FROM THE PRESIDENT...

So many things have happened over the past six months—it’s hard to fit them all into this column. AERE is a dynamic organization—with an active and committed Board and Executive Director. I’ll touch on some highlights from the past few months, outline some of the exciting future events, and let you know about changes at AERE.

AERE Summer Conference in Colorado

In June, AERE’s 5th annual summer conference was held at the Beaver Run Resort in beautiful, historic Breckenridge, Colorado. Thanks again to our sponsors: the National Oceanic and Atmospheric Administration (NOAA), Brattle, Payne Institute for Earth Resources, GE ECOMagination, National Renewable Energy Laboratory, and the University of Colorado at Boulder. All the conference details were included in the May issue of this newsletter—except for the winners of AERE awards.

The awards luncheon is, of course, always a highlight of the conference. This year, Edward B. Barbier, University of Wyoming, and Carlo Carraro, Fondazione Eni Enrico Mattei (FEEM), were made Fellows of the Association—the highest honor of AERE to two well deserving individuals. It was unfortunate that neither of them could attend but we were able to share in absentia their comments and recollections of their long, distinguished careers. The Ralph C. d’Arge and Allen V. Kneese Award for the Outstanding Publication in JAERE was given to Tomás Rau, Sergio Urzúa, and Loreto Reyes for “Early Exposure to Hazardous Waste and Academic Achievement: Evidence from a Case of Environmental Negligence,” Vol. 2, Issue 4, 2015. We were so appreciative that Tomás was able to travel from Chile to accept the award on behalf of his co-authors.

The Publication of Enduring Quality (PEQ) Award was presented to Scott Barrett for “Self-Enforcing International Environmental Agreements,” Oxford Economic Papers, Vol. 46, October 1994, pp. 878-894. Scott accepted the award and provided some great advice to new (and not so new) scholars in the field. See the AERE web for details on all these awards.

Selecting these winners takes a significant amount of time and consideration—I’d like to express my appreciation to those responsible. Thanks to the AERE Board for the selection of the AERE Fellows; to Hilary Sigman (Rutgers University), Brian Copeland (University of British Columbia) and Frances Homans (University of Seattle) on behalf of his co-authors.

TABLE OF CONTENTS

From the President .......................... 1
AERE News
Board of Directors Meeting ............... 4
Business Meeting and Luncheon ........ 4
Elections .................................. 4
Nominations for AERE Fellows 2016 ..... 4
In Memoriam Molly K. Macauley ........ 6
Wallace E. Oates Outstanding
Doctoral Dissertation Award ............. 7
Nominations for PEQ 2016 ............... 8
JAERE Update .......................... 8
REEP Update .......................... 9
WCERE .................................. 9
AERE Membership Options ............. 9
AERE Membership Services Office ...... 10
2016 Institutional/University Members ... 11
Calls for Papers / Expressions of Interest
AERE 6th Summer Conference ............ 12
AERE 7th Summer Conference .......... 14
AERE Newsletter ........................ 15
AAEA AERE Sessions 2017 ............... 15
ASSA AERE Sessions 2018 ............... 15
EAERE 2017 ............................ 16
SEA AERE Sessions 2017 ............... 16
WEAI AERE Sessions 2017 ............. 16
Conferences, Meetings, and Workshops
ASSA AERE Sessions 2017 ............... 17
Economics of Low-Carbon Markets ...... 20
FSR Climate Annual Conference ...... 20
MEA AERE Sessions 2017 ............... 20
NAREA .................................. 23
Society for Benefit-Cost Analysis ...... 23
SEA AERE Sessions 2016 ............... 23
Essays
BP Damage Assessment under the Clean
Water Act: Insights from a Team of One
in the Courtroom
by Charles F. Mason ..................... 30
Natural Resource Damage Assessment ...
May be Hazardous to Your Health
by John C. Whitehead .................. 32
Bulletin Board
RFF Invitation to Reception at ASSA ...... 39
Job Postings ............................ 40
AERE Officers and Board of Directors ... 41
Many papers that address the 1989 Exxon Valdez oil spill begin with a description of the spill. This one begins differently, with me working on my 1989 dissertation in a graduate student office and watching the news on a 13 inch black and white television. My dissertation, looking at the effects of substitutes on the value of natural resources that generate existence value estimated with the contingent valuation method (CVM) was, unfortunately, timely. I defended in October 1989, a couple of months after I began my first semester as an assistant professor at East Carolina University (ECU). Since I lived only two hours away from the workshop that Kerry Smith ran at North Carolina State University (NCSU), I was fortunate to be exposed to many of the players and much of the economic research surrounding the spill. At the time, however, I was naive about how big of a deal the spill was legally and for the economics profession. For example, I was invited to present the lead paper from my dissertation at the NCSU workshop and was looking for some comments on how Glenn Blomquist (my dissertation advisor) and I might improve the paper. Instead there seemed to be weird pointed questions and a side comment or two about how I should be working for Exxon (my thesis was that existence values may be biased upwards due to lack of information about substitutes). I had absolutely no idea where those comments were coming from because environmental economists didn’t work for Exxon (at least they had never advertised in the JOE), did they?

