



Professor Jacek Prokop, PhD
Department of Business Economics
Collegium of World Economy
SGH Warsaw School of Economics

Warsaw, August 22nd, 2020

Review of the PhD Dissertation entitled
„The Impact of the Endowment Effect on an Individual’s Choice under
Uncertainty” prepared by Ms. Mirlinda Kuçi under the scientific
supervision of Prof. Teresa Kamińska and the assisting supervision of Dr.
Elżbieta Bubula

The Review has been prepared based on:

- a) the letter of the Chair of the Scientific Council in the Discipline of Economics and Finance of the University of Gdańsk Prof. Przemysław Borkowski regarding the evaluation of the doctoral dissertation by Ms. Mirlinda Kuçi entitled: „The Impact of the Endowment Effect on an Individual’s Choice under Uncertainty”,
- b) the hardcopy of the dissertation.

The doctoral dissertation by Ms. Mirlinda Kuçi submitted for the review is focused on the relationship between the endowment effect and decision making under uncertainty. The main objective of the research undertaken by the Doctoral Candidate has been to identify the size of the endowment effect under uncertainty and under certainty as well as the impact of cultural differences, type of endowment, sociodemographic factors and risk aversion on decisions made by individuals.

As a result of research based on the existing literature and quantitative analysis of experimentally obtained data, Ms. Kuçi achieved the set objective, and the submitted doctoral dissertation deserves positive assessment.

A more detailed evaluation of the dissertation will be given in two parts. First, I will comment on the formal side of the presented work, and second, I will review the merit content of the doctoral dissertation.

1. The assessment of the formal side of the dissertation

The doctoral dissertation prepared by Ms. Mirlinda Kuçi consists of 246 pages, comprised of:

- 171 pages of substantive text,
- 20 pages of references,
- 55 pages of appendices.

The substantive part of the dissertation has been presented in four separate chapters. It has been preceded by a short introductory section, in which the Author justified the undertaken research topic, formulated the objective of her work, summarized her research methodology, as well as characterized the content of each chapter.

The appendices contain a nice summary of previous research results and experimental surveys in print screen format. They enable the reader to better understand the contribution of the current research to the existing literature and to get a feel for the experimental design applied by the Doctoral Candidate.

In the dissertation, we can find informative figures and tables which clearly illustrate presented ideas and reasonings.

There is a large number of references provided in the dissertation. They mostly include journal articles and books. Based on the presented titles and cited researchers, we may conclude that the Doctoral Candidate selected all important and relevant publications in the area of research conducted in the dissertation.

The work in general is correct from the viewpoint of grammar, but there are few places for the language improvement. The style of writing enables the reader to easily follow the Author's logic.

The technical side of the dissertation is good. The Doctoral Candidate submitted a well edited printout. Overall, the formal side of the dissertation should be positively evaluated.

2. The assessment of the merit content

Ms. Mirlinda Kuçi specified her research subject in the introductory part of the dissertation. Her research problem was to evaluate the impact of various factors on the endowment effect. She has clearly formulated six key research questions that specify the types of relationships to be investigated.

The first question is about the extent of the endowment effect according to the exchange paradigm and the valuation paradigm. Second question focuses on the impact of uncertainty on the endowment effect. Questions 3 through 5 concentrate on the impact of culture, the type of endowment, age, gender and educational background on the endowment effect. Finally, question six is about the relationship between risk aversion and the endowment effect.

As mentioned earlier, the research questions have been properly formulated and the obtained answers allowed to achieve the stated objectives of the dissertation.

It should be stressed that to obtain the answers to the above questions, the Doctoral Candidate was required to possess an excellent knowledge of the research subject, especially microeconomic theory, including a thorough understanding of advanced consumer theory, as well as the research methods in that area. The applied methodology has been based on the critical analysis of the literature and the views of other researchers, as well as on the statistical analysis of data obtained through a modified version of Knetsch's (1989) experimental design involving exchange of two goods. The Author demonstrated a broad knowledge of the economic theory and ability to creatively apply appropriate research methods to investigate the scientific problems in the area of the dissertation subject.

Doctoral Candidate structured her considerations according to a fully logical plan in four chapters.

In the first chapter (pp. 19-41), the Author gave an overview of behavioral economics and characterized the endowment effect. She stressed correctly that the neoclassical view of rationality in human behavior was too restrictive to describe the actual motivation for the decisions made by people. That is why behavioral economics became popular as an important extension of neoclassical approach to the individual's decision making process by including psychological considerations into people's behavior. The Author emphasized that the reunification of psychology and economics led to the concept of "bounded rationality" and biases affecting individuals in their decision making. The endowment effect discussed in this dissertation constitutes an important example of biases identified in people's judgment.

