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# Endowment Effects in Chimpanzees

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## Endowment Effects in Chimpanzees

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Note: A companion article titled “Law, Biology, and Property: A New Theory of the Endowment Effect” is forthcoming in a May 2008 issue of the William and Mary Law Review and is also available on SSRN. That article further explores the theoretical foundation, experimental design, data, and implications of the experiment described here.

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## Summary

Human behavior is not always consistent with standard rational choice predictions. The much-investigated variety of apparent deviations from rational choice predictions provides a promising arena for the merger of economics and biology[1-6]. Although little is known about the extent to which other species also exhibit these seemingly irrational patterns of human decision-making and choice behavior,[7-9] similarities across species would suggest a common evolutionary root to the phenomena. The present study therefore investigated whether chimpanzees exhibit an endowment effect, a seemingly paradoxical behavior in which humans tend to value a good they have just come to possess more than they would have only a moment before[10-13]. We show the first evidence that chimpanzees do exhibit an endowment effect, favoring items they just received more than items they prefer that could be acquired through exchange. Moreover, we demonstrate that the effect is far stronger for food than for less evolutionarily salient objects, perhaps due to historically greater risks associated with keeping a valuable item versus attempting to exchange it for another[14, 15]. These findings suggest that the larger set of seeming deviations from rational choice predictions may be common to humans and chimpanzees, and that the evaluation of these through a lens of evolutionary relevance may yield further insights in both humans and other species.

## Results and Discussion

The endowment effect (sometimes called the “status quo bias”[16]) describes the tendency to value a good that one has just come to possess significantly more than the maximum price one would have paid to acquire it a moment ago[10-13]. The precise cause and extent of the effect are much-debated [17-20], however many studies suggest that ownership (endowment) alone instantaneously increases humans’ subjective value of a good[10-13, 21-23]. This effect of ownership seems illogical, because the good has not changed and no new information or experience can yet have been acquired. The pricing skew that the endowment effect creates has significance beyond paradox because it can impede efficient allocation and exchange of goods and tradable rights[15, 24]. From an evolutionary perspective, however, some inclination to value goods one possessed over goods one might obtain through exchange may have been adaptive. Exchanges are fraught with the potential for defection, particularly in the absence of reliable property rights and third-party enforcement mechanisms (such as the legal rules and institutions of modern humans)[25]. In the present study, we investigate whether the endowment effect is present in chimpanzees, and how the evolutionary salience of the objects affects the response.

This study was modified from a study by Knetsch[12], which suggested that humans often prefer to maintain an object they have just acquired over one they could achieve through exchange. Subjects were given a coffee mug or chocolate bar for agreeing to complete a questionnaire, then, after completion, were offered the opportunity to exchange their item for the other. One group was initially endowed with a mug, the

second with a chocolate bar, and the third was given a choice between the two (with no opportunity to exchange). Subjects from the former groups showed a stronger tendency to maintain the object in their possession than would be expected based on preferences shown by the third group.

For our study we used two versions of the paradigm, one with food and one with non-food items, to test the hypothesis that, in chimpanzees, evolutionarily relevant stimuli may elicit different responses. We used a within-subjects design in which chimpanzees encountered six trials, three for food and three for non-food. The three trials for each version consisted of 1) a choice between items (between two foods or between two non-foods) and 2) one trial each in which chimpanzees were given one item (food or non-food) and allowed to exchange for the other of the same category. An endowment effect could be concluded if there was a stronger tendency to maintain possession of an item than is expected based on their separately-expressed preferences.

This design has several advantages. First, it allows for a good comparison between humans[12] and chimpanzees. Second, the exchange methodology has been used successfully in the past to examine complex phenomena in chimpanzees[26, 27]. Finally, our within-subjects design allowed us to test for the endowment effect both at the population (as in Knetsch) and individual levels, enabling a more detailed analysis[28].