Fast forward. After spending a little over twenty years working on issues surrounding the CVM and other stated preference methods, I was invited to work as a consultant for the State of Florida on a damage assessment resulting from the BP/Deepwater Horizon oil spill (Huffaker, Clouser and Larkin 2012, Larkin 2016). The purpose of this essay is to present a first person account of the odd experiences associated with that effort, but I’ll begin with the great CVM debate to provide some background.

The Exxon Valdez Oil Spill and the CVM Debate

As alluded to above, following the Exxon Valdez oil spill, the state of Alaska hired consulting economists to conduct a study estimating economic damages. Exxon hired consulting economists to refute those studies. The argument became known as "the contingent valuation debate." At the time of the spill, the CVM was a promising nonmarket valuation approach with two book length treatments published in the late 1980s. Cummings, Brookshire and Schulze (1986) with funding from the US Environmental Protection Agency (EPA), staged a conference that resulted in a book that looked critically at the method with little of the harsh criticism that would come a few years later. The focus was on developing “referencing operating conditions” that would make the CVM more accurate. This was the book I read when I took the natural resource economics course that Glenn Blomquist was teaching for the department of agricultural economics at the University of Kentucky.

As I was writing my dissertation and reading the literature, I became aware of the second book on CVM that was written in the 1980s. Mitchell and Carson (1989) went on to win the AERE Publication of Enduring Quality Award in 1998. This book was cited in a number of journal articles in the late 1980s as forthcoming or in press. I was anxious to get a copy as it seemed to make a lot of points that would address many of the problems about the validity and reliability of willingness to pay estimates. It still addresses many of the issues that remain contentious in such a way that I wonder what all the fuss is about. Of course, this attitude is inappropriate when millions of dollars are at stake.

Following the Exxon Valdez spill there was much research activity surrounding the CVM. I attended a number of sessions and panels at the Allied Social Science Associations (ASSA) and Southern Economic

1 While this essay may be a big professional mistake, I thank John Loomis for inviting me to write it and for a number of comments and suggestions.
2 Many thanks to Glenn for keeping me out of a lot of trouble back then.

3 Many thanks to Glenn for teaching this course when the department of agricultural economics was understaffed so that I could round out my field in environmental economics. It was years later that I realized that an economics professor teaching across colleges at the University of Kentucky in the late 1980s was probably not the easiest thing to achieve.
Association (SEA) meetings. It was exciting for a young economist to hear the big shots discussing things that I was working on. Researchers funded by Exxon were extremely negative about the CVM when some of them had seemed fairly optimistic about the method before the oil spill. Researchers funded by the State of Alaska and, I think, the Federal Government (this one still seems to be a top-secret study) were more positive. None of the positive or negative results associated with the Natural Resource Damage Assessment (NRDA) had been published at this point (and there was no such thing as the WWW or PDF) but everyone except me seemed to know what these results looked like.

I went to the ECU library and checked out the CVM critique book by Hausman et al. (1993) and paid the fines after I kept it way beyond the due date.4 The transcripts of the Q&A after the Exxon-funded studies were presented at the Exxon-funded conference made the conference sound quite contentious. I attended the conference on the CVM organized by the US Department of Energy and the EPA in Reston, Virginia (Bjornstad and Kahn, 1996). This was a fascinating few days as it was especially combative with Exxon-funded, State of Alaska and Federal Government (I think) funded economists on the program and in attendance. Sparks flew. The Journal of Economic Perspectives (JEP) published a symposium on the CVM in 1994 (Portney 1994, Hanemann 1994, Diamond and Hausman 1994). I always wonder what a naïve reader thinks when picking up these JEP articles, but they remain the best summary of the issues and strident tone that arose around the CVM in the early 1990s.

