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Introductory Remarks

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Gender, money and finance

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Good afternoon everyone![1]

It is my great pleasure to welcome you to the first session of this year's SUERF-JVI-OeNB joint conference on *Gender, Money and Finance*. I am particularly thankful to the two highly distinguished panelists who have agreed to join me today for this first session on the topic of *Gender and Economic Policy-Making*. I could hardly imagine any more suitable, outstanding candidates and role models for this panel. Hence, I am both very happy and very honored to be able to welcome Christine Lagarde, President of the European Central Bank, and Kristalina Georgieva, Managing Director of the International Monetary Fund as panelists to this first session.

Our session's title, *Gender and Economic Policy-Making*, seems to be an appropriate starting point for contextualizing the topic we will discuss on this panel. In fact, the title itself may suggest a unidirectional focus of this session on the range of effects gender can have on economic policy-making, including both policy deliberations and policy decisions. Yet, the impact of economic policy-making on gender diversity and gender parity across the entire universe of socioeconomic and political dimensions certainly constitutes a second, equally valid perspective on our topic today. In her recent book, *Gender Equality and Public Policy*, Prof Paola Profeta (who will take part as a panelist in Session 2 of this conference), fittingly describes these two perspectives as the political economy angle and the public economics view of the link between gender and economic policy-making respectively.

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[1] I would like to thank Kilian Rieder for his contributions to this speech. For citation, only the spoken version of this speech is relevant (please check against delivery).

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Starting with the political economy aspect of our session, let me give you one concrete example for why gender matters for economic policy-making, and why increased gender diversity can have substantial positive economic effects by boosting the quality of policy decisions. To be sure, while I focus on one specific economic rationale here, there is a vast range of other moral, philosophical, political, and socio-economic reasons why increasing gender diversity should constitute a priority in economic policy-making.

In modern democracies, policy decisions are rarely taken by individuals. Decision-making bodies often comprise committees of experts and politicians - and there are good reasons for this. Back in the 18th century, a certain Marquis de Condorcet already noted that the majority of an imperfectly informed, homogeneously skilled group is more likely to make the correct choice than any individual member of that group. Under the assumptions that all group members reveal their signals about the state of the world, that information is obtained as well as aggregated at no cost and that all members share the common goal of taking a correct decision while not being able to communicate before voting, the probability of choosing the right option by majority decision converges to one as group size increases.[2]

How does Condorcet's insight relate to gender diversity, you ask? Well, intuitively, the superiority of committee decision-making hinges on the degree of diversity in terms of information gathering and information processing heuristics inside the group.[3] Several decision-makers with different signals or different perceptions of the information at hand may be able to extract and put more relevant facts "on the decision table" than an individual decision-maker plausibly could. Now, as myriad scientific experiments have shown, different genders exhibit statistically different decision-making characteristics.[4] Some of the most well-known examples in this regard include the degree of altruism, risk aversion and negotiation strategies.[5] Hence, without gender parity, we may not only leave a large part of the global talent pool untapped, but we also risk foregoing significant improvements in the quality of economic policy deliberations and decisions.

Of course, some may argue that the demanding assumptions underlying Condorcet's jury theorem may not hold in real life. Also, causal empirical evidence for the effect of increased gender parity on the quality of decisions is hard to get by for many reasons. The quality of decisions can be hard to measure objectively and the impact of gender on economic policy-making is difficult to disentangle from that of other personal or professional characteristics. Context matters here, as may selection effects and the attainment of a critical mass threshold.[6] Yet, while all these challenges make it difficult to predict the precise effects of increasing gender parity on economic policy outcomes, it is important to emphasize what they share in common: none of them constitutes a cogent argument for advocating *against* more gender diversity. When you think about it, we constantly take policy decisions based on strong theoretical underpinnings and analogical empirical reasoning rather than precise causal estimates of the policy at hand -

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[2] See Gerling et al. (2005) for a summary of Condorcet's jury theorem and an extensive survey on group decision-making.

[3] See Rieder (2021) for a discussion of this point in the context of monetary policy decision-making.

[4] See Profeta (2020), in particular chapter 5, for an excellent summary of relevant research on this topic.

[5] Experimental research on these topics abounds. Profeta (2020), in particular chapter 5, summarizes the main contributions to the field. Some examples are as follows. For altruism, c.f. Andreoni and Vesterlund (2001); for risk aversion c.f. Eckel and Grossman (2008); and for negotiation strategies, c.f. Small et al. (2007).

[6] See Profeta (2020), Chapter 5 for a detailed discussion of the empirical challenges involved in identifying the causal effect of gender on behaviour and policies.

and, to be sure, monetary policy is no exception here. I think the time is more than ripe to apply the same standards when it comes to pushing for more gender parity.

This brings me to the public economics view on the link between gender and economic policy-making. The reason why economic policy-making needs to play an active role in enhancing gender parity - and here I refer to gender parity in more general terms, beyond the mere composition of decision-making bodies - is certainly not limited to the "benefit of the doubt"-type argument mentioned above. Research has shown that gender inequality and gender gaps around the world often depend on nurture, rather than only nature.[7] Persistent stereotypes are known to lock in inefficient equilibria due to path dependence and the intergenerational transmission of certain cultural values.[8] Moreover, *status quo* bias can prevent even very highly qualified women[9] from ascending the ranks, and this rings particularly true for economic policy decision-making bodies.[10] Hence, if we value an increase in gender diversity, and, as I have argued, there are good reasons to do so, sitting it out will not be a sufficient strategy to tackle these dynamic inefficiencies.

To address them, public economics may naturally draw procedural policies, such as quotas. Yet, substantive economic policies are equally key in achieving sustainable forms of gender parity. In a seminal work first published in 1949 which remains uncomfortably relevant in today's world, Simone de Beauvoir noted that the "abstract legal framework alone does not suffice to define the concrete situation of women; this situation depends to a large extent on the economic role women play in society".[11] Breaking the still prevailing "glass ceiling" requires bottom-to-top empowerment encompassing targeted fiscal, social and labor market policies as well as educational initiatives.[12]

As Prof Profeta makes clear in her book, the political economy angle and the public economics view cannot be meaningfully separated as they are constantly interacting in feedback and amplification loops: the degree of gender diversity in decision-making bodies shapes economic policies, which in turn influence progress, and sadly sometimes also setbacks, in terms of gender parity in many areas of public and private life - and vice versa. Thus, I hope that we will be able to shed some light on both of these perspectives and their interactions during the remaining time of this session by sharing in our distinguished panelists' personal, professional, and institutional experiences.

[7] See Profeta (2020), Introduction, Chapter 2 and Chapter 5 for a discussion of the caveats associated with the difference between "nurture" and "nature".
[8] For example, see Alesina et al. (2013). See Diouf and Pépin (2017) for the specific context of monetary policy.
[9] To be sure, the author explicitly acknowledges that the term gender encompasses more than the simple dichotomy male vs. female.
[10] For example, by 2019, only 8% (14 out of 173) of all central banks were headed by a woman (Istrefi, 2019). 94% of all European Central Bank's Governing Council members serving between 1998 and 2018 were men - and other major central banks do hardly any better. See also Profeta (2020b) for *status quo bias* and Riboni and Ruge-Murcia (2008) on inertia in committee decision-making settings.
[11] The original French text reads as follows: "[L]e droit abstrait ne suffit pas à définir la situation concrète de la femme ; celle-ci dépend en grande partie du rôle économique qu'elle joue." De Beauvoir (1976, p.153).
[12] See for example Del Boca and Locatelli (2008).

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