

# **Social Interactions in Landowners' Voluntary Participation: Evidence from a Forest Incentive Program**

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**Abstract:** Local community members share behavioral norms shaped by social interactions of everyday economic life. The role of local community in natural resource management and the influence of peers on individual behavior have been well documented in the literature, but little is known yet about the effects of peer behavior on one's propensity to participate in incentive-based payments for environmental services schemes. Identifying social interactions among neighboring landowners helps a better understanding of non-pecuniary incentives of landowners, which influence the efficiency of schemes, and the spatial configuration of enrolled sites, which contributes to the provision of environmental services. This paper uses actual contract data from a forest incentive program implemented in a Japanese mountainous area, where a number of small local communities exist, to estimate peer effects on individual participation. To obtain a consistent estimate of neighborhood effects, we employ a binary choice model with social interactions, in which landowners are assumed to form rational expectations of neighbors' participation. The results reveal that local community members' behavior significantly increases the likelihood of individual participation, suggesting that landowners tend to conform to peer behavior at the local community level.

**Keywords:** local communities; neighborhood effects; conformity; rational expectation equilibrium; private land conservation

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