

The Endowment Effect and Self-Determination as Drivers of Co-Creation Online

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ABSTRACT: One of the most studied behavioral economics effects is the endowment effect. If people are asked to pay for a normal good (e.g., like a mug or pen), the price they offer tends to be lower than if they are given the same good and asked for what price they are willing to sell the good. The endowment effect is believed to stem from the value imbued in possession and the expectation to hold onto the possession once a good is acquired. The psychological effect of self-determination on the motivation of people has been studied in psychology for a long time. Self-determined decisions hold positive advantages of people getting a positive boost from their own volition. Self-determined people tend to follow through their plans and work longer and better on tasks than those who just fulfill externally-imposed goals. The endowment effect and self-determined decisions may underlie the fascination of co-creation online. Online luxury worlds have been booming in the last decade. Virtual co-creation in homepages, blogs, social online media and video self-streaming platforms has created a new source of social and monetary value as never before in the history of humankind. Social online media influencers are now one of the most prominent career choices in the upcoming generation. This paper attempts to connect the endowment effect with self-determined co-creation online effects, which appears to take the economy over by storm. The paper offers a first glimpse of the new phenomenon. Human rights online and ethical predicament in internet markets will be discussed, as well as future research avenues on the topic.

KEYWORDS: Co-creation online, Economics, Endowment Effect, Law & Economics, Luxury, Online, Self-determined Decisions, Virtual Markets

Introduction

Behavioral Economics concerns human beings' decision making in a complex world. The endowment effect is one of the most cited and replicated effects in behavioral economics (Kahneman, Knetsch and Thaler 1990). If people receive a good as a gift, the price they offer to sell this gift after ownership is higher than the price they actually would have paid for the good. It is believed that possession, touch of the object and especially the expectation to continuously holding onto the good are drivers of the endowment effect. The endowment effect has been tested in different populations and generalized onto different domains and goods.

Self-determination in social psychology captures the human-innate motivation and personality to determine one's own choices in the absence of external influences and distractions. Self-determination is based on psychological factors, such as the perceived autonomy, competence and relatedness. Self-determination is an important development feature of human growth. Self-determination also extends to economic correlates of economic prosperity. In international law, self-determination denotes the legal right of people to decide their own destiny in the international order. In developmental psychology theory, self-determined people are found to follow through their plan and work longer and more focused on tasks than those who just fulfill externally-imposed goals. Paying children for good grades was found to be ineffective and to crowd out self-motivated goals.

Self-determination has been introduced as one of the driving effects of co-creation online (Füller, Mühlbacher, Matzler and Jawecki 1990). Self-determination may boost peoples' willingness to engage in internet activities (Füller et al. 1990). In an attempt to

understand the rising engagement in online worlds (e.g., consider the rising importance of online influencers, online service provision, social media online platforms), this paper puts forward the idea that the endowment effect could be an additional driver besides self-determination in online co-creation.

The paper is structured as follows: First, the rising importance of the internet and online activities in all our lives will be discussed with particular attention to co-creation. Second, the endowment effect will be introduced as a driver of the perception of value and worth of a good or activity. Third, self-determination as a positive influence on co-creation experiences online will be captured. Fourth, the endowment effect will be proposed as an additional influence factor on self-determination in the online co-creation experience. The discussion closes with a future research prospect on the unsolved question if endowment may drive us all using the internet more actively.

Online activities

Since the 1990s the internet has experienced an exponential use. Individuals around the world have connected to share information, experience virtual contact and enjoy having an infinite number of global possibilities at their fingertips.

Since the beginning of the internet, the charm of online virtual worlds lied in the co-creation of the online experience. The internet as a vast novel space that appeared to have no boundaries became a sandbox in the creation of new content. In the laboratory of ideas, in the first generation of online spaces, communication was at the forefront. Emails and blogs became prominent. In the second phase, online information gathering tools became prominent. Wikipedia and search engines fulfilled these needs to structure and organize the rising information online. In the third phase, social online media platforms emerged, giving rise to Facebook, Twitter and YouTube. Lastly, as the most novel trend, information seems to get shorter and shorter, when considering Facebook posts in their evolution to shorter Twitter messages. Likewise, YouTube is currently challenged by shorter TikTok and Reel videos. Also communication in chats has become more visual and shorter when considering the rising prominence of emojis.

In the advent of online co-creation, relatively surprising is the lack of information about drivers of co-creation and its merits. Understanding the impact of co-creation online, has important implications to derive consumer insights but also derive strategic comparative advantages of populations.

In the first introduction of online co-creation drivers, Füller et al. (1990) study consumer experiences during virtual co-creation and point at the importance of consumer empowerment online as a driver of customer engagement in virtual spaces. Consumer empowerment is described by consumers' perceived influence on product design and decision making. This study holds invaluable insights to engage individuals in online activities and create joy by crafting a virtual world together.