In her research, the Doctoral Candidate focused exactly on that phenomenon. Chapter one, also, contains an extensive review of the literature discussing various aspects of the endowment effect, including the analysis of factors determining it. Based on the existing literature, the Author develops five hypotheses. The first one is closely linked to the fourth research question stated in the introductory section and it says that "there is a significant

association between the type of the endowment and the endowment effect” (H1, p. 34) The second hypothesis is strictly related to the second research question, and it states that “there is a significant association between uncertainty and the endowment effect” (H2, p. 36). The third hypothesis says that “there is significant association between culture and the endowment effect” (H3, p. 38) and it is related to the third research question. The fourth hypothesis – linked to the fifth question - states that “there is a significant association between socio-demographics and the endowment effect” (H4, p. 39). Hypothesis five relates to the sixth research question and it says that “there is a significant association between risk aversion and the endowment effect” (H5, p. 41).

The second chapter (pp. 42-56) provides a standard textbook description of the basic neoclassical theory of consumer choice. It gives a description of consumer preferences in terms of indifference curves. In addition to the presentation of the fundamental assumptions behind the consumer preferences, the Author describes the consumer choice in the framework of Edgeworth Box. There is some space for improvement of this chapter. The discussion provided in the interim conclusion to chapter two and the content of the chapter are somewhat disjoint. As a reader, I would expect a little bit more discussion about the weaknesses of the neoclassical approach to the exchange mechanism summarized by the Edgeworth box in this chapter.

In chapter three (pp. 57-76), the Doctoral Candidate reviewed the literature on the decision making under risk. She pointed out that the traditional decision criterion based on the expected value failed to predict outcomes in many cases. Therefore, the concept of expected utility was developed in order to capture the attitude towards risk. However, the experimental economics demonstrated a major weakness of the expect utility approach. Next, the Author described the prospect theory by Kahneman and Tversky as a proposed alternative to the expected utility concept. It is currently well known approach to the analysis of the decision making. Finally, the reference-dependence theory has been provided.

Special attention should be dedicated to chapter four (pp. 77-166) in which the Doctoral Candidate described her own experimental research on the endowment effect and uncertainty. She tested each of the five hypotheses formulated in the earlier part of the dissertation. This chapter proved the proficiency of the Author in the experimental economics. She demonstrated the ability to design efficient experiments, to select representative samples, to collect appropriate data and to conduct thorough statistical analysis of the constructed data base.

It is of particular value that the data were collected outside of the laboratory environment using online surveys. Originality of the presented research may be proved in particular by the fact that the sociodemographic environment consisted of three different European cultures represented by three nationalities: Albanian (Kosovo), Polish, and Swiss. All five hypotheses formulated in the dissertation were carefully tested in accordance with the scientific methods typically applied in empirical research of this kind.

In the conclusion section (pp. 167-171), the Author provides a summary of the obtained results and their importance for the economic theory and its applications.

Summarizing the overall assessment of the merits of the doctoral dissertation submitted by Ms. Mirlinda Kuçi, I confirm that the presented structure of considerations and the entire idea of the dissertation deserves recognition.

The competences of the Author in developing economic theory and applying empirical/experimental methods to test the validity of hypothesized relationships should be acknowledged. The Doctoral Candidate demonstrated analytical skills and very good knowledge of consumer theory.

The obtained results constitute an interesting extension of the existing research on the theory of consumer behavior. Undoubtedly, the Doctoral Candidate contributed to the existing knowledge about the consumer decision making.

In the course of getting acquainted with the presented research, however, few questions and comments may be formulated. One of them is the issue of transaction costs. Any time we discuss trade or exchange of goods, the modern economic theory points out at the role of the costs of transacting. The transaction cost theory has been popular in explaining many phenomena in the economic activity of agents. It seems that the role of that theory in understanding individual's decision making under risk could be helpful. In particular, the costs of transacting could be an important factor in the analysis of the endowment effect.

Another issue which could be raised in the context of presented dissertation is the type of endowment. The analysis provided in the dissertation focuses basically on two types of goods: chocolate bars and coffee mugs. Clearly, such goods are not fully representative, albeit they allow to draw interesting conclusions. It would be interesting to consider other types of goods in order to give a more general prediction about the consumer behavior.



The above formulated concerns and remarks are clearly the bases for further analysis and discussion, and I would be happy to hear the views of the Doctoral Candidate with respect to the raised issues.

3. The final assessment

Summing up the assessment of the merit content and of the formal side of the dissertation submitted by Ms. Mirlinda Kuçi, I would like to state that:

- the presented doctoral dissertation constitutes an original research study on the impact of the endowment effect on an individual's choice;
- the provided considerations have been structured according to a logical plan and are fully consistent;
- the Doctoral Candidate demonstrated a significant theoretical and empirical knowledge in conducting a comprehensive analysis of economic phenomena;
- the main objective of the dissertation has been achieved, i.e. the impact of uncertainty, cultural differences, type of endowment, sociodemographic factors and risk aversion on the endowment effect has been evaluated.

The above-mentioned facts entitle me to state that the submitted doctoral dissertation demonstrates the Candidate's general theoretical knowledge in economics and the ability to conduct independent research. It is my strong opinion that the dissertation may be the subject of public defense.

A handwritten signature in blue ink, appearing to read "Ferdinand" followed by a surname that is partially obscured and difficult to decipher.