



Payment Vs. Compensation For Ecosystem Services: Do Words Have A Voice In The Design of Environmental Conservation Programs?



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ABSTRACT

We examine whether and how word choice can affect individual perceptions about a proposed Payments for Ecosystem Services (PES) program when objective outcomes are similar. From a traditional economic perspective, this type of manipulation would be considered unlikely to affect perceptions and behaviour, especially in the presence of pecuniary incentives and repeated decisions among sophisticated agents. From a behaviourally informed perspective, however, psychological and political theories of wording argue that word choice can have a significant impact on economic behaviour. To substantiate this discussion, we conduct a survey experiment that tests the impact of the words ‘payment’ and ‘compensation’ on favorability ratings of a proposed PES program. These preliminary findings suggest that the words used to describe public policies can be influential non-pecuniary interventions.

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1. Introduction

Wording is an important consideration in endeavors that engage the public. Marketers, for instance, invest considerable resources in naming brands and products (Colapinto, 2011). The importance of linguistic choices is also evident in the political domain, where it has been shown that every detail of a message can be leveraged to serve a specific goal (Brewer, 2001; Burnett and Kogan, 2015). There is less consensus regarding the significance of words in economics, where two conflicting views emerge. Under classic assumptions, words are often discussed in the context of cheap-talk, and monetary outcomes are considered to be a more important determinant of behaviour. Despite this, some studies have found that scenarios characterized by identical monetary incentives can lead to different behaviours according to the words used to describe them, such as rebate versus bonus (Epley et al., 2006) or tax versus offset (Hardisty et al., 2010). Results like these suggest that even a single word can indeed affect people's behaviours.

In the context of market-based instruments for environmental conservation, such as Payments for Ecosystem Services (PES), the terms ‘compensation’ and ‘payment’ are both frequently used to refer to the amount of money participants receive in exchange for providing an environmental service. In a neoclassical framework, the label used to describe this incentive is assumed not to have any great implications for behaviour. From this perspective, pecuniary outcomes are the primary determinant of behaviour. Insights from behavioural economics, in contrast, suggest that other forces may be at work, which could explain why differently-labeled alternatives can impact behaviour in different ways even when these alternatives possess similar economic characteristics (Feldman and Teichman, 2008; Thaler, 1999). This debate has not yet been addressed in the PES literature, where the discussions on terminology focus essentially on theoretical definitions. (Wunder, 2005).

In what follows, we first elaborate on the two main views regarding whether and how words are likely to influence perceptions, decisions and behaviours, and we present some empirical evidence relevant to this discussion. Secondly, we conduct a pilot study to investigate whether people's judgment of a proposed PES program differs if the money received is described using different labels (i.e., ‘compensation’ vs. ‘payment’). The study is located in a developing country, namely Madagascar, where one might expect subtle linguistic manipulations to have

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an insignificant impact on behaviour compared to actual monetary incentives. Finally, we conclude and discuss several policy implications.

2. How Can Words Change the World?

In a traditional neoclassical approach, only objective pecuniary outcomes such as payoffs matter to decision-makers. Many economic models as they are applied today often adopt this narrow view of human behaviour by focusing solely on instrumental utility, according to which only final outcomes enter into the decision-making process. This assumption implies that agents have preferences over the ex-post distribution of wealth, but they do not value the process by which these final outcomes are generated (a process that can conceivably encompass descriptive, i.e. linguistic, elements). From this perspective, as long as the meaning conveyed in a description is equivalent, the use of different words should not influence the decisions made by the self-interested individual, and word choice is often discussed only in the context of ‘cheap talk’. This view may appear even more convincing in countries where fundamental needs are in general, not fully satisfied. In these and all contexts, the use of one word or another (e.g., compensation or payment) in referring to the same amount of money should not change perceptions, decisions or behaviours. Moreover, even if lay people could be influenced by such manipulations in one shot interactions, one would expect repetition to eliminate these effects. In sum, sophisticated agents are assumed to pay attention strictly to the denotative meaning of the words that they encounter as well as focus solely on objective final outcomes (i.e. monetary payoffs) in the long run. Although this viewpoint continues to be shared by some economists who consider human beings to be Econs (Thaler and Sunstein, 2008), other economists do recognize that ‘cheap talk’ can influence decision making in Humans (and even Econs) in various contexts (Farrell, 1995).

Unlike the traditional approach that considers only denotative meanings and objective outcomes, several psychological mechanisms provide a conceptual basis for how words can affect perceptions, decisions and behaviours in surprising ways (Farrow et al., 2016). We review several mechanisms that are more likely to matter with respect to environmental behaviours, and especially with respect to the two words we experimentally investigate (payment versus compensation) in the context of the provision of ecosystem services.

