

# The financial benefits of being bilingual

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Financial transactions between people who speak different native languages are more common than ever with more than one in five Americans speaking a language other than English at home. But finding a price that buyers and sellers can agree on for a product is not always straightforward. Results from a new study suggest that thinking in a

foreign language may increase the chances that sellers and buyers will align on the cost and the interaction will end with a purchase. The study abstract is available online in the *Journal of Consumer Psychology*.

One of the common barriers sellers face in the marketplace is that they typically place a higher value on their products than potential buyers are willing to pay, a psychological phenomenon known as the "[endowment effect](#)." For example, people who have owned a car for several years may experience a sense of emotional attachment to the vehicle, and selling it feels like a significant loss. This sense of loss outweighs the buyer's expected benefit from gaining the product.

"This leads to a discrepancy between the valuation of the car by the seller and the valuation of it by potential buyers," says study author Mustafa Karatas of Koç University in Turkey.

Karatas predicted that he could change sellers' emotional attachment to their products by asking them to communicate in a non-[native language](#). Previous studies have shown that thinking in a foreign [language](#) leads people to think more deliberately and less emotionally, and he suspected that decreasing sellers' psychological connections to their products would in turn lower their valuation of the items.

In the first study, Karatas selected native English speakers who spoke Spanish as a foreign language. Half of the participants were shown a picture of a mug and asked to imagine that they owned it. Then they indicated the minimum amount they'd be willing to accept to sell it. Everyone completed the task in either English or Spanish. The results showed that the sellers in the native language group demanded a significantly higher price to give up the mug than the buyers were willing to pay, but the values were similar between the sellers and buyers when the sellers read the instructions in Spanish.

In the second experiment, Karatas selected native Turkish speakers who knew English as a foreign language. This time, one group of participants was given a chocolate bar and they were asked to estimate the minimum price they'd be willing to accept to sell it. Like the previous experiment, the buyers estimated how much they'd be willing to pay to purchase the bar. The sellers who completed the task in a foreign language were willing to sell the bar at a lower price than the native language [seller](#) group.

"The endowment effect is a violation of rational decision-making rules, and my research raises the possibility that people may be less prone to decision biases in general when they think in a foreign language," Karatas says.

The ability to think more objectively when making financial decisions could be valuable in many contexts, he says. For example, people tend to continue investing in a fund even after the initial investment is irrecoverable because they are emotionally attached to the endeavor, which is known as the "sunk cost bias." But they may make wiser investment decisions when they think in a foreign language, says Karatas. Also, non-native speakers can be overlooked for higher-level roles in companies because they may be perceived as less capable of making good managerial decisions, but the findings suggest that this language difference may help them be objective when making financial decisions, he says.

The findings could also be relevant for online marketplaces like Alibaba, where sellers and buyers from throughout the globe negotiate prices. "In these platforms, facilitating sellers' communication in a [foreign language](#) with buyers would facilitate a market transaction," says Karatas.

**More information:** Mustafa Karataş, Making Decisions in Foreign Languages: Weaker Senses of Ownership Attenuate the Endowment

Effect, *Journal of Consumer Psychology* (2019). [DOI: 10.1002/jcpy.1138](https://doi.org/10.1002/jcpy.1138)

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