



# Willingness to Pay for Better Air Quality: The case of China

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## Abstract

Air pollution is a big threat to human beings and has attract worldwide attention from governments and scholars. Based on the survey of happiness in China, this paper attempts to analyze the impact of local air quality on the happiness of individuals, and to evaluate the monetary value of mitigating air pollution. Through merging individual happiness data in a nationally representative survey with daily air quality index (AQI) according to the date and location of each respondent, it calculates the marginal rate of substitution (MRS) between air quality and income, and then estimates respondents' willingness to pay (WTP) for better air quality. Moreover, it has further explored the differences of WTPs among groups. This study reaches the conclusion that happiness is positively associated with income but negatively correlated with air pollution. Besides, individual happiness is heavily influenced by income, age, gender, health condition, marital status and other variables. Furthermore, WTPs differ greatly among groups and the estimated average WTP of whole sample is 549.36RMB(or 0.90% of annual household income) per year per family for one unit reduction in AQI.

**Keywords:** Happiness; Willingness to pay; Air pollution; China

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