

circular discrimination

An attempt to bridge the (presumed)
gap between taste-based and
statistical discrimination theories

Introduction

- Discrimination on markets
- Theories of economic discrimination
 - Taste-based discrimination (Becker 1957)
 - Statistical discrimination (Arrow 1971, Phelps 1972)
- Differ in cause for discrimination,
 - Prejudices vs. Information
- role of profit-maximization
 - > role of competition
 - Minimizes vs. stabilizes

Taste-based Discrimination (Becker 1957)

- Preferences for non-interaction with certain groups
 - Caused by prejudices and „ignorance“
 - expressed in willingness-to-pay
- Discrimination as market imperfection
 - Profit-maximizing employers will reduce discrimination
 - Competition minimizes discrimination by employers
- Empirical evidence
 - Charles&Guryan 2008, Charles et al. 2009, Weber&Zulehner 2009, Weichselbaumer&Winter-Ebmer 2007
- Gender in TD?
 - Structural category outside of markets lead to discrimination
 - Gendered structure leads to inefficiency

Statistical Discrimination (Phelps 1972, Arrow 1971)

- Caused by information problem
 - Productivity of individual employee unknown
 - Group differences used as indicators
 - Real or attributed group affiliation & group differences
- Profit-maximizing employers do not reduce discrimination
- Feedback loop?!

- Empirical evidence
 - Altonji&Pierret 2001, Bielby&Baron 1986, Dickinson&Oaxaca 2006, Fryer et al.2005, Pager &Karafin 2009, Lips 2013
- Gender in SD?
 - Gender is produced by market process – interactive
 - Market process leads to gender as structure

Integration necessary?

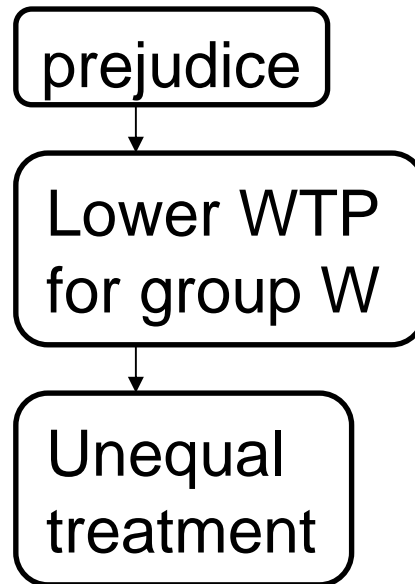
- Empirical evidence for both theories
- Competing results?
 - Is discrimination profit-maximizing?
 - Role of competition?
- Complementary explanation?
 - Role of information
 - simultaneous
- Interdependence?
 - Can prejudices lead to SD?
 - Can SD lead to prejudices/stereotypes?

Method

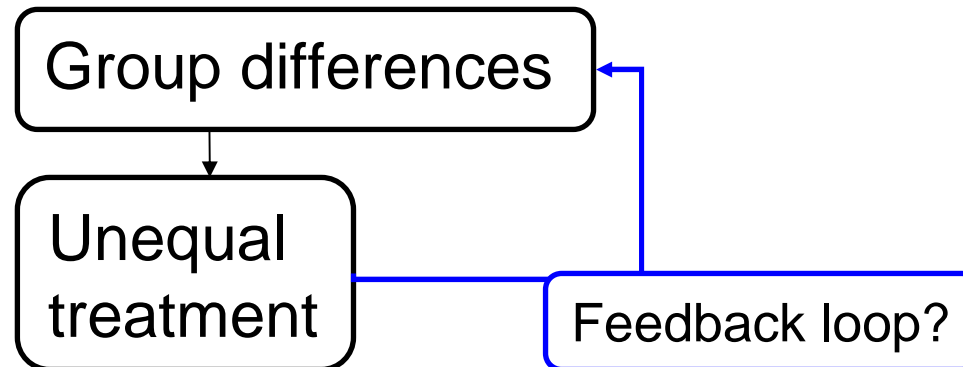
- Four Laboratory experiments
 - 1. Test for taste-based D
 - 2. Test for statistical D
 - 3. Test for statistical leads to taste-based D
 - 4. Test for taste-based leads to statistical D
- Test different aspects of the model
- If all show significant results
 - > discrimination models interact with each other

