

**38. Correct. The answer is false.** Contingent valuation involves conducting surveys in which individuals state either their willingness to pay to reduce pollution, or their willingness to accept the negative effects of pollution. Hedonic valuation often relies on pricing data as a proxy for how much people value environmental quality. For example, it is fairly reasonable to believe that a group of houses surrounded by a pristine, undeveloped forest will be more expensive than a group of identical houses surrounded by several stores and commercial areas. Individuals are willing to pay a premium for environmental quality. A good example of this is the city of Boulder. The city of Boulder has purchased the surrounding land outside of the city, therefore all houses are in close proximity to several hiking trails and wilderness areas. As a result, a house in Boulder is much more expensive than an identical house in Denver. Taking data from the different housing prices, economists are able to value the open, undeveloped land surrounding the city.