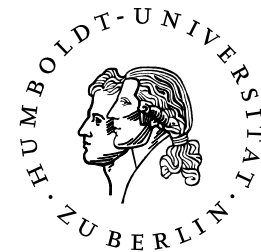


The Willingness to Pay for Public Goods Depends on Perceived Justice

Tobias Schröder and Harald A. Mieg
Humboldt-Universität zu Berlin

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Overview

1. Introduction: Contingent Valuation
2. Perceived Justice and Contingent Valuation
3. The Case: Road Bypass for Bookholzberg
4. The Questionnaire
5. Results
6. Discussion

What is the monetary value of tranquility?

- Traffic Planning Decisions
- Economic decision rules based on cost-benefit-ratios.
- “Hard” factors: e.g. construction costs
- “Soft” factors: e.g. traffic noise, clean air, aesthetic aspects, preservation of nature

Contingent Valuation

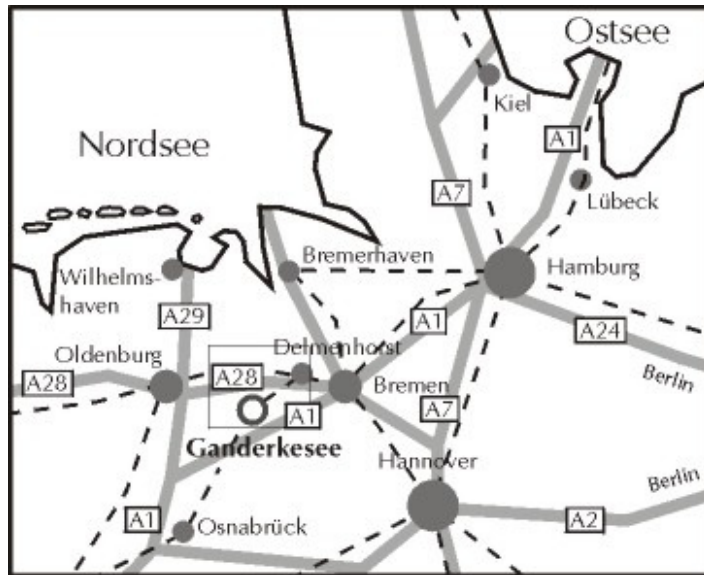
- Willingness-To-Pay (WTP):
„How much money would you pay for a certain improvement of the environment?“
(*purchase price* of, e.g., tranquility)
- Willingness-To-Accept (WTA):
„How much money would you demand as adequate compensation for a certain worsening of the environment?“
(*selling price* of, e.g., tranquility)