Subjects were thirty-three chimpanzees housed at the Michale E. Keeling Center for Comparative Medicine and Research of The University of Texas M.D. Anderson Cancer Center. Food items were a frozen fruit juice stick and a PVC pipe filled with peanut butter (PB), both of which are familiar, favored foods that cannot be rapidly consumed by chimpanzees, diminishing impulse control problems. Non-food items were a rubber bone dog chew toy and a knotted rope dog toy (hereafter, bone and rope), both of which are made of the same materials as enrichment items to which the chimpanzees have regular access.

To replicate Knetsch[12], we first examined data for the population. As a group, 58% of the chimpanzees preferred PB to juice. However, when endowed with the PB, 79% of the chimpanzees preferred to keep the PB rather than exchange for juice (Figure 1;  $\chi^2=6.079$ ,  $p=0.014$ ), approximately 20% more of the population than would be expected from the population-wide preference. Likewise, when endowed with juice (42% preference), 58% of the chimpanzees chose to keep the juice rather than exchange for peanut butter ( $\chi^2=3.102$ ,  $p=0.078$ ), reflecting an endowment effect in approximately 15%. To compare to humans, in Knetsch's study, approximately 33% more people kept their mugs and 46% more kept their chocolate bars than expected given the population preferences under the choice condition.

For non-foods, subjects showed a preference to exchange the object rather than an endowment effect. The population preference for bone over rope was 74%. However, when endowed with the item, subjects kept the bone only 16% of the time (Figure 1;  $\chi^2=54.587$ ,  $p<0.001$ ) and the rope only 10% of the time ( $\chi^2=4.212$ ,  $p=0.040$ ). Both of these indicate far *more* exchange of non-food items than predicted by their separately-

expressed preferences, indicating that for non-foods, chimpanzees either lack strong preferences or prefer human interaction over the object.

The previous analysis masks the behavior of individuals. If the endowment effect were present at the individual level, subjects should maintain possession of both the more-preferred and the less-favored item. This was the most common behavior for food items, with 42% of individuals maintaining possession of both foods (Figure 2;  $\chi^2=9.14$ ,  $p<0.05$ ). 33% of the subjects showed behavior that matched their preferences, maintaining possession of the preferred food and exchanging the less-favored food. 7% of subjects exchanged in both situations, indicating a preference for interaction. 18% of individuals behaved inconsistently with their preference under the choice condition, perhaps indicating a weak preference between the items.

For non-foods, only one subject (3%) maintained possession of both items, indicating an endowment effect. The majority of subjects exchanged in both situations (Figure 2; 77% of subjects,  $\chi^2=39.41$ ,  $p<0.05$ ), perhaps indicating that for less evolutionarily salient objects, subjects are more interested in the interaction than in the items themselves (see below). 6% of subjects showed exchange behavior consistent with their established preferences and 13% showed exchange behavior inconsistent with their established preferences.

Finally, we directly compared the individuals' responses in the food and nonfood conditions. Individuals were much more likely to exchange nonfoods than foods ( $t=9.133$ ,  $df=29$ ,  $p<0.001$ ) and no subject exchanged more frequently for foods than nonfoods.

The food rewards were originally chosen to be close in value, as large differences in preference would likely result in the favored item being chosen every time, and only a single preference test was run to avoid over-exposing the subjects to the commodities. To verify the stability of the chimpanzees' preferences, we ran 3 additional food choice sessions. Again, 69% of subjects chose PB. Additionally, this preference was extremely consistent; 69% of subjects chose PB in the first of the three sessions and 67% of subjects chose PB in the first trial of each of the three sessions. This consistency indicates that the single choice in the original study adequately described the population food preferences.

To evaluate whether exchange was due to a preference for interacting with the experimenter, subjects were presented with each of the four items and exchange was solicited for an identical object. No subject exchanged the PB and only 1 subject exchanged the juice. The converse was true with the objects; 82% of subjects (23 of 28) traded a bone for a bone and 79% (22 of 28) traded a rope for a rope, compared to 84% of subjects trading a bone for a rope and 90% of subjects trading a rope for a bone in the original exchanges. Thus, in contrast to the result for foods, for toys the interaction with the experimenter is apparently preferred over the object itself.

