Gender Economics and the Meaning of Discrimination

The way economists think about how individuals make choices has changed in essential ways with the growth of fields such as behavioral and cultural economics. Despite this increased focus on the social context and emotional content of decision-making, our analysis of gender discrimination or, more broadly, the differential treatment of men and women, has lagged behind. Any new approach to the causes of gender gaps in economic outcomes needs to leave the traditional attempt to divide such gaps into separate parts due to "choice" or to "discrimination" behind.

The standard, textbook definition of labor market discrimination is the presence of systematic differences in employment outcomes, such as earnings and wage rates, between workers belonging to different groups but with identical productive characteristics. Empirical applications begin with a decomposition of average intergroup differences into a component that can be "explained" by differences in observed characteristics and an "unexplained" part that may be attributed to discrimination (or, alternatively, to differences in unobserved determinants of productivity). Then the caveats begin—what are the causes of intergroup differences in productive characteristics, such as education, experience, and occupation? In the familiar case of occupational segregation, which is an important driver of gender gaps in wages, the question arises of whether occupational choices are limited by discriminatory treatment or not. A typical treatment of this question is:

"If, however, these choices reflect different preferences or different household responsibilities (particularly related to child care), then two arguments can be made. One is that there is no particular problem, that occupational preferences—including those toward household work—form naturally from one's life experiences and should be respected in a market economy. The other view is that these preferences are the result of *premarket* discrimination—differential treatment by parents, schools, and society at large that points girls toward lower-paying (including household) pursuits long before they reach adulthood and enter the labor market" (Ehrenberg and Smith, 2016, p. 405).

When framed this way, with the inclusion of premarket discrimination, it is clear that this distinction between choice and differential treatment no longer makes sense, either conceptually or empirically. The "differential treatment" that points boys and girls towards different occupations begins at birth, and has profound effects on preferences, traits, and behavior that, in turn, drive economic outcomes. It seems unlikely that we will ever have definitive evidence of whether any economically-relevant gender differences are innate rather than socially-determined, but the evidence for the importance of social influences on gendered behavior is now overwhelming. It is time to drop the choice vs. discrimination dichotomy from its still-prominent position in our discourse and analysis of gender differences in economic outcomes.

This conclusion emerges from a now-substantial literature in economics that examines the role of culture and norms in driving patterns of individual choices, to which the papers in this session are new contributions. Empirical findings documenting social effects show that families, communities, and peers are important drivers of behavior, including contrasting choices by men and women. Behavioral economics and experiments have revealed that context, framing, and perceived defaults, which are features of our social environment, are influential and can cause systematic departures from apparently optimal behavior. Despite these innovations in how we think about choices in social contexts, however, there has been limited reflection on what the theory and evidence on social drivers of behavior have to say about how we interpret economically-relevant gender gaps.

One exception is within the narrow frame of an audit study or experiment where imaginary agents are assigned a gender, along with a strictly limited set of other characteristics and performance measures. We can attribute differential treatment of these "agents" as due to discrimination of some sort since, by construction, the individual choice part of the classic decomposition is out of the frame in such studies. When men and women interact in the economy or in a laboratory setting, however, they are playing according to templates that have been laid out for them all their lives, and in which they perceive incentives to behave in approved and gender-specific manners.

Though social norms about appropriate behavior and appearance for men and women vary widely across societies, the existence of strong gender-specific norms appears to be universal. Community enforcement of these norms is also pervasive and can include social exclusion of individuals who deviate from accepted behavior and labor market sanctions. As one recent example among many, girls whose parents report 'headstrong' behavior in childhood and boys with more 'dependent' behavior experience substantial earnings penalties as adults that cannot be attributed to other characteristics (Kaestner and Malamud, 2021).

Cognizant of these consequences, altruistic parents and other adults attempt to shape gender-appropriate behavior in children through rewards and punishments and most children try to comply to seek approval. As children reach adulthood and seek partners, they begin to consider the marriage market consequences of failing to conform to traditional gender norms, with college women believing that more lucrative majors with increase their own earnings but harm their marriage prospects and women in graduate programs avoiding expressions of career ambition in public (Wiswall and Zafar, 2021; Bursztyn, Fujiwara, and Pallais, 2017). Since gender norms are embedded in human brains, there is no clear separability between premarket and market discrimination.[1] The parents who shush loud daughters and tolerate disruptive sons are the mentors who steer young women into nursing and away from engineering, and they are also the workers and managers who screen job applications and decide on promotions.