Perceived Justice and Contingent Valuation

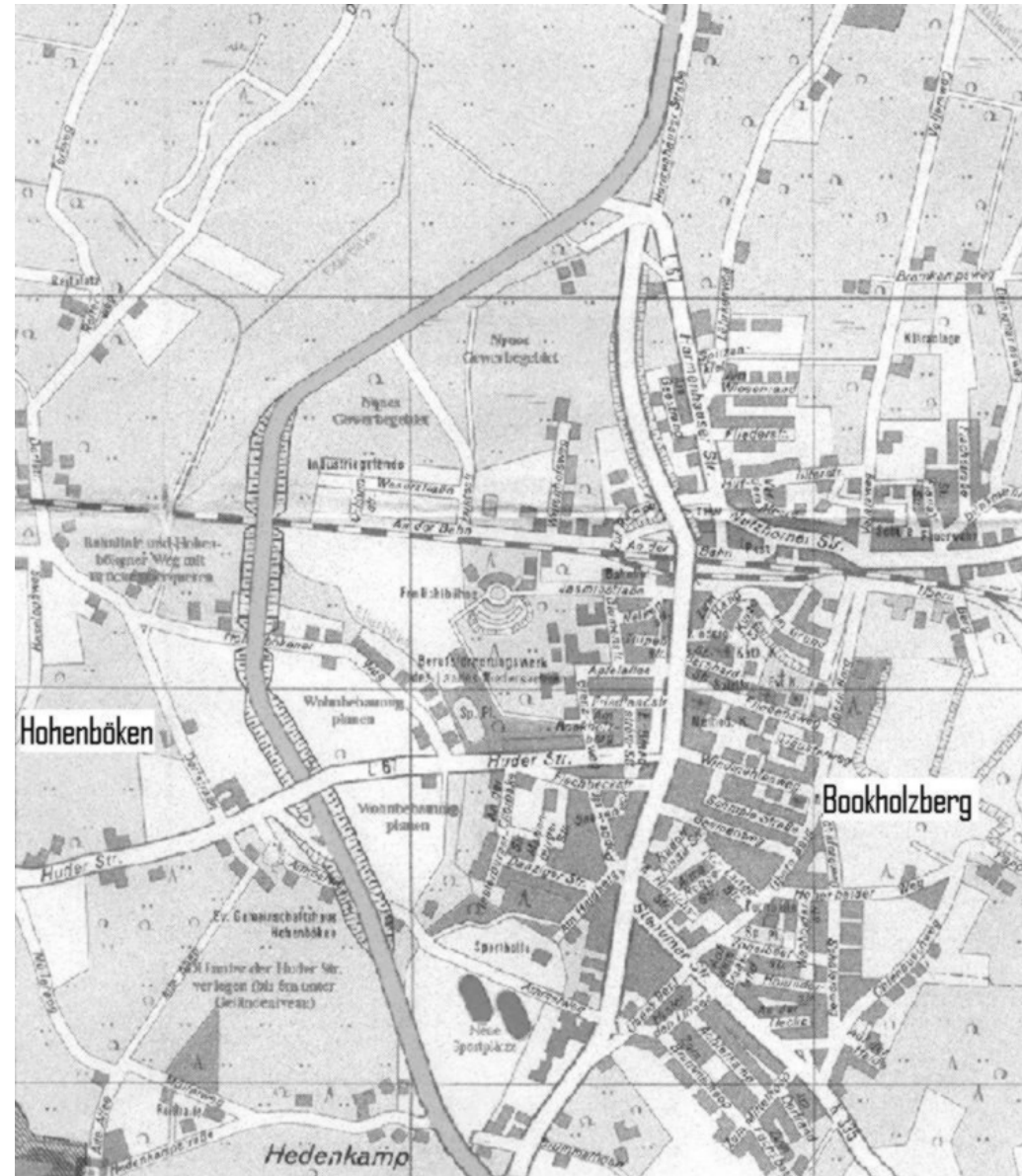
Overall hypothesis:

The stated WTP/WTA is affected by whether the respondents perceive such a payment/compensation claim as fair.