Finally, to verify that subjects were willing to trade the foods, we offered to trade a small piece of frozen juice for a whole stick. Thirty-six percent (10 of 28) of subjects

made this trade. However, the smaller piece of frozen juice was bite-sized, enabling immediate consumption, which could preclude an opportunity for subsequent trade. Consequently, we ran a second study with foods that could not be eaten as rapidly, to avoid potential complications from poor impulse control. Subjects could trade a frozen juice stick (the same size as in previous tests) for a banana (a preferred food) of approximately the same length. Twenty-six of 29 subjects (90%) exchanged on the first presentation and the remaining three did so on the second trial. Thus, while 58% of chimpanzees kept the frozen juice when offered a trade for PB, only 10% kept it when offered a banana (and none kept it in their second opportunity). This, combined with the sharp difference between exchange behavior for food and non-food items, supports the conclusion that the frequent failure to exchange a less-favored food for a more-preferred food was an active choice to maintain possession of the food item. This is consistent with behavior seen in humans that has been interpreted as an endowment effect[12].

Three features of chimpanzee ecology may help explain the differences in endowment effect prevalence between foods and non-foods. The first is that foods have more significant effects on fitness than non-food items. Second, chimpanzees do not show long-term possession or storage, so items neither accumulate nor have value outside their immediate utility[25]. Third, chimpanzees lack the reliable, institutionalized, third-party bargain enforcement mechanisms that humans have. This renders each exchange inherently risky, as there can be no guarantee that giving up one item will yield another, instead of a total loss. Thus, for chimpanzees, and early humans, there was likely a fitness advantage to maintaining possession of some items even in the presence of superior exchange options, making selectively possessive behavior that appears irrational in the moment rational from an evolutionary perspective. Humans in modern times may still exhibit stronger endowment effects in evolutionarily salient situations, a hypothesis that warrants further empirical investigation in light of the puzzlingly varying frequencies and magnitudes in which humans exhibit endowment effects and other seemingly paradoxical behaviors.

As with any evolutionary explanation, it is difficult to fully exclude other possibilities, although several of these do not explain the data as well. For example, this effect cannot be attributed to an inability to delay gratification, as chimpanzees can delay gratification for food within their reach for at least 120 seconds[29], far longer than required in the current study. Moreover, some models of the endowment effect predict it will be weaker for items that one knows cannot be kept[20]. While this more deliberative explanation might have played some role in our subjects' responses to toys, socially-housed chimpanzees such as these can withhold objects from humans until they are ready to relinquish them. Finally, some attribute of the items may affect behavior. For instance, food items in the wild might increase in value, following preparation for eating, while toys may be valuable for novelty, and only when new. Yet our subjects exchanged toys for an identical toy, indicating that novelty was not particularly salient. The most obvious explanation is that subjects like to exchange, and that food outweighs the utility of the exchange interaction while objects have less utility than the interaction. Yet, this explanation begs the question of why chimpanzees prefer food over objects and interactions in the first place.



Understanding the evolution of wide-spread behaviors that are often considered economically paradoxical or “irrational” may deepen understanding of their potential functions, and thus their patterns in both human and nonhuman species[30]. Our results suggest that the basis of these asymmetries in exchange behavior is shared by humans and chimpanzees. This in turn indicates that their presence in humans is probably the result of common evolutionary processes rather than, as is often assumed, either cognitive quirks unique to human brains and experience or misunderstandings of experimental instructions (also unique to humans). Further cross-species research on other areas in which humans demonstrate apparently irrational economic behaviors may elucidate the situations in which they are relevant and shed light on the evolutionary history of this class of behaviors. Such research will help to provide a much-needed theoretical foundation for human deviations from standard rational choice predictions.