Finally, I attended the 1996 AERE Workshop on combining revealed and stated preference data (along with my ECU colleagues Tim Haab and Ju-Chin Huang5). The theme of this conference seemed to be informally “beyond CVM.” Conjoint analysis (these days, “discrete choice experiments” or DCE) was the new thing and proven by assertion to be far superior to the silly CVM. It seems as though everyone stopped doing CVM and started doing DCE at about this time. I was inspired to pursue more research on joint estimation of revealed and stated preference data and had hopes of moving my own research agenda “beyond CVM.”

BP/Deepwater Horizon (DWH) Blowout and the Revival of the CVM Debate

The BP/DWH blowout occurred on April 20, 2010. A subsequent email sent to the RESECON listserv announced the second edition of the original Desvousges et al. (1992) Research Triangle Institute (RTI) Nonuse Values study (Whitehead, 2010). This was my first inclination that BP would not be a fan and that the CVM debate wasn’t over. I signed a consulting contract with the University of Florida late in 2010, our work began, and we produced a report by March 2012 (Larkin 2016). A settlement was reached in June 2015 and the State of Florida gave us permission to release our results in November 2015.6

I still wasn’t totally convinced that the CVM was going to be an issue for the economics profession (hadn’t CVM been replaced by DCE?) until I was asked to read a draft of Kling et al. (2012) and provide comments for a second JEP symposium on contingent valuation. Their paper is a very balanced and accurate appraisal of the state of the art of the CVM. There are plenty of warts on the CVM but it is a method that can provide some useful information in a number of contexts. This also was the theme of Richard Carson’s (2012) JEP article. Jerry Hausman’s (2012) piece, provocatively titled “Dubious to Hopeless,” came down pretty hard on the CVM.

After the JEP symposium appeared, I wrote a blog post pointing out that Hausman’s piece did not really review the CVM literature and there had been, in fact, some new developments since 1994 (Whitehead, 2012). One email led to another and Tim Haab (my co-blogger at www.env-econ.net), Matt Interis, Dan Petrolia and I wrote a long cathartic comment without much hope of publication. We didn’t even bother to ask the JEP if they would entertain the idea of publication. We proposed the paper to the editors of AERE’s Review of Environmental Economics and Policy but they felt that a more balanced approach was necessary (i.e., a full blown symposium). Fortunately, the editors of the Agricultural & Applied Economics Association’s Applied Economic Perspectives and Policy (AEPP) were willing to consider the paper. We submitted it; it was sent out for review, revised in response to reviews and published (Haab et al. 2013).

4 I’ve since bought the paperback.
5 Sour grapes / I told you so: the abstract that we submitted to the workshop was rejected but went on to be published in JEEM 😄.
6 The first paper from the NRDA study was presented at the Center for Natural Resource Economics & Policy (CNREP) 2016 conference (click here) on March 22, 2016 in New Orleans and at a seminar in the Department of Economics at the University of North Carolina at Charlotte on, no fooling, April 1, 2016 (Whitehead et al. 2016).
During the time that the AEPP paper was in the publication process, I presented the outline during a keynote lunchtime talk at CNREP 2013 (titled “Contingent Valuation: From Dubious to Hopeless?”).\(^7\) One of my slides mentioned my constant worry that since MIT vs. App State isn’t a fair intellectual fight, there was some hesitation on my part to take on this challenge. In fact, I was terrified that we were making a huge mistake in sticking our necks out. But the only pushback that we’ve received so far is a comment on our paper by Desvousges, Mathews and Train (2016). In their comment they state that they were unaware of studies that correct for hypothetical bias, focus on the adding up test as a test of the adequacy of scope and reject empirical results from the consequentiality literature, among other things. We wrote a reply with a long and cheeky title (Haab et al. 2016). We provided references to papers that correct for hypothetical bias, describe studies that assess adequate/plausible sensitivity to scope without the adding up test, and admit that the measurement of consequentiality warrants additional study.