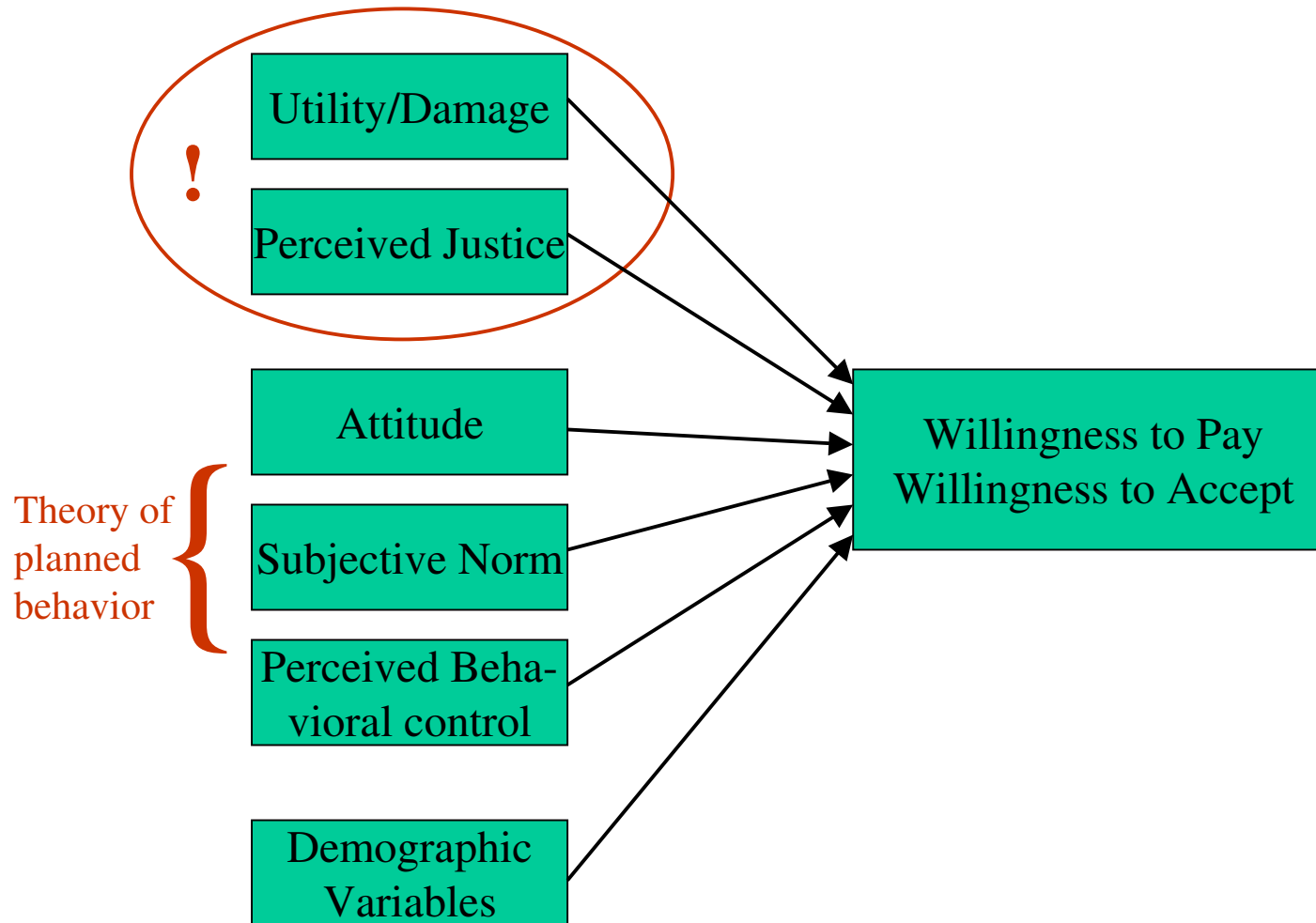
The Case: Road Bypass for Bookholzberg



Bookholzberg, village in Northern Germany (5.000 inhabitants), crossing federal highway B 212, lots of HGV traffic, action groups for and against bypass.
2003: Fed. Government decided against paying for the new road.



The Questionnaire: Predictors for WTP/WTA



Experimental Priming: Norms of Justice

„What is Justice?“

Equity:

„...a matter of personal benefit. Who profits from the bypass, should pay [...] who suffers from it, be recompensed...“

Equality:

„...a matter of equality. [...] equal rights to live unaffected by road traffic, regardless [...] in which place they live...“

