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ACCEPTED MANUSCRIPT

Reply to "A comment on 'Three reasons to use annual payments in contingent valuation'"☆

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Abstract

Whitehead (2017) suggests the contingent valuation (CV) data from Egan, Corrigan, and Dwyer (2015) lacks theoretical validity and has a "fat tails" problem, while also questioning our conclusion that CV surveys using annual payments produce willingness to pay (WTP) estimates that better match consumer surplus estimates from a travel cost model. In this reply, we use likelihood ratio tests to show that our CV data is theoretically valid. We use the Turnbull and Kriström distribution-free estimators to show that our CV data generate economically significant WTP estimates with small standard errors. Finally, we apply the sensitivity analyses from our original paper to Whitehead's results. These sensitivity analyses overwhelmingly support our original conclusion in favor of using annual payments in CV surveys.

JEL codes

Q5, Q51, Q26

Keywords

Discounting, Contingent Valuation, Convergent Validity, Willingness to Pay, nonparametric estimation, fat tails problem, Turnbull Estimator, Kriström Estimator

I. Introduction

Egan, Corrigan, and Dwyer (2015, henceforth ECD) present three arguments for using annual payments, as opposed to one-time payments, in contingent valuation (CV) surveys estimating the value of long-lasting environmental improvements. First, matching payment

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