

Policy

Political and Economic Institutions Regarding Siting of Energy Facilities

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Description: The “holdout” problem occurs when one economic agent attempts to construct a portfolio of economic assets (often land) from multiple sellers. When a public good has diffuse public benefits but costs concentrated on a few, a “NIMBY” problem (Not In My Back Yard) may exist.

Budget: \$43,663

University: FSU

Executive Summary

The "Hold-Out" project (with graduate student Sean Collins). The experimental design is complete, the programming is complete, Institutional Review Board approval has been obtained, and we have conducted two complete experimental treatments. This research was presented at one of the Presidential Sessions at the 2009 Meetings of the Southern Economics Association in November in San Antonio.

Our results are unambiguous: we observe the hold-out problem in our baseline design. In fact, in about half of the cases the contracting fails. This means that we have successfully created a test-bed which we can use to investigate institutional and information conditions that might ameliorate hold-out. Our second experimental treatment has been completed, and again the results are unambiguous: contingent contracting significantly ameliorates the hold-out problem.

A version of this research was one of the chapter’s Dr. Sean Collins’ dissertation. Sean has just joined the faculty of Fordham University. We are working on restructuring the paper from a dissertation chapter format to that of a journal article, and our intention is to submit it to *The Journal of Law and Economics*.

The "NIMBY" project (with Co-PIs Doug Norton and Svetlana Pevnitskaya).

The project operates at the intersection of economics and sustainable energy and the environment, the fundamental nexus of IESES, because the siting of alternative energy facilities is often driven by economic, organizational, and environmental considerations. The Tallahassee experience with the bio-mass plant was a perfect example of the heterogeneous public goods valuation problem.

The experimental design and programming are complete, IRB approval was obtained, and the first twelve experimental sessions have been conducted. The first presentations of the design were at the 2009 Southern Economics Association meetings and the 2010 American Economics Association meetings. The first public presentation of the results was at the 2010 World Meetings of the Economic Science Association in Stockholm in July, and it will also be presented at the International Social Dilemmas Conference at Rice University in September and the Southern Economic Association Meetings in November.

This project has been completed.