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Why Surveying “Willingness to Pay” is Difficult

Survey questions designed to determine how much an individual is willing to pay for an item or service (e.g., “*How much would you be willing to pay for health insurance?*”) are widely considered to lack validity and reliability. Because such questions are popular on environmental surveys (e.g., “*How much more would you be willing to pay for an electric car?*”) the National Oceanographic and Atmospheric Administration convened a panel to review the reliability of such questions. In 1993, this panel of experts concluded that open-ended questions “willingness to pay values” produced biased and erratic results.

Observed Bias

There are many possible reasons for the observed bias in these types of questions.

1. Some respondents may give socially desirable responses to a survey on health insurance by saying they are willing to pay far more than they actually would if given the chance.
2. Often “willingness to pay” questions wrongly assume that a person who says he/she is “willing to pay” a certain amount has the means to actually pay that amount.
3. Finally, responses to such questions are difficult to assess because dollar figures (e.g., \$30 a month) have completely different meanings to someone making \$15,000 a year versus someone making \$35,000 per year.

Alternative Approaches

There are several alternatives to asking the “willingness to pay” questions.

1. **Pairing:** Take these questions and attempt to value health insurance for a person in relation to the other items by asking a series of questions about whether the person values X over Y. For example, “*Which is more important to you: a) having health insurance or b) having a car, etc?*”
2. **Establish budgetary context:** Ask questions about income and number of household members to determine a basic budget for a household. Follow-up with questions such as, “*Would you be willing to pay \$X for health insurance?*” The researcher manipulates the amount of X to yield a similar relative value for each household.

References

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