**Research Question:** Does *social connectedness* increase contiguous participation in flood buyout programs? If so, what are the economic consequences of increased participation?

**Literature:**

**Source:** Hu, Z. (2022). Social interactions and households’ flood insurance decisions. Journal of Financial Economics, 144(2), 414-432. <https://doi.org/10.1016/j.jfineco.2022.02.004>

**Summary:** Hu (2022) find that flood insurance purchases increase by 1-5% when geographically distant friends are exposed to flood events or to campaigns for flood insurance. They measure peer effects through the Social Connectedness Index, which is a network of Facebook connections.

**Source:** Paul, L. A., McGranaghan, C., Siders, A. R., Dineva, P. K., Palm-Forster, L. H., & Messer, K. D. (2024). Addressing coordination problems in residential buyouts: Experimental evidence for managed retreat in the face of climate change-related threats. Journal of Economic Behavior and Organization. <https://doi.org/10.1016/j.jebo.2025.01.004>

**Summary:** Paul et al. (2024) use a lab experiment and find evidence that agglomeration bonuses[[1]](#footnote-1) and target constraints[[2]](#footnote-2) combined with cheap talk[[3]](#footnote-3) increases the contiguity of flood buyouts

**Source:** Ando, A. W., & Reeser, C. (2022). Homeowner willingness to pay for a pre-flood agreement for a post-flood buyout. Land Economics, 98(4), 560-578. <https://doi.org/10.3368/le.98.4.052721-0056>

**Summary:** Ando & Reeser (2022) estimate homeowner willingness to pay (WTP)[[4]](#footnote-4) for a hypothetical

agreement to pre-commit to relocate if a flood using CVM.

**Source:** Song, J., & Peng, B. (2017). Should we leave? Attitudes towards relocation in response to sea level rise. Faculty of Architecture and Urban Planning, Key Laboratory of New Technology for Construction of Cities in Mountain Area, Chongqing University.

**Summary:** Song & Peng (2017) survey individuals about factors that influence the decision of whether to relocate from areas at risk of flooding. They find that social ties and social activities in the new community have lower rankings than most other factors when ranked on a Likert Scale[[5]](#footnote-5). 104 of 226 respondents said that family/social ties make them unwilling to relocate. 63 of 226 respondents said that they would consider moving if their relative or neighbors decided to move.

**Source:** Robinson, C. S., Davidson, R. A., Trainor, J. E., Kruse, J. L., & Nozick, L. K. (2018). Homeowner acceptance of voluntary property acquisition offers. Natural Hazards

**Summary**: Robinson et al. (2018) use regression analysis of stated preference survey data to examine the relationship between buyout program attributes and participation. They find that location, shorter expectation of living there in the future, past flood experience, less feeling of control, and being White are associated with higher participation rates.

**Source:** Ali-Rind, A., Boubaker, S., & Lajili Jarjir, S. (2022). Peer effects in financial economics: A literature survey. Research in International Business and Finance, 62, 101873. https://doi.org/10.1016/j.ribaf.2022.101873

**Summary**: Ali-Rind et al. (2022) review literature on the identification strategies used in studies on peer effects.

**Source:** Di Falco, S., Doku, A., & Mahajan, A. (2019). Peer effects and the choice of adaptation strategies. Agricultural Economics, 50(6), 761–773. https://doi.org/10.1111/agec.12538

**Summary**: This study estimates the impact of peer choices on climate change adaptation strategies. They address concerns of endogeneity and simultaneity with two IV strategies. The dependent variable in their regression is an individual’s adaptation strategy (which could be a dummy variable or continuous depending on the situation). This is a problem in peer effects studies because if an individual is influenced by their neighbor to make a decision, that neighbor may also be influenced by the individual which creates a simultaneity problem. The first IV strategy they implement is the peer-of-peer approach. They identify a peer, *j*, of an individual, *i*, as someone who lives within a certain proximity to the individual. Then they identify the peer-of-peer, *k*, as someone who is a peer of *j*, but not a peer of *i*. Then they use the adaptation strategy of the peer *j* as an independent variable in the regression, instrumented by the adaptation strategy of the peer-of-peer *k*. The second IV strategy that they use is the same as the first, but they use the information sources (e.g. TV, news, etc.) available to the peer-of-peer rather than their adaptation strategies.

**Source:**

**Summary**:

1. Agglomeration bonuses are additional bonuses if residents move in group with their neighbors. [↑](#footnote-ref-1)
2. A target constraint is when the government imposes a minimum level of participation for buyout to go through. [↑](#footnote-ref-2)
3. Cheap talk is communication with neighbors. [↑](#footnote-ref-3)
4. They estimate average WTP of about $600. [↑](#footnote-ref-4)
5. Social activities is 3.64 while social ties Is 3.7 out of 5. [↑](#footnote-ref-5)