

New research program devoted to enhancing the validity and robustness of stated preference valuation methods in the face of selected behavioral phenomena and biases

The project concerns state-of-the-art stated preference (SP) methods for modeling consumers' preferences and the valuation of non-market goods. We will deal with several issues related to behavioral anomalies, such as "anchoring", "fat tails problem", insufficient sensitivity to scope, ordering effects, etc., which are observed in SP studies despite utilizing the state-of-the-art recommendations for their construction, such as making the survey instruments incentive compatible. The aim of this project is to systematically investigate selected biases and propose new ways to deal with them, thus making SP methods more robust and enhancing their validity.

In particular, we intend to investigate the following issues: controlling for experience and information with the good, private or public nature of the good, survey quality-related anomalies (speeding, yeah-saying, attention, cognitive burden), incorrect accounting for preference heterogeneity, attribute non-attendance, non-constant marginal utility of money, using the new joint discrete-continuous econometric models, experimental exploration of the drivers of anchoring observed for the monetary attribute, combined stated and revealed preference data sources, and choice set formation. Overall, this project constitutes a research program consisting of several components that are contributing to the understanding of the behavioral anomalies observed in SP studies, and can lead to addressing the problems these anomalies cause for the interpretation of SP results.

The project concerns the methods of designing and constructing SP studies, data treatment and analysis methods, and the interpretation of the results. Our research is work-intensive but most of the research components can be completed using existing data sets obtained in our earlier studies as well as from studies conducted by other researchers, who make the data for their published studies available. We therefore only plan two empirical studies that require collecting new primary data – field surveys devoted to experimental investigation of anchoring (varying the attribute levels in treatments and testing the methods to alleviate anchoring developed by our project). The surveys will include carefully designed treatments, which will allow to verify our research hypotheses and provide insights on the research questions of the project.

Preference modeling underlies modern microeconomics, and it is difficult to overemphasize its importance. The SP methods have been implemented in a vast number of papers in many fields of applied microeconomics, including marketing, transport, health and environmental economics. SP studies are used for assessing a wide range of policy decisions. Simply put, our project deals with the validity of SP methods with respect to their resilience to various behavioral anomalies. Overall, the project fits perfectly into the ongoing debate regarding the validity of SP methods and offers a chance to provide very relevant and timely contributions that may even be of interest for the top economic journals. It has a chance to be ground-breaking, by freeing the state-of-the-art SP studies of the most burning problems associated with the observed behavioral phenomena and biases that could lead to invalidating modelling consumer preferences and valuation.

Our work will make it possible to prepare at least 6 highly-visible and widely-cited scientific publications in the best journals of the field. In addition, we intend to disseminate our results in other ways, such as presentations at the most prestigious international conferences. Finally, we believe that making the software codes developed within the project available to other researchers and practitioners as easy to use tools will substantially increase the scientific impact of our project and the visibility of our results, leading to a wider dissemination of the results. Additionally, the project provides an opportunity to create a new team of young researchers, who will focus on microeconomics and microeconomic analysis, valuation, modeling of consumers' preferences and behavioral economics. Such a team could successfully engage in solving state-of-the-art methodological problems and conduct high quality empirical analyses in the future. As a result, it could become one of the leading centers devoted to the analysis of consumer choice in the world.