First, the words one confronts in any given situation can elicit cognitive deliberation using either System 1 or System 2, the two basic systems that the brain employs to process information (Kahneman, 2011). Whereas System 1 is characterized as fast, automatic, frequent, emotional, stereotypic and subconscious, System 2 is described as slow, effortful, infrequent, logical, calculating and conscious. By choosing to use specific words, one can (voluntarily or involuntarily) solicit processing via System 1 (vs. System 2), and in doing so induce affect-driven (vs. analytical or more reflexive) reactions that frequently operate under the radar of consciousness (vs. consciously and deliberately). In this way, words have the ability to lead to either superficial or deeper processing, which can have an impact on subsequent behaviour. In support of this phenomenon, empirical evidence shows that objectively identical information seems to be processed more fully when expressed in negative rather than positive terms (Baumeister et al., 2001; Cialdini et al., 2006 for an environmental application) and that using one particular word rather than another (even if the person using these words may be unaware of their impact) is not without behavioural implications (Drews and Antal, 2016). The possible impacts that words can have on behaviour becomes even more complex when considering the fact that, in addition to denotative meanings (i.e. literal meaning, as described in the dictionary), words frequently evoke connotative meanings (i.e. meanings that may simply be associated with the literal meaning), as well. In some cases, the provocative connotative meaning evoked by a word may be more readily accessible than its denotative meaning and may lead to hasty, affect-driven reactions. A recent study

(Hardisty et al., 2010) shows that the same cost labeled as either a ‘carbon tax’ or a ‘carbon offset’ impacts people’s preferences in different ways according to their political affiliation. Individuals who reported more liberal political views did not discriminate between the two labels, whereas those who reported more conservative political views strongly preferred the carbon offset to the carbon tax, even though the measure described was of equal magnitudes. In this way, the tax label seemed to trigger System 1 among conservative individuals, eliciting negative, stereotypical thoughts and associations, thereby increasing their propensity to reject the measure (Hardisty et al., 2010; see also Sussman and Olivola, 2011).

Second, another stream of literature shows that words can be capable of invoking preconscious conceptual associations that have been shown to generate biases in perception and decision making in various domains (Alter, 2013; Nelson and Simmons, 2009; Meier et al., 2011; Drews and Antal, 2016). Words can even lead to self-fulfilling prophecies (Becker, 1963) when the label attached to something (e.g., ‘dirty money’) alters the perception of the thing itself (i.e., money) and related decisions that may be related to it (e.g., higher level of prosocial spending) (Park and Meyvis, 2015). Certain words, for instance can lead people to associate money with specific uses, which can lead to categorizing identical amounts of money into separate mental accounts that, contrary to the predictions of conventional economic theory, are not fungible (Thaler, 1999; Epley et al., 2006). While some words activate a calculative and business mindset (outcome-based decisions), other words may invite an ethical or moral mindset (rules-based decisions) (Tan and Low, 2011; Tenbrunsel and Messick, 2004; Vohs, 2015). An interesting example of the power of words on perceptions, decisions and behaviours is provided by Tan and Low (2011) who examined how the words used to describe compensations given to organ donors can significantly change people’s perceptions and subsequent behaviours. Based on these findings, the Singaporean government carefully avoided using the word ‘payment,’ when defraying the expenses associated with organ donation, as ‘payment’ can effectively transform the perception of this altruistic act into a commercial transaction, and was therefore likely to generate a crowding-out of intrinsic motivation (Bowles, 2008). The authorities instead opted to use the word ‘reimbursement’.

In a similar vein, we suspect that the word ‘payment’ is more likely to evoke a business mindset, triggering market norms of behaviour rather than social or moral norms. This market-oriented mindset can undermine intrinsic motivations to preserve the environment and lead to a crowding-out effect (Frey and Oberholzer-Gee, 1997; Volland, 2008). Despite the fact that the word ‘compensation’ also conjures thoughts of money, we believe that the associations it tends to elicit are less related to the idea of manipulation and other negative perceptions that can accompany the word ‘payment.’ By avoiding such connotations, a milder word like ‘compensation’ conceivably preserves people’s sense of agency and freedom, and may therefore be more supportive of pre-existing intrinsic motivations to behave prosocially. In short, we contend that, *ceteris paribus*, stated support for a prosocial behaviour will be higher when an identical monetary incentive is labeled as compensation rather than payment. Based on the preceding discussion, our main behavioural hypothesis is that payment and compensation are characterized by different conceptual and associative properties.

3. Experimental Survey

In this section, we report the results of a survey experiment whose purpose was to (i) investigate whether the wording used to describe an environmental program impacts individual opinions and (ii) indicate which word is more suitable with respect to the desired policy objective. Market-based instruments such as PES are increasingly popular tools to financially incentivize environmental conservation. Most of the research in this area focuses on the monetary elements of these programs, such as the magnitude of the incentive (Adams et al., 2010; Engel et al., 2008; Kosoy et al., 2007) or the temporal structure of the contract

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