Treatment check: „What do you think? – Yes/No/I do not know.“

Results 1 – Regression Analysis of WTP

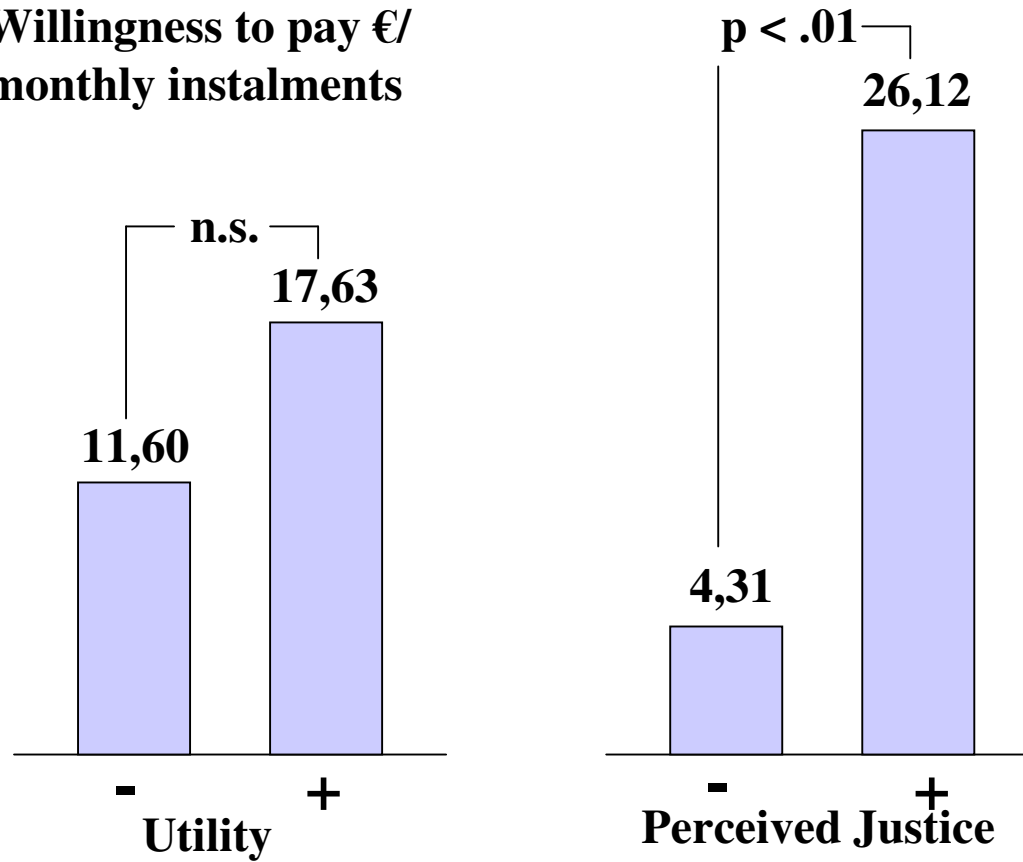
$R^2 = .51$; $F = 24.94^{***}$; $p < .001$
(Dep. Variable = WTP)

Total response: ~65%
N: 243
Favoring the bypass: 144

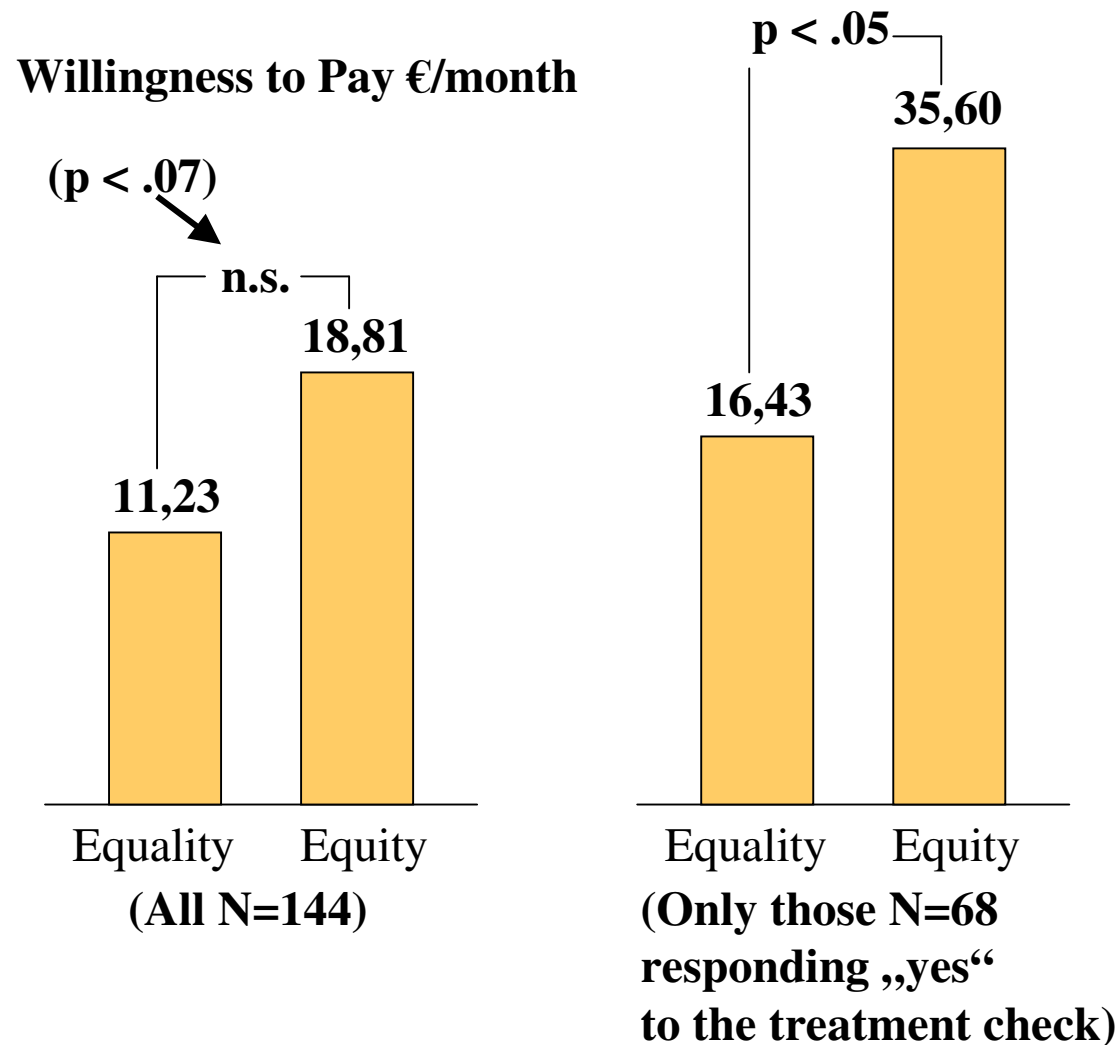
<i>Predictors</i>	<i>Coefficients</i>
Utility	.09 n.s.
Justice	.43** p < .01
Attitude	.12 n.s.
Subjective Norm	.16 n.s.
Perc. Behav. Control	.09 n.s.