Models

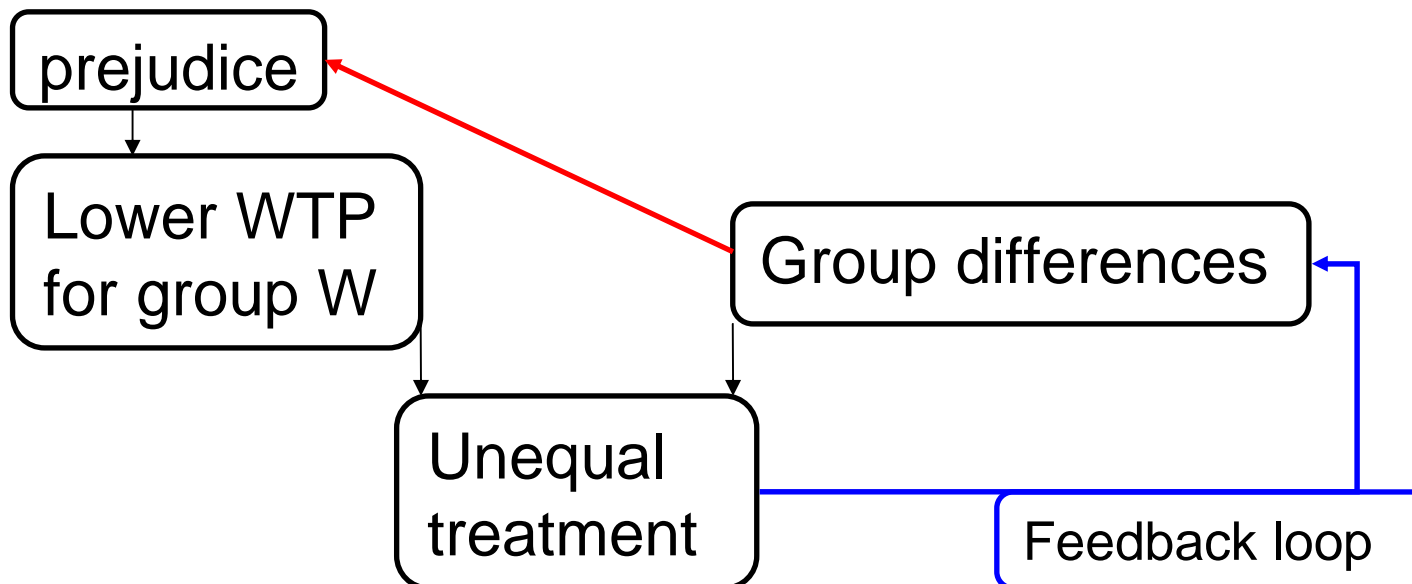
- 1. Taste-based Discrimination
 - Different WTP for certain groups
 - WTP or prejudices/animus in experiment



