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Preference uncertainty in stated choice experiments

Thijs Dekker

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This thesis applies the Stated Choice Experiment method to value changes in flood risks in the Netherlands in the face of climate change. In a Stated Choice Experiment respondents are presented with a limited set of alternatives, also known as the choice set. Each alternative is characterized by a set of attributes, including price. By selecting the best alternative from the choice set, respondents reveal how much from one attribute they are willing to give up in order to experience an improvement in another attribute. Accordingly, researchers can derive so-called Willingness-To-Pay estimates.

Flood risk protection in the Netherlands is currently a public good. Respondents are therefore likely to experience preference uncertainty in making trade-offs between changes in flood probability, compensation schemes, available evacuation time and annual household taxes paid to the local water board. In this thesis state-of-the-art econometric models are developed to control for the impact of preference uncertainty, related preference dynamics and heterogeneity in preferences across respondents.

This thesis shows that preference uncertainty, amongst other causes, results in different response patterns across respondents. This form of heterogeneity is more prominent than preference dynamics over the choice sequence. The models developed in this thesis can be applied to all applications of Stated Choice Experiments where respondents are faced with trade-offs with which they are unfamiliar or lack experience.

