Title: Willingness to Pay for Environmental Quality Improvements: Evidence from a Contingent Valuation Survey in China

In many developing economies, rapid industrialization and urbanization are often accompanied by severe environmental degradation. While poor environmental quality imposes substantial health and productivity costs on the local economy, existing studies have generally found low marginal willingness to pay (WTP) for mitigating environmental damages among local residents. This study contributes to the existing literature by estimating public WTP for four environmental outcomes – overall environmental quality, air quality, fresh water quality, and biodiversity. We conduct a large-scale in-person survey in three cities representing high, medium and low levels of economic development in China in May 2016. Combining ground-level air quality index data (AQI) with survey data on demographic, education, income and stated preference from more than 3,000 randomly selected local correspondents, our study uses a contingent valuation method (CVM) to find that exposure to air pollution is a significant determinant of the WTP of individuals for overall environmental improvements and for air quality in particular. Consistent with previous CVM studies in China, males, younger and more educated individuals tend to have higher WTP. Our findings also suggest that the WTP is homogenous across income levels and could be enhanced by increased sustainability awareness, which underlines the importance of continued education effort in fostering familiarity with sustainability issues. Furthermore, the estimated overall WTPs consistently exceed reported environmental expenditure by local governments, which is an indication of the level of consumer surplus that local authorities can tap into by following a more sustainable and environmentally-friendly path of economic development.