**Adequate/Plausible Responsiveness to Scope**

At this point I’m losing track of the timeline. But sometime in 2011, I think, I agreed to review a paper for *Ecological Economics* that contained a broad but shallow literature review, negative adding up test evidence from an unpublished NRDA (unpublished beyond obscure court documents), and a negative conclusion about the CVM. I recommended rejection with some suggestions that would make the paper more scholarly and publishable (e.g., a meta-analysis of the determinants of scope effects). When I received a revised version of the paper to review it was much improved but still had some issues. I made some more suggestions and recommended a revise and resubmit. The next time I saw the paper it was published (Desvousges, Mathews and Train 2012). I tried to ignore this development but given that I didn’t think the paper had reached its potential I decided to write a comment. My comment turned into a full blown paper with empirical results from data borrowed from the literature and another cheeky title (Whitehead 2016). I’ll briefly describe these two papers.

Desvousges, Mathews and Train (2012), in the context of an NRDA case unrelated to BP/DWH, review the scope effects literature in search of any paper that demonstrates “adequate” responsiveness.\(^8\) This phrase is from the National Oceanic Atmospheric Administration (NOAA) Panel on Contingent Valuation (Arrow et al. 1993) but as Arrow et al. (1994) point out, a better term is plausible.\(^9\) Nevertheless, Desvousges, Mathews and Train (2012) equate adequate responsiveness with the “adding up test” which was suggested by Hausman (1993). Arrow et al. (1994) also point out that assessing adequacy is about achieving economic, in addition to, statistical significance. Nevertheless, Desvousges, Mathews and Train (2012) summarize their review in terms of statistical significance. Studies that have statistically significant scope effects are classified as studies that “pass” the scope test. Studies that do not have statistically significant scope effects are classified as studies that “fail” the scope test. Studies that include both statistically significant and insignificant scope effects are classified as studies with “mixed” results. They find that only a little more than a third of all scope effect studies “pass.”

A number of my own papers were included in the review so I know intimately that this classification system is a superficial way to summarize the literature. One of my papers was classified as “pass.” The version that we submitted to the journal included a number of sensitivity tests showing under which specifications the scope coefficient was significant or not (this version is available upon request). In one of those journal reviews that you’ll never forget, an anonymous referee commented that this sort of sensitivity analysis was “nonsense.” The editor agreed so we presented a single specification that “passed” the test. Another study was classified as having “mixed” results. In this paper, again, we made an honest effort to show if and when the data exhibited sensitivity to scope. As a result of including this sensitivity analysis the study was classified as “mixed” in the Desvousges, Mathews and Train (2012) classification. I do not doubt that a number of other studies classified as having “mixed” results have authors who might object to the classification.

Desvousges, Mathews and Train (2012, 2016) claim that only a few studies present a test of scope adequacy (i.e., the adding up test). In doing so, they have overlooked the fact that most every scope effect paper presents information on adequacy/plausibility. Rarely does a scope effect paper present the statistical test without presenting the effect size – the difference in willingness to pay for...

---

\(^7\) Click [here](#) for Program and Abstracts.

\(^8\) See also the comment and reply (Chapman et al. 2016, Desvousges, Mathews and Train 2016).

\(^9\) While editing this essay I realized that Kerry Smith and Laura Taylor pointed out that Arrow et al. clarified the adequate/plausible terminology 20 years ago (Smith and Osborne 1996, p. 288). My apologies to them for the oversight in Whitehead (2016).
base and scope conditions (i.e., the scope effects literature does not have a problem using p-values). It is this difference that can be used to judge the “plausibility” of scope effects. In Whitehead (2016), I show that a simple scope elasticity statistic can be used to assess plausibility and provide several examples.

**A Revealed Preference Estimate of the Damages of the BP/DWH Oil Spill**

Sergio Alvarez was a graduate student writing his dissertation at the University of Florida during the time that the NRDA study for the state of Florida was conducted. In a non-State of Florida NRDA effort (Larkin 2016), Alvarez et al. (2014), published in the *Journal of Environmental Management (JEM … with one E)*, estimated the recreational fishing losses from the oil spill to be $585 million. Kenneth Train called three of the four authors (I was the lucky one) raising issues that he felt rose to the level of retraction (DuBois 2016). I had been an associate editor at *JEM* for four years and had not known an economics paper to draw such interest. We declined the offer to retract the paper and, instead, I sent the editor of *JEM* an email describing the situation and asking if we could write an addendum with some sensitivity analysis clarifying some of the issues raised in those phone calls. The editor was open to the idea but made it clear that the addendum would be a corrigendum (i.e., correction). While we didn’t think we had made a mistake worse than oversimplification of the aggregation rule (ok, that’s a mistake), we wrote the corrigendum and it was published (Alvarez et al. 2015a). The corrigendum presented $78 million as our best estimate of the recreational fishing damages from the oil spill.

