



Context effects and the temporal stability of stated preferences



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ABSTRACT

In stated preference studies it is assumed that individuals' answers reflect true preferences and are stable over time. We test these two assumptions of validity and reliability using as an example a choice experiment study on ethical consumption that measures preferences for a Peace Product jointly produced by Israeli and Palestinian producers as well as for organic products. In a web survey conducted in Germany, we investigate the validity assumption by manipulating the question context and presenting one group of respondents with questions on anti-Semitic and anti-Arabic attitudes before the choice tasks, and presenting another group with these questions after the choice tasks. In order to test the assumption of temporal stability, the same experimental set-up was repeated in a second survey based on a new sample ten months after the first. However, prior to the second survey an external event, a major violent dispute between Israelis and the Palestinians occurred. Overall, we find evidence for a context effect but not for temporal instability. In both surveys, the placement of the attitudinal questions before the choice tasks has a positive effect on the valuation of products from Israel, Palestinian products and the Peace Product (i.e. a directional context effect). The respondents seem to act according to an anti-discrimination norm. In line with this reasoning, we find an attention shift caused by the attitudinal questions. Organic products are valued much less positively if discriminatory attitudes are surveyed before the choice tasks. Furthermore, despite the violent dispute, stated preferences are very stable over time. This indicates high reliability of stated preference studies and encourages the use of study results by private and public decision makers.

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1. Introduction

Over the past decades, the use of (discrete) choice experiments has increased in economics and other social sciences. The method was originally developed in marketing and transportation economics (e.g. [Louviere and Hensher, 1982](#); [Louviere and Woodworth, 1983](#)); today it is also employed, for instance, to measure preferences and estimate the willingness to pay (WTP)

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for environmental amenities (Bennett and Blamey, 2001), health measures (Ryan et al., 2008), and food product attributes (Alfens and Rickertsen, 2011). Choice experiments are also starting to be used in sociology (see Auspurg and Liebe, 2011) and political science (see Hainmueller et al., 2014). Applications of the method include preferences regarding the admission of immigrants (Hainmueller and Hopkins, 2012), climate agreements (Bechtel and Scheve, 2013), social embeddedness in trust situations (Buskens and Weesie, 2000), and ethical consumption (Andorfer and Liebe, 2013).

The basic idea of a choice experiment (CE) is that products differ in their characteristics and each combination of characteristics yields a different product. Respondents are asked to choose from an array of products the one they favor most. This design allows researchers to estimate the effect or value of each product characteristic on respondents' stated choices. CEs have become popular in economics because they provide a means of measuring preferences for product attributes even if the good in question is hypothetical. Moreover, CEs provide more information than other stated preference methods such as contingent valuation, which can only measure WTP for bundles of attributes (e.g., a whole product). CEs are also a helpful tool for other social scientists because they make it possible to estimate the influence of various attributes on decisions while representing these decisions more realistically (specifically choosing among different alternatives) than is possible using other common methods such as simple survey items and factorial surveys (Wallander, 2009).

The results of CE studies are often used to inform public and private decision makers. It is therefore important that these results be valid and reliable. Otherwise, decision-making will be based on misleading estimates of stated preferences and WTP estimates, leading to poor policy choices. For this reason, it is important to be aware of several methodological problems associated with CEs that are discussed in the literature. These include the divergence between hypothetical and actual WTP (hypothetical bias, e.g. Hensher, 2010; Grebitus et al., 2013), choice task complexity (e.g. DeShazo and Fermo, 2002; Boxall et al., 2009), and non-attendance to choice attributes (e.g. Hensher et al., 2005a; Campbell et al., 2008). These problems affect the validity of stated preference studies; that is, the relation between what is actually measured and the underlying construct that is to be measured.

In this paper, we investigate another source of invalidity and test to what extent stated preferences are prone to “context effects” (Tourangeau et al., 2000). Typically, a CE study includes relevant questions such as attitudinal measures in addition to the choice tasks. Including attitudinal measures is recommended in order to validate stated preferences (see, e.g., Bateman et al., 2002). However, this inclusion also alters the question context within which test subjects consider their CE responses, and this might affect their stated preferences. We test whether stated preferences differ when related attitudes are surveyed *before* rather than *after* the choice tasks. A second focus of our paper concerns the reliability of stated preferences (e.g. McConnell et al., 1998; Liebe et al., 2012). To date only few studies (all from the field of economics) have investigated to what extent CE results are reliable, that is, stable over time. To cast light on this issue we replicated our CE with a second sample ten months after it was first carried out, including the above-mentioned test of context effects.

We test the validity and reliability of stated preferences in a CE study of ethical consumption. The aim of this study is to measure the WTP for so-called “Peace Products” that are jointly produced by Israeli and Palestinian producers. Ethical consumption refers to consumer behavior that takes not only a product's quality and price into account, but also the political, social, and environmental effects of its production and marketing. Friedman (1996) distinguishes between “boycotts”, or negative buying behavior, and “buycotts”, or positive buying behavior. Boycotting is refusal to buy products and services that are associated with negative political, social, and environmental (i.e. external) effects. Buycotting is the deliberate purchase of products that are perceived to reduce negative or generate positive external effects. Organic production is another ethical product characteristic considered in our study; organic crops are grown without pesticides and herbicides and are therefore associated with environmental and human health benefits compared with conventionally produced crops.

In our study respondents value olive oil that varies by *production method* (organic, non-organic), *origin* (Italy, Israel, Palestinian Territories, and joint ‘Peace Product’ production by Israeli and Palestinian producers) and *price*. Thus, in our study respondents state preferences for two ethical product attributes, organic production and joint production to foster peaceful coexistence between Israelis and Palestinians. The individual motivation to purchase products with ethical attributes can be explained by several theoretical approaches including pure altruism, impure altruism or warm glow giving, social and personal norms, attitudes and values (Liebe et al., 2011, Liebe, 2014). In this study we concentrate specifically on relevant discriminatory attitudes: Anti-Semitism and anti-Arabism can be expected to affect stated preferences and WTP for Israeli, Palestinian and Peace Products. Based on our experimental design we can test whether the activation of such attitudes via survey items affects a respondent's evaluation of the choice-sets.

Our CE is part of two web surveys carried out in Germany in 2012. The surveys included four attitudinal questions on anti-Semitism and four questions on anti-Arabism. In order to test for context effects, one group of respondents was asked these attitudinal questions before the choice tasks, and another group was asked these questions after the choice tasks. The first survey was conducted in January 2012 during a period of relative quiet in Israeli-Palestinian relations. The second survey was based on the same design but conducted ten months later in November 2012 during a period of heightened violent dispute between Israelis and Palestinians, which was extensively covered in the German media. Our replicated CE is therefore nested within a natural experiment in which the context of the CE varies with the changing political situation. This enables us to study whether the temporal stability of stated preferences is affected by this external event. Overall, we find some evidence of context effects and observe a high degree of preference stability despite considerable changes in Palestinian-Israeli relations and media coverage of conflict in the region.

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