

# **Do Firms Discriminate?**

**ECON 383: Economics of Discrimination**

**Winter 2018**

## Becker model

- Prejudiced firms earn less profits than non-prejudiced firms
- Competition decreases discrimination
- Segregated firms in the long run
- What do we observe in the real world?
- Bertrand and Mullainathan

## Reading an economics journal article

- A "thorough" reading of a published research article can take many hours (or even days)
- With time constraints, we need a strategy to get the main ideas in less time
- Practice!
- Develop a plan/checklist

# Strategy

- Read the abstract carefully. This is the information the authors think is most important for the reader to know.
- Read the introduction
- Skip to the conclusion (or read this first)
- Look at every table/figure, try to understand its purpose (may have to refer to main text – Ctrl-F can be your friend!)

## Questions to answer

Every time you pick up a (empirical) journal article, you should be able to answer the following questions:

1. What is the main research question? (*Question*)
2. Why is this question important? (*Motivation*)
3. How do the authors attempt to answer the question? (*Methods*)
4. What are the main results? (*Results*)
5. What are the caveats/limitations of the main results? (*Policy implications*)

# 1. Research question

- Should be established in the abstract/introduction
- Often very simple and straight-forward, sometimes very arcane and obscure (we won't be reading many of these papers)

## 2. Why is this paper important?

- This is the *motivation* of the research
- What do we know about this research question already?
- What do we *not* know?
- How will knowing the answer to this question improve our theoretical knowledge/policy?
- Usually in the introduction or "literature review"/"background"
- Sometimes this seems obvious – that's a good thing!

### 3. Methodology

- What kind of data? (Survey, observational, cross-sectional, panel, experiment, etc)
- What is the *identification strategy*?
  - How do the authors use the data to answer the question?
- What are the identification assumptions?
- Usually described in the abstract/introduction, details in the main text somewhere
- Expect to spend the most time on this part



## 4. Results

- The main findings of the paper
- Often include various "robustness tests" – how sensitive are the results to various assumptions?
- Figures and tables are the main source
- Well-written papers will have informative figures, but may need to look at main text

## 5. Caveats and limitations

- What can we conclude? What *can't* we conclude?
- What are the implications of the research?
- Closely related to our identification assumptions
  - What happens to our results if assumptions are violated?
- Good papers should be clear about the limitations of the methods/findings. Sometimes authors may want to hide it!

## Bertrand and Mullainathan

*We study race in the labor market by sending fictitious resumes to help-wanted ads in Boston and Chicago newspapers. To manipulate perceived race, resumes are randomly assigned African-American- or White-sounding names. White names receive 50 percent more callbacks for interviews. Callbacks are also more responsive to resume quality for White names than for African-American ones. The racial gap is uniform across occupation, industry, and employer size. We also find little evidence that employers are inferring social class from the names. Differential treatment by race still appears to still be prominent in the U.S. labor market.*

# 1. Research question

What is the research question for this article?

- Are firms more likely to hire applicants with "White-sounding names" than "Black-sounding names"?

## 2. Motivation

Why is this question important?

- Large racial wage gaps
- To what extent are these gaps driven by employer discrimination?
- Some evidence of discrimination from previous studies, but existing survey and audit studies are not well identified (selection bias, not double-blind, etc)

### 3. Methodology

How do the authors attempt to answer this question?

- Real-world experiment
- Create fake resumes (control all aspects of applicant)
- Randomly assign each resume a name that is either "black" or "white"

TABLE A1—FIRST NAMES USED IN EXPERIMENT

White female			African-American female		
Name	L(W)/L(B)	Perception White	Name	L(B)/L(W)	Perception Black
Allison	$\infty$	0.926	Aisha	209	0.97
Anne	$\infty$	0.962	Ebony	$\infty$	0.9
Carrie	$\infty$	0.923	Keisha	116	0.93
Emily	$\infty$	0.925	Kenya	$\infty$	0.967
Jill	$\infty$	0.889	Lakisha	$\infty$	0.967
Laurie	$\infty$	0.963	Latonya	$\infty$	1
Kristen	$\infty$	0.963	Latoya	$\infty$	1
Meredith	$\infty$	0.926	Tamika	284	1
Sarah	$\infty$	0.852	Tanisha	$\infty$	1
Fraction of all births:			Fraction of all births:		
3.8 percent			7.1 percent		
White male			African-American male		
Name	L(W)/L(B)	Perception White	Name	L(B)/L(W)	Perception Black
Brad	$\infty$	1	Darnell	$\infty$	0.967
Brendan	$\infty$	0.667	Hakim		0.933
Geoffrey	$\infty$	0.731	Jamal	257	0.967
Greg	$\infty$	1	Jermaine	90.5	1
Brett	$\infty$	0.923	Kareem	$\infty$	0.967
Jay	$\infty$	0.926	Leroy	44.5	0.933
Matthew	$\infty$	0.888	Rasheed	$\infty$	0.931
Neil	$\infty$	0.654	Tremayne	$\infty$	0.897
Todd	$\infty$	0.926	Tyrone	62.5	0.900
Fraction of all births:			Fraction of all births:		
1.7 percent			3.1 percent		

### 3. Methodology, cont.

- Find jobs from newspaper advertisements in Boston and Chicago
- Send 4 resumes to each job: high skill/low skill and black/white
- Record which jobs respond to resume to set up interview



### 3. Methodology, cont

#### Identification

- The identification assumption is that black/white resumes would have the same call-back rates if not for the names
- Not identifying hiring rates, simply interviews
- Discrimination may occur *after* interview (or may be less likely to occur after interview)
- "Most black" names and "most white" names are (by definition) not representative of the *average* black or white applicant

## 4. Results

What do they find?

## 5. Caveats and limitations

- Does not imply the existence of prejudice
- Firms may see names as signals of other labor characteristics (statistical discrimination)
- Only considering newspaper adds – people get jobs in lots of ways