We received a comment on the paper and corrigendum from an associate editor and wrote a reply with an introduction that contained some of the backstory to provide context. The associate editor sent both the comment and reply out for peer review. We were asked to maybe tone down our response, which we did in a revision, and both have been published (Train 2015, Alvarez et al. 2015b). The comment focused on several standard issues in recreation demand such as the appropriate cost per mile. We used a cost per mile estimate that is at the upper end of the range, from the IRS reimbursement rate that includes fixed and variable costs. Train wrote that this is incorrect and no one else has used such an inappropriately high number. Hang et al. (2016) pushed the cost per mile issue even further and have a forthcoming paper that conducts a literature review and empirical test of variable vs total costs per mile. Hang et al.’s literature review finds that the most egregious sin is a failure to report the source of the cost per mile estimate. Another objection raised by Train (2015) is “time travel”. The Alvarez et al. (2014) model is intertemporal and when fishing sites close, anglers are allowed to go back in time to fish at other sites. While time travel is dangerous and should never be done without the proper training, its use in our model leads to a more conservative damage assessment. The study was not part of the Florida NRDA (Larkin 2016), but NRDA is the appropriate context and conservative assumptions are preferred.10

**Conclusions**

What lessons have I learned from all this? I experienced first-hand the benefits and costs of NRDA consulting work for an academic economist. The costs include the unusually long time lag between data collection/analysis and public reporting of results, opportunity costs, distraction and negative reputational effects. The long time lag is especially frustrating since most researchers enjoy sharing their work. Our report was completed in March 2012. Since the BP settlement in November 2015 we are only now allowed to release our results and papers have begun trickling out. There are direct and indirect opportunity costs of NRDA work. The direct opportunity cost is the research that did not occur while the NRDA report was being developed. The indirect opportunity cost is the research that would have been conducted while numerous comments and replies were being written (see above). I have a number of co-authors on other projects who have suffered as a result. Finally, accepting the label of “consultant” raises the risk of negative reputational effects as others believe your work has been captured by sponsor bias and you may be forever tainted (Ioannidis and Doucouliagos 2013). The benefits of NRDA work are the consulting fees, the intrinsic benefit of working on real world problems, enough research funding to collect high quality data (although the time lag and legal constraint against pushing the frontier of knowledge limits publication possibilities) and more citations than my research deserves.

---

10 It has not escaped my attention that papers by Tim Haab and John Whitehead are disproportionately cited by Hang et al. (2016) (my 2005 American Fisheries Society presentation and accompanying unpublished working paper? really?). This might lead a naïve reader to think that we are two of the leading lights in the recreation demand literature. I assure the reader that, at least in my case, I have not risen above practitioner status.
I have been (un)fortunate enough to have been deeply involved in the second CVM Debate. I think of this second CVM Debate as “Part Deux,” i.e., a parody of a spoof (e.g., Hot Shots! Part Deux). Nevertheless, much like the first CVM debate, Part Deux has been enlightening to some extent. Personally, I have been forced to think through a number of important issues more deeply than if the debate was not taking place (e.g., Whitehead 2016). This will improve my future research. At the present it is not clear if “Part Deux” will advance economic knowledge.

Randall (1993, 1998) points out that much of the first contingent valuation debate (e.g., scope effects literature) was a matter of looking for the “critical test” that would either reject or fail to reject the method itself. In the 1990s the critical test became the split-sample (external) scope test (Whitehead 2016). The adding up test is the most recent example of the search for the critical test of the CVM. Pursuit of the critical test is not the most appropriate way to pursue social science research. Hopefully, future research with the CVM will continue much the way it proceeded between 1996 and 2010 (without the high stakes) and the cumulative effect of a large number of studies will lead to a better understanding of the accuracy of the CVM. Research should be conducted to advance knowledge and not in the context of divvying up millions of dollars in court proceedings. Naïve, I know.

References


Co-editor’s note: The federally funded NOAA BP oil spill damage valuation studies were publicly unveiled at the June 2016 AERE Summer Conference. These presentations suggest there were several advancements made in CVM.