## **Experimental Procedures**

Subjects were adult chimpanzees drawn from a population of socially housed chimpanzees. No food or water deprivation was done prior to testing, so subject motivation depended on the presence of rare and favored treats. All subjects participated voluntarily, isolated from the rest of their group (to minimize distractions). No subject received more than 1 trial per day. Thirty-seven subjects began the experiments, but analyses reflect data from only the individuals that completed all sessions for food or non-food items. Food items were chosen to be difficult to consume rapidly and easy for chimpanzees to pass through caging (required for exchange). Non-food items were introduced for this test, but were of the same color and materials as other routine enrichment objects.

Prior to the study, all subjects had been trained to exchange objects back to the experimenter for a food reward. During exchange trials, subjects were first shown both objects, then one object was given to the chimpanzee and the other was immediately offered for exchange. Chimpanzees had to return the object they possessed to the experimenter within 120 seconds (and with no more than a single taste) to obtain the other. Half of subjects began with the three food trials, the other half with non-food trials. Otherwise trials were completed in random order. A forced-choice task elicited subjects’ favorite foods[31, 32]. For this, chimpanzees were offered two different rewards and received the one to which they gestured[31].

To compare frequency of exchange in food versus nonfood conditions, subjects who completed all six sessions (n=30) were given a score, calculated by subtracting the number of exchanges in the food conditions those in the nonfood conditions. A t-test compared these scores to 0, the score if the number of exchanges was the same in both conditions.

Approximately 12 months later, several control experiments were run on 28 of the original subjects, using identical methodology and rewards to the above. Trials were always randomized within a session. Subjects first completed 3 food choice sessions,

each consisting of four trials in which they had to choose between the two food choices. Following this, subjects were given a single session of 4 trials in which subjects were given an item (frozen juice, peanut butter, rope, and bone) and then allowed to exchange for an identical item. Finally, subjects were given a session in which they could exchange either a medium (3 inch) or small (1.5 inch) piece of frozen juice for a whole juice stick (6 inches). Each option was offered twice. Next, subjects were given a single session in which they were given a whole juice stick and allowed to exchange for a whole banana. If subjects failed to exchange, they were given one additional trial.

All procedures used in the research are in accordance with the Guidelines for the Use of Animals in Research and have been approved by the Institutional Animal Care and Use Committee of UT/MD Anderson Cancer Center.

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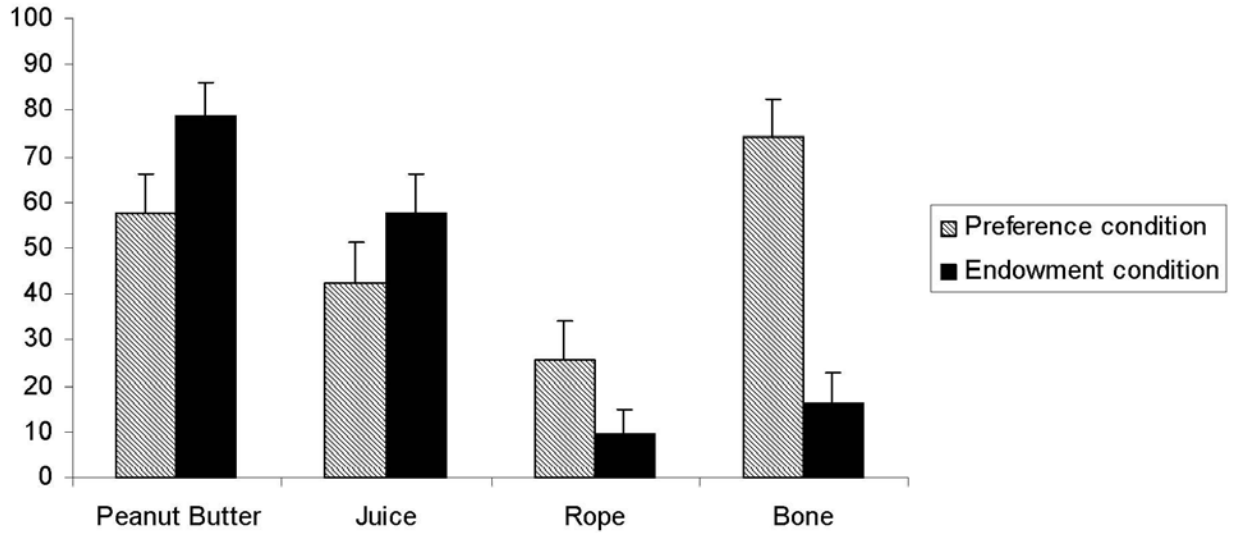
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## Figure Captions