Median split Utility/Justice

Willingness to pay €/monthly instalments



Results 2: Norm of Justice \Leftrightarrow WTP



Results 3 – Regression of (dich.) WTA

$R^2 = .39$; $F = 7.6^{**}$; $p < .01$
(Dep. Variable = dichotomous
WTA, i.e. the decision whether or
not to claim compensation at all!)

N: 74

NB: no significant regression model
could be found for continuous WTA.

<i>Predictors</i>	<i>Coefficients</i>
Utility	.01 n.s.
Justice	.58* p < .05
Attitude	-.14 n.s.
Subjective Norm	.20 n.s.
(Perc. Behav. Control)	(-.11 n.s.)

Results 4 – The Meaning of Justice for WTP/WTA

- No significant differences in WTA after priming Equity/Equality
- Different Relationship Utility \Leftrightarrow Justice:
 - WTP: $r = .14$, n.s.
 - WTA: $r = -.57$, $p < .01$
- Justice = Retaliation?
- Loss in environmental *status quo* \Rightarrow perceived injustice \Rightarrow high WTA claims

Summary

- Clear empirical support for overall hypothesis: Contingent Valuation depends on perceived justice.
- WTP seems to depend on predominating norm of justice, but further evidence necessary.
- Danger of underestimating the economic utility of public goods when misinterpreting $WTP=0$ responses.
- Consequence: Use CV results in political discourse rather than in centralistic administrative decisions. Economic utility is a social construction.

Thank you for your attention!

Backup-Folien

Results – Regression of WTP

$R^2 = .51$; $F = 24.94^{***}$; $p < .001$
(Ind. Variable = WTP)

$R^2 = .33$; $F = 5.3^{**}$; $p < .01$
(Ind. Variable = WTP > 0)

Total response: ~65%
N: 243
Favoring the bypass: 144
WTP > 0: 68 (47.6%)

<i>Predictors</i>	<i>Coefficients</i>	<i>Coefficients for WTP > 0</i>
Utility	.09 n.s.	.25* p < .05
Justice	.43** p < .01	.13 n.s.
Attitude	.12 n.s.	.12 n.s.
Subjective Norm	.16 n.s.	.17 n.s.
Perc. Behav. Control	.09 n.s.	.28* p < .05