

Willingness to Pay for the Protection of Endangered Species: Testing for Fixed Mental Donation Accounts

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Introduction

Making environmental policy decisions in cases where the value of specific goods and services is not known is difficult. In order to elicit individuals' preferences for "non-market" goods such as the protection of endangered species, economists since long use the contingent valuation method: Using surveys people are informed about the specific good and proposed protection measures. Subsequently, respondents' preferences for the protection measure is elicited by asking for their (hypothetical) willingness to pay (WTP) for the implementation of the measure and thus for the protection of the species. Though being applied in real policy contexts, there are still reservations about using voluntary donations for the WTP elicitation – does it really express people's preference for the respective good, or do strategic considerations or more self-centred "warm glow" motives dominate WTP (see e.g. Kahneman & Knetsch, 1992)?

Hypotheses

In our research approach, we assumed that people might not investigate into real preference formation when being asked for their willingness to pay for the protection of a specific endangered species, but that they rather refer to a "mental donation account". Instead of researching their preferences for the good under investigation, respondents might anchor their WTP bid to the 'standard' donation amount they normally contribute. Hence, it was suspected that WTP amounts do not vary with respect to the nature and scope of the good under investigation. Additionally, if mental accounting played a role, we would also expect insensitivity to the length of information people receive about a specific conservation project.

Method

We conducted an experimental questionnaire study with N=532 students of the University of Halle. In a between-subjects-4x2-design (kind of conservation project x length of information), students were given one of eight possible scenarios: Protection of an endemic species (the common hamster in Germany), protection of a non-endemic species (the finless porpoise in China), protection of both species, and wildlife protection in general. All projects were described either in a short version (basic information) or in a long version (detailed information). Besides stating their WTP for the respective project, respondents filled in a standardised questionnaire asking for economically and psychologically based WTP motives.

Results

Findings reveal that WTP was sensitive to the nature and size of the project. WTP significantly differed among all scenarios and was highest for wildlife protection in general. The provision of detailed information generated significantly higher WTP than basic information. Our study does not support the assumption that WTP is based on a fixed mental donation account, and is in line with economic theory assuming that people carefully research their preferences. Psychological motives like perceived environmental responsibility significantly enhanced the statistical power of WTP explanation in multiple regression analyses.

References

- Kahneman, D. & Knetsch, J.L. (1992): Valuing Public Goods: The Purchase of Moral Satisfaction. *Journal of Environmental Economics and Management*, 22, 57 – 70.