Online co-creation may therefore stimulate consumers differently than if consumers only passively absorb online content. For instance, there is a difference in the learning curve when one writes a paper, to one reading a book and compared to one watching television. Online co-creation stimulates the creativity and active engagement in the world. The self-determination triggered by accomplishing online co-creation may drive the worth of the activity in a flow moment, a moment of joy in doing (Csikszentmihalyi 1990). This satisfaction may be a driver of staying online longer and working harder on online tasks but also to derive a higher value from the online content created.

Online co-creation is an active use of the internet and shaping its contents together. It is an expressive way to engage in virtual world, rather than an absorbing one. Online co-creation may thereby not only educate online users and make them more tech savvy. Online co-creation also enables exchange of ideas on an international basis. Information being the

only good with an increasing marginal utility, meaning that one can make more sense of more information and solve complex tasks with more information at hand, underlines the benefits of co-creation online as an efficient way to pool information and bundle knowledge in a creative way. The lack of active engagement of users is a concern of governments around the world, especially in light of e-skills and the fear over data deficits based on lack of own internet providers' in one's own territory. Online co-creation is therefore an important en passant training opportunity of the population and should be cultivated in every nation.

Endowment effect

The endowment effect describes that people are valuing an object more if they own it than when they are asked to price it without ownership (Kahneman et al. 1990). Underlying mechanisms for this value in ownership are attributed to reference point dependence, loss aversion and the expectation to continuously holding on to ownership (Zeiler 2007). Reference point dependence was first introduced in prospect theory, which formed from laboratory experiment evidence that showed people to evaluate choices as being dependent on the current status quo (Kahneman and Tversky 1979). Options are always weighted as changes from the status quo, which serves as the reference point (Kahneman and Tversky 1979).

The endowment effect is mainly operationalized by measuring the maximum willingness to pay for an object in relation to the willingness to accept to give up the same object if they own the object. The price people are willing to pay for the same object without ownership tends to be lower than the price people demand to be paid for giving up ownership of the good, even if the ownership was just for a few minutes (Kahneman et al. 1990). The endowment effect is related to the mere ownership paradigm, which addresses that people evaluate objects they possess and own as more positively than people who do not possess or own the same objects.

The endowment effect is one of the most studied behavioral economics effects that holds for a wide range of different goods and was found in different populations including animals (Harbaugh, Krause and Vesterlund 2001; Hoffman and Spitzer 1993; Kanngieser, Santos, Hood and Call 2011; Lakshminaryanan, Chen and Santos 2008). Many implications of endowment effects have been studied since the original idea was proposed, making the endowment effect one of the most prominent examples of behavioral decision making. In the wealth of knowledge on the endowment effect, however, surprising is the relative lacuna of information about endowment effects of online co-creating behavior.

Self-determination

The psychological concept of self-determination is a theory of human motivation and personality propensity that is widely used on industrial and organizational psychology. Self-determination is thereby meant as a standard human innate growth opportunity that is a vital driver of people's choices in absence of external factors (Deci and Ryan 2012; Ryan and Deci 2000, 2017).

Self-determination is an intrinsic driver that initiates activity because of interest and satisfaction in itself (Deci and Ryan 2012; Ryan and Deci 2000, 2017). Self-determination was related to motivation, drive but also psychological well-being grounded in autonomy, competence and relatedness to doing. Self-determined actions were outlined to bestow self-efficacy and self-actualization that both positively affect motivation. Empirical evidence found self-determination as a driver of intrinsic motivation (Deci 1971).

To this day, self-determination is praised in parenting, coaching, mentoring as well as therapy for positive outcomes. Self-determination theory offers direct influences on motivation rather than understanding motivation as a static given trait. Self-determination has established itself as one of the most vital components of accomplishing life goals. Self-determination thereby pays attention to the long-term motivating role of intrinsic aspirations

that foster personal development. Self-determination has been related to positive outcomes in many life domains, ranging from employment (Fernet, Guay and Senecal 2004), parenting (Soenens, Vansteenkiste, Lens, Luyckx, Goossens, Beyers, and Ryan, 2007), teaching (Roth, Assor, Kanat-Maymon and Kaplan 2007), health (Kennedy, Gogin and Nollen 2004), vaccination compliance (Porat, Burnell, Calvo, Ford, Paudyal, Baxter and Parush 2021), morality (Krettenauer and Curren 2020), sports (Fortier, Sweet, O’Sullivan and Williams 2007) and technology design (Füller et al. 2009; Peters, Calvo and Ryan 2018). In the wealth of knowledge and empirical work on consumer behavior, self-determination has been studied as a driver of consumption in many domains. Building on the connection of self-determination with co-creation online that has been put forward in Füller et al. (2009), this article adds the endowment effect to explain co-creation online.

The endowment effect for self-determined decisions and co-creation online

Online worlds have been booming in the last decades. The COVID-19 pandemic has heightened the trend to spend time online and transfer our lives into virtual spaces. Virtual co-creation in homepages, blogs, social online media and video self-streaming platforms has created a new source of social and monetary value. Social online media influencers have become one of the most prominent career choices in the upcoming generation.

