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To Mitigate or Not to Mitigate: The Price Elasticity
of Pro-Environmental Behavior

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Abstract

This paper investigates the relationship between the price of pro-environmental behavior (PEB) and individuals' voluntary choice to engage in PEB. Its approach combines two literatures: An experimental one that varies the price of consequential contribution decisions indirectly, and the stated preferences literature that elicits responses from subjects to direct, but hypothetical price variations. We apply this approach to the price elasticity of participating in climate change mitigation. In an online field experiment, we observe the decision of a representative sample of 2,440 subjects whether to reduce the emissions of CO₂ into the atmosphere by one metric ton or receive a monetary reward between €2 and €100. In contrast to previous findings from indirect price variation, but in line with stated preference approaches, voluntary PEB is found to have non-zero elasticity of probability (about -0.3 across the treatment range). The inelastic response of the probability of PEB to direct price variation is robust with respect to a range of controls and with respect to the potential problem of field price censoring.

Keywords: pro-environmental behavior; environmental public goods; price elasticity; field experiment; online experiment; EU-ETS.

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