Gendered expectations and incentives imply that the decision problems facing boys and girls have distinctive constraint sets and this cannot fail to have an impact on their evolving capabilities. Investments respond to rewards, and you aren't likely to invest in skills and traits suited to activities that you are discouraged from participating in. Bertrand (2020) discusses how gender stereotypes set up dynamics of choices and skills that generate such self-fulfilling prophesies. Women's avoidance of STEM majors and careers can be seen as the consequence of environments in which girls are believed to be bad at math and so do not develop the confidence and motivation to acquire math skills. An old observation for which evidence continues to accumulate is: Discrimination skews choices. [2]

The final link is the effect that societal gender norms have on preferences themselves. The concept of identity embeds social expectations about individuals in a particular social category in the utility function, with behavior that deviates from these expectations generating "anxiety and discomfort in self

[1] Gender norms are also, of course, embedded in societal institutions—legal, political, financial—which helps to maintain them (Alesina and Giuliano, 2015).
[2] This was, in fact, the theme of my first published paper (Lundberg and Startz, 1983).

and others" that reduces utility (Akerlof and Kranton, 2000). Similarly, Becker and Murphy (2009) include the social environment in utility functions to represent social influences on behavior via desires for conformity and gains to coordination. If social norms are internalized, then preferences, as well as traits, are endogenous with respect to the environment and culture in which children are raised.

The implication of these new approaches to the economics of choice is that we cannot measure the contribution of discrimination or differential treatment to a gender gap in outcomes in any meaningful way. With different perceived constraints on actions, the contrasting choices of men and women will be driven by far more powerful forces than the conditions in the market or transaction they are currently engaged in. Individuals will avoid behavior that they expect to be punished, will not work to acquire traits that cannot be used advantageously, and will often come to want what they are allowed to have. In a career or lifetime setting, the role of choice and differential treatment cannot be clearly distinguished.

Though the impact of gender norms on behavior is increasingly well-documented by economists, the fundamental question of where these norms come from and how they evolve is only beginning to be studied in this field. Stratification economics, an alternative approach to analyzing group differences that has principally been applied to race, also focuses on identity formation and the power of social beliefs about a group to influence individual productivity through cognitive dissonance, implicit bias, and stereotype threat (Darity, Hamilton, and Stewart, 2015). However, this approach also analyzes discrimination itself as the result of collective pursuit of a group's self-interest, and in this respect the treatment of race might be expected to deviate from that of gender. The intermingling of group interests via shared households and genealogy is much more extensive in the case of gender than race, though the literature on the expansion of women's rights by male voters explicitly outlines the contrasting interests of men as husbands and as fathers (Doepke, Tertilt, and Voena, 2012). The expansion of cultural economics, in which institutions such as religion are key to the construction and maintenance of social norms, seems likely to expand a group conflict approach to gender economics.

Elsewhere, I have considered what it is about economists' habits of mind that push us in the direction of maintaining a discrimination/choice dichotomy that has long outlived its usefulness (Lundberg, 2021). We have, collectively, very strong priors about how markets work and the role of gender in society including a belief that fundamental, innate male-female differences are the primary drivers of gender gaps. As feminist economists have been noting for decades, the traditional economics point of view is one in which the default agent is assumed to be male (Grapard, 1995). This perspective, in which female behavior represents a deviation from "normal" economic behavior, is one that blinds us to the deep and often problematic impacts that male gender norms have men's outcomes. Finally, we have a marked reluctance to attack complex questions that may not be conducive to simple modelling, and the sources of gender differences in modern economies tend to be very complex indeed.

Hirschman (2021) makes an insightful contribution to the sociology of the economics profession via a history of the gender wage gap as an economic concept and "stylized fact" at the nexus of policy and politics. He describes, as a key event, the 1980 Equal Employment Opportunity Committee hearings on the relationship between job segregation and wage discrimination in which the question of whether occupational segregation should be controlled for in a standard regression decomposition of the gender earnings gap "showcased competing understandings of choice and discrimination." The testimony indicated that, to human capital theorists of the day “if a difference was rooted in women and men’s different preferences, then there was nothing to be done about it. Preferences were sacred.”

This may not be a surprising position in a narrow policy context in which the liability of corporations is relevant, but it also echoes the textbook treatment of discrimination in dismissing preferences more generally. The “nothing to be done about it” shrug is an oddly normative position for a social science to take concerning unequal outcomes. One might think that, scientifically, “respecting the market” should take a back seat to developing a deeper understanding of the sources of inequality. At one point, it may have been possible to take professional comfort in the position that most gender gaps were determined outside the domain of economics and could therefore be ignored. There is no question that, with the dramatic expansion in the domain of economics, these times are past.

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