

Guest editorial: Introduction to the Special Issue in memory of Jack Knetsch

Jack L. Knetsch (1933–2022) was a pioneering scholar whose pathbreaking work helped reshape the fields of behavioral economics, environmental valuation, and law and economics. His passing on August 4, 2022 marked the end of an era, but his intellectual legacy continues to inspire. This Special Issue of the *Review of Behavioral Economics* is dedicated to honoring Jack's significant contributions to the study of economic behavior that deviates from classical assumptions. It is co-edited by Morris Altman and Fang-Fang Tang, both long-time colleagues and collaborators.

Educated at the University of California, Berkeley (PhD, 1965), Jack spent the bulk of his academic career at Simon Fraser University, where he served with distinction from 1974 until his retirement in 1998, later holding the title of Professor Emeritus. He also held visiting and advisory positions across the globe, including appointments with the Brookings Institution, Resources for the Future, Civil Service College of Singapore, Nanyang Technological University, Singapore, and international bodies such as the OECD and World Bank. Jack's deep commitment to empirical rigor and his willingness to challenge orthodoxy made him a central figure in economic debates surrounding valuation, choice, and fairness.

Jack Knetsch is perhaps best known for his seminal work on the endowment effect and preference reversals, phenomena that challenge the standard economic assumption of stable and coherent preferences. In a series of elegant experiments, often co-authored with Daniel Kahneman and Richard Thaler, Jack showed that people assign more value to goods they own than to identical goods they do not own. This asymmetry, he argued, is inconsistent with the reversibility implied by conventional indifference curves. His 1989 *American Economic Review* paper remains a classic, widely cited across economics, psychology, and public policy.

Another strand of his work explored how institutional context and valuation elicitation methods (e.g. WTP vs WTA) shape preferences and undermine predictions based on the Coase theorem. Jack consistently argued for realism in economic modeling and for methodological pluralism, calling attention to the psychological and procedural dimensions of choice. His critique of hypothetical valuations and his emphasis on real-exchange experiments influenced generations of behavioral economists.

Jack's collaboration with Fang-Fang Tang and Nick Powdthavee further extended his inquiries into the robustness of endowment effects, the limits of auction mechanisms like the Vickrey auction, and the implications of context-dependent preferences. Their work debunked the claim that market repetition or incentive alignment could eliminate valuation anomalies. Instead, they demonstrated that outcomes often depend on institutional details, auction design, and social framing.

In recognition of his legacy, this Special Issue brings together four contributions that exemplify the depth and reach of Jack's influence.

Fang-Fang Tang: "A review of endowment effect and Vickrey auction methods: behavioral map of predictable patterns"

Tang revisits a broad arc of Knetsch's work on the endowment effect, summarizing key experiments that challenge the textbook assumptions of rational choice and reversibility. His



review is both analytical and personal, incorporating decades of collaboration with Jack. He offers a conceptual framework called the “behavioral map,” suggesting a systematic approach to cataloging context-sensitive behavioral regularities. The paper is a comprehensive overview of how methodological innovations – such as the design of exchange experiments and manipulation of auction rules – exposed the fragility of canonical economic models. It concludes with a call for a coordinated research agenda akin to a behavioral genome project.

Dong Yan: “What drives destruction? The role of expected retaliation on anti-social behavior”

Dong’s experimental study extends the logic of behavioral asymmetries to the realm of anti-social preferences. Using a modified joy-of-destruction framework, the paper tests how transparency and information hiding affect the likelihood and intensity of destructive behavior. The study finds that when individuals can conceal their anti-social choices, the prevalence of destructive acts increases sharply. These findings resonate with Knetsch’s emphasis on context and procedural framing. Dong’s paper contributes to the broader literature on moral behavior under uncertainty, linking to themes of loss aversion, fairness, and retaliation.

Nick Powdthavee: “Good reputation as insurance: how reputation moderates fairness perceptions in the market”

In this paper, Powdthavee explores how reputation capital affects labor market outcomes under uncertainty. Using a stylized experimental labor market, he demonstrates that workers with good reputations enjoy a buffer against future shocks, including temporary underperformance. The results provide fresh insights into the role of social heuristics and long-term memory in market behavior. The themes of fairness, framing, and path dependence in this paper are in direct conversation with Jack Knetsch’s legacy, especially his work on perceived entitlements and procedural justice.

Morris Altman: “Why the endowment effect reflects unbiased smart decision-making and can increase the willingness to trade”

Altman revisits the canonical mug experiments pioneered by Knetsch, Kahneman, and Thaler and offers a revisionist interpretation. He argues that the observed endowment effect is not evidence of irrational bias, but of rational behavior grounded in real-world contexts. Drawing on Lancaster’s product characteristics theory, Altman proposes that ownership enhances utility by adding subjective attributes like familiarity and identity. Importantly, he shows that in some institutional contexts, when dealing with tradables, the endowment effect may actually encourage trade when ownership increases legitimacy and decision-making power. This is exemplified by Indigenous communities in Canada as power relationships change. This article challenges the heuristics-and-biases narrative that non-neoclassical behavior is inherently biased yielding suboptimal outcomes, offering a new behavioral model that redefines how we interpret willingness to trade and the willingness to accept in the domain of consumables and tradables. It also speaks to the implications of the mug experiments for contingent valuation survey.

Together, these contributions reaffirm and extend the insights that Jack Knetsch brought to behavioral economics. They illustrate how real-world deviations from rational choice can be systematically studied, categorized, and understood. As we reflect on his legacy, we are reminded not only of Jack’s intellectual courage but also of his generosity, clarity of thought,

and unwavering commitment to empirical truth as well as his commitment and support to economic organizations that championed methodological pluralism and spirited debate.

This Special Issue is a tribute to a scholar who was never afraid to ask uncomfortable questions, and whose work continues to challenge, enlighten, and inspire.

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