- 2. Statistical Discrimination
 - Only group information available to employers

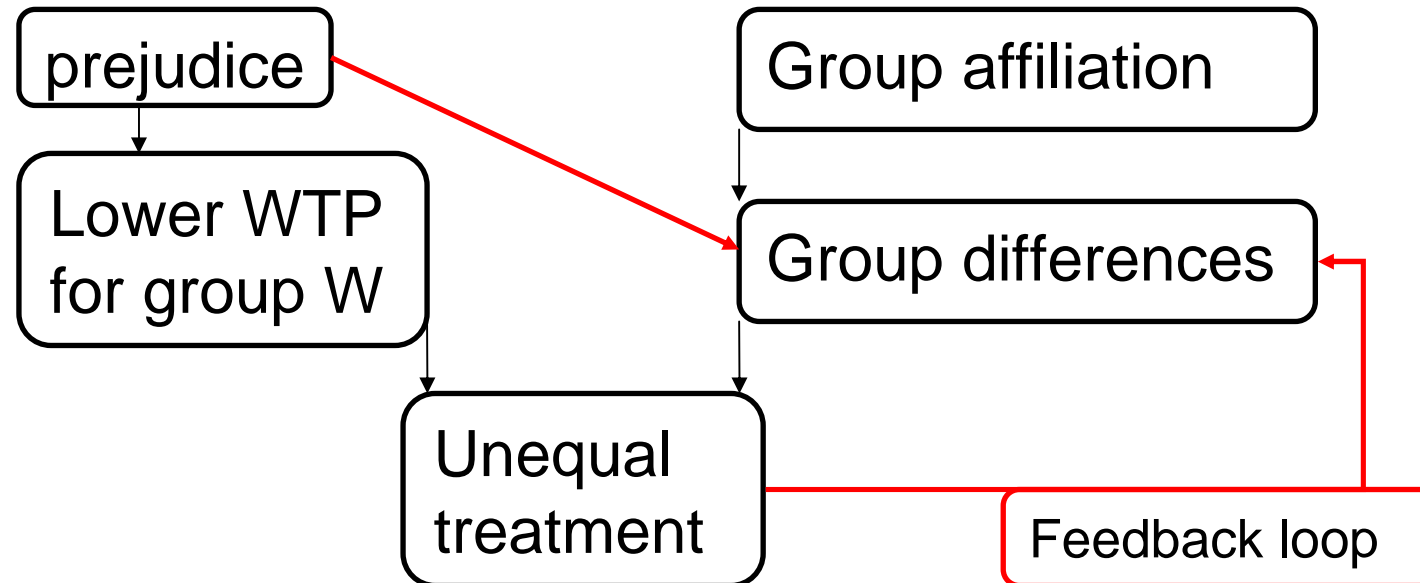


- 3. statistical leads to taste-based D
 - Does group information over time lead to prejudices or WTP against group?
 - measure WTP or prejudices

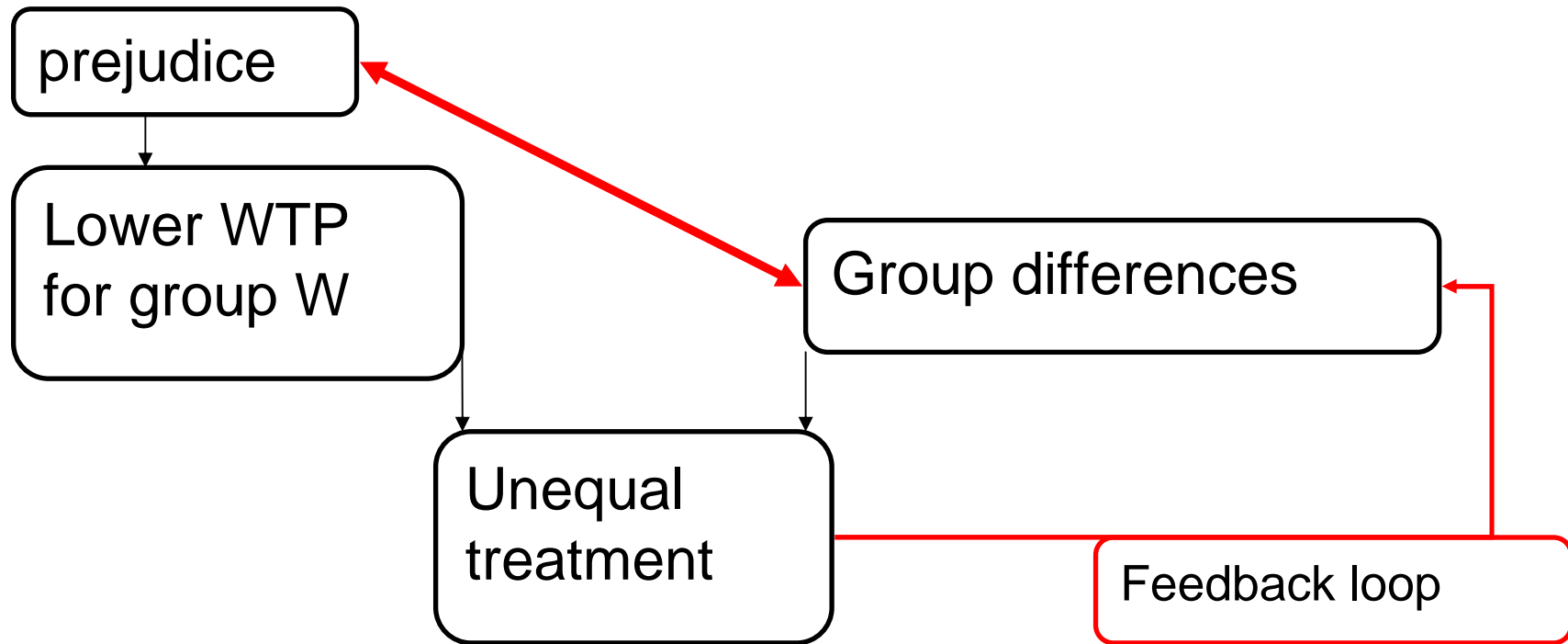


- 4. tastes lead to statistical Discrimination

- Do prejudices produce group differences
- Do market processes and group information enforce discrimination



A model for circular Discrimination



Conclusion

- Do prejudices frame and produce group differences?
- Do group differences frame and create stereotypes and prejudices?
- Discrimination caused by tastes and statistical D.
- Not only simultaneously but interdependently

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