

The Impact of Foreign Language on Endowment Effect

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Abstract

Endowment effect, which is one of the most robust findings in economics, refers to higher valuation of a given product by sellers than buyers. This research investigates the endowment effect under native versus foreign language processing. We show that the endowment effect attenuates when sellers and buyers process information in a foreign language due to a decrease in sellers' valuation of the product. We further document empirical evidence for the underlying mechanism of this finding. Thinking in a foreign language impairs sellers' affective response to the product, which results in lowered sense of psychological ownership. This lowered sense of psychological ownership significantly decreases sellers' valuation to a level comparable to the valuation of buyers. The implications of these results for theory and practice, and avenues for future research are discussed.

Keywords: *endowment effect; psychological ownership; foreign language*

Track: Consumer Behaviour