A first introduction of self-determination being a contributing factor to the motivation to co-create online has been made by Füller et al. (2009). This paper now argues that the endowment effect may underlie self-determined decisions, especially when it comes to co-creation online. Co-creation is the active involvement with content to shape one’s own reality. Co-creation also entails the active collaboration with other stakeholders to guide the design process of newly emerging goods and services. Participants thereby align new and diverse insights. In a Silicon Valley approach, internet consumers thereby bring product problems and economic trade-offs to the providers of internet services and online platforms. In open source project attempts, software developers and internet online platform providers solicit the active engagement and dialogue with consumers. Additional opportunities to engage are offered in open communication channels (e.g., chats or message boxes) but also facilitated online and in live workshops where producers meet consumers and stakeholders to discuss product development on a constant basis. Designers thereby get a more holistic approach and feeling for the downfalls and innovation potentials of their products and services.

While the management literature features primary focus on the producer flexibility of the phenomenon, the consumer experience through co-creation online is a relatively less discussed topic. Co-creation was related to self-determination (Füller et al., 2009) but not the endowment effect.

This paper argues that the endowment in the co-created content online may be a driver of engagement in online social media and content creation platforms, such as WordPress and other blogger portals. Endowment in the creation may lead to psychological value creation, which is experienced in the psychological gratification of creation and the valuation of the created online space.

Endowment of the webspace may lead to an overinvestment of time spent online in the creation and curation of online web contents. Endowment may also play a role in the trade-off between utility derived from online information exchange and disutility in giving up some privacy by posting and shaping the world online (Puaschunder 2019). Endowment may thereby become a binding moment with certain online platforms, which may start capitalizing from its consumers in selling data insights and even selling online space privileges as the relationship between the consumer co-creator and the platform providers progresses.

Endowment may be heightened over time as there are network effects that increase with the more individuals are joining platforms. Unlike physical objects – like the original products pen or the mug that were used in the original endowment effect experiments that

were traditional natural goods that are rivalrous, meaning the ownership excludes others from their possession (Kahneman et al. 1990) – online platforms evolve with the more are co-creating experiences and the more spectators are joining, who can cheer co-creation up with likes, hugs, hearts and other emotions. The endowment of co-creation may thus evolve over time and become deeper and richer the more network users are using the service concurrently.

Discussion

Future research avenues of co-creation online may address ethical predicaments. Social online media are common in the Western world, yet controversial seen on the international level. Some countries ban social online media in order for the population being more productive. Other attempts are the strategic manipulation of social online media in order to promote certain ideologies. Social online media platforms have shown to erode political regimes (e.g., think of the Arab spring or the January 6 attacks on the US Capitol). Social online media has been used as a political tool and has created steers in market economies.

When thinking about the role of co-creation in the formation of social representations online, one may also ask for quality control and safety precautions in the wake of co-creation online. Future research could address these concerns and add a layer of oversight control to co-creation tools. For instance, Wikipedia has such a mechanism installed in its discussion pages. X, the former platform Twitter, tried a similar discussion culture attempt, in which the accuracy of contents could be rated. The Chat-GPT revolution may add additional insights on co-creation assets when it comes to online search engines. Future laboratory and online experiments may test the different options and provide empirical valuations of the effect of co-creation for the valuation of online content.

Human rights online and ethical predicament in internet markets are additional future research avenues on the topic. In the co-creation of online content, ethical standards may define human rights protecting against unauthorized big data reaping by online entities for surveillance and generating insights (Puaschunder 2023).

With freedom of expression pitted against hate speech control in online social media platforms, future applications of human rights to online contexts should balance liberty with protection (Puaschunder 2023). Online virtual spaces should be scanned for upholding dignity in the virtual world featuring anonymous actors (Puaschunder 2023). A well-balanced virtual space should offer freedom of expression, yet also promote respectfully-protected human dignity (Puaschunder 2023). Worker rights could inspire the relation of social online media platform providers with their customers and users in the co-creation of online virtual worlds (Puaschunder 2023). For instance, the unionization of online users of virtual spaces could protect human rights when spending time and effort to share information and communicate, which generates big data for online market platform, social online media and search engine providers (Puaschunder 2023).

With a heightened degree of anonymity possible in virtual spaces, human rights online should also focus on quality assurance when it comes to the credibility and accuracy of online content (Puaschunder 2023). Online bots, fake accounts and news but also Search Engine Optimization (SEDO) developments in the digital millennium infringing on the right to know and access to accurate information that can also cause social upheaval, legal and democratic instability as well as financial turmoil (Puaschunder 2023). Governance, governments and industry providers are meant to safeguard online virtual environments and regulate co-creation of online shared spaces (Puaschunder 2023). With the International Law Commission monitoring the use of social online media for establishing customary law and legal practice guidelines, a new generation of human rights online should address the role of accuracy and democratization of social media platforms (Puaschunder 2023).

In the future, human rights obligations of governments and monopolistic internet firms but also individual virtual market actors may ennoble online spaces to flourish a new generation of human rights advancement in the digital age (Puaschunder 2023).

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