The Creativity Effect

Christopher Buccafusco and Christopher Sprigman

A wealth of social science research has shown that substantial valuation asymmetries exist between owners of goods and potential purchasers of them. The least amount of money that owners are willing to accept to part with their possessions is often far greater than the amount that purchasers would be willing to pay to obtain them. This phenomenon, known as the endowment effect, may create substantial inefficiencies in many markets. Our paper reports the first experiment to demonstrate the existence of a related creativity effect. We show that the creators of goods value their creations substantially more than do both purchasers of their works and mere owners of the works. Further, we provide evidence that these differences are the result of both creators’ irrational optimism about the quality of their work and potentially rational regret aversion associated with alienating emotionally endowed property. We conclude by discussing the implications of these findings for intellectual property theory in general and IP licensing in particular. Our findings potentially undermine the classical economic approach to IP rights, and they suggest that IP markets may be inefficient.