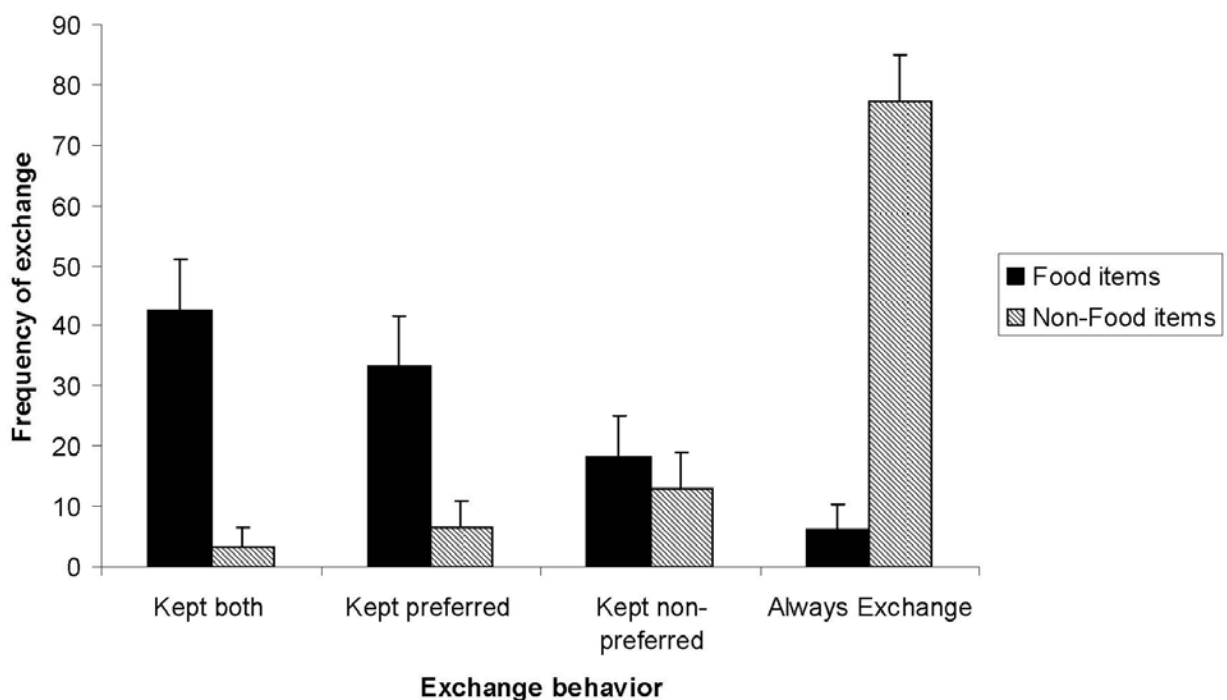
### Figure 1

Population-level comparisons of preferences in the choice and endowed conditions (mean + SE). Hatched bars represent the percentage of the population that preferred the object in a choice condition and solid bars represent the percentage of the population that chose to maintain possession.



**Figure 2**

The behavior of individuals in the four tests (mean + SE). “Kept both” indicates individuals who chose to maintain possession of both foods or both non-foods rather than exchange, “kept preferred” indicates individuals who chose to maintain possession of their favorite item, but exchanged for the other when endowed with their less preferred, “kept non-preferred” indicates individuals who chose to maintain possession of their non-preferred item, but exchanged for the other when endowed with their preferred item, and “exchanged both” indicates individuals who chose to exchange for the other item in both situations. Solid bars indicate food items and hatched bars indicate non-food items.



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