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Gender and Risk-Taking: Economics, Evidence, and Why the Answer Matters

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Book Review

Gender and Risk-Taking: Economics, Evidence, and Why the Answer Matters, by Julie A. Nelson. London: Routledge IAFFE Advances in Feminist Economics, 2017. 144 pp. ISBN: 978-1-13-828403-6 (pbk.). US$44.95.

This vitally important contribution to economics is essential reading for students, researchers, and policymakers. The book puts to rest claims about gender differences in risk-taking but, more importantly, it provides a salutary reminder of the importance of good methodological practice and demonstrates the urgent need for reform in economics. The book identifies a litany of shoddy behaviors that afflict economic research on gender differences and shows how change is needed to make the discipline more relevant and useful.

As its title conveys, the book is generally concerned with the "sexy" topic of gender differences in risk preferences and thus it adds to a burgeoning academic literature. Gender differences in risk aversion, competitiveness, altruism, and so forth are the subject of a seemingly endless number of academic papers and media commentaries, some of which advance propositions such as the Global Financial Crisis (GFC) could have been avoided if women were in charge of Wall Street. The pitfalls associated with a singular focus on the *differences* between men and women, rather than on the *similarities*, are first outlined in Part I of the book, together with an explanation of the common stereotypes that underlie this distortion and an overview of the various statistical techniques available for studies of similarities *and* differences in men's and women's risk preferences. Part II of the book complements this with a review of the empirical literature on the topic of sex differences in risk preferences. Subsequent sections shift the focus to how economists typically define and measure risk, and how they evaluate and report on gender differences (or similarities) in risk-taking and other behaviors. The final part shows us how and why this matters – for the economics discipline, for policy, and for gender equality.

Gender and Risk-Taking is organized into twelve relatively short chapters, and all are easy to read. In the chapters that deal with the statistical methods used to detect sex differences in risk-taking, Nelson's voice is that of a tutor deploying a range of techniques to convey the meaning of key concepts to an audience that is assumed to be intelligent and interested but not necessarily already schooled in the methods. More broadly, Nelson guides her readers through the various parts and chapters of the book, speaking directly to their possible backgrounds and interests. In the initial section, she highlights the chapters that she considers essential reading and identifies chapters and sections that might be skipped by, for example, those with a lesser interest in the technical details of statistical methods.

The book is likely to be valued by a broad range of scholars and policy actors concerned with gender differences in behavior. Nelson's review of the relevant empirical literature is comprehensive and compelling. Importantly, it points to the *absence* of statistical evidence of sex differences in risk preference at the individual level, and to only a small statistically significant difference in average levels of risk aversion when women and men are compared as groups. This is a key theme of the book, and one that is referred to time and again in subsequent chapters: there is NO statistical evidence that women are more risk averse than men, or vice versa.

The book's review of the empirical evidence utilizes a range of measures of sex-based differences in observed risk-related behaviors. Some of these measures, such as tests of the *statistical significance* of the different average scores of male and female participants in economic experiments, will be familiar to most readers. Others, such as Cohen's d and the Index of Similarity will be less well known, but they are important because they focus, respectively, on the *magnitude* of an observed gender difference and the degree of *similarity* between men and women. Feminist economists have long acknowledged that statistical studies should report confidence intervals and pay attention to the measured magnitude of, for example, gender effects, rather than be only concerned with the statistical significance of observed differences. The book makes an important contribution to this project by explaining and illustrating relevant additional measures, thus expanding the methodological toolbox available to feminist economists interested in studies of gender difference.

Part III of the book is essential reading because it challenges us to think about the biases and sloppy practices that can affect economic research. It speaks to the all-too-familiar seminar papers where (often) a male presenter confidently expounds how his results (often from a small – and sometimes strange – experiment) "prove" that women are more risk averse/less competitive/more altruistic than men. It is also relevant to the numerous academic papers and magazine articles that offer advice to young women to be more daring, competitive, and self-centered. Nelson asks why, given a plethora of statistical evidence showing a "great deal of *similarity*" (p. 4) between the risk preferences of men and women, statements that women are more risk averse than men are so commonplace? Her proffered answer centers on the influence of deep-seated stereotypical beliefs about gender. She explains that, as humans, our brains tend to classify "people, things, ideas, traits, and even abstract concepts as either 'masculine' or 'feminine'" (p. 22). This can cause researchers to wrongly make inductive generalizations about *all* men's and *all* women's risk preferences on the basis of evidence drawn from samples of unique populations (such as students in industrialized countries); and they leap from the results of highly specific experiments (such as lottery games) into generalizations about attitudes to all forms of risk. While such mistakes are perhaps understandable (and likely reflect how economic researchers are human and shaped by their cultures), they are mistakes nonetheless and "simply not statistically justified" (p. 48). Furthermore, because such mistakes tend to reinforce existing stereotypes that are negative for women, they need to be called out. Nelson's book does this, but more importantly it provides a suite of useful statistical tools that others might use to also challenge both poor epistemic practice and outright gender bias in economic research.

Nelson's review of economic research on gender and risk-taking also uncovers the influence of confirmation bias: the tendency to overlook evidence that conflicts in some way with one's essentialist beliefs. For instance, in seminars one may hear a researcher describing their results as "good," by which they really mean that the results conform to his or her preconceived notions of, for example, the gendered pattern of risk aversion. Under the sway of confirmation bias, researchers may massage their data until they achieve the "right" sign on a regression coefficient and the triple stars of statistical significance. If they cannot achieve this they may fail to pursue their original line of inquiry, perhaps rightly perceiving that their chances of publication will be slight. The net result of these various practices is a misleading evidence base, which at best undermines the usefulness of economic research for policy and practice, and at worst leads to policy errors. The medical sciences have recognized and responded to these concerns about research processes with improved methodological checks and balances; economics, however, continues to be a significant laggard.

Part IV of *Gender and Risk-Taking* is titled "Why it matters." Here, Nelson outlines various reasons why the currently poor state of economic research on gender differences is "profoundly" important. These include its role in perpetuating stereotypes that can cause unfair and inefficient decisions to be made about women in areas such as employment, politics, and financial advising. Relying on the stereotype of women as risk averse in, for example, studies of their relatively low rate of career progression tends to draw attention away from the influence of "employers' and co-workers' often stereotyped and sexist views" (p. 113) and from key structural issues, such as the inadequate design of workplaces to accommodate the needs of carers of children or elderly parents.

The stereotyping of men as relatively more risk-seeking is, according to Nelson, a greater potential social harm. In this fascinating part of the book, Nelson extends her discussion to a consideration of what we actually mean by risk and how it is perceived in economics. Taking a linguistics approach, she identifies positive and negative associations between gender-stereotypical behaviors and dispositions that can be associated with the term "risk-taking." Generally, risk-taking is commonly and positively linked to manliness; while timidity is commonly and negatively related to femininity. These gendered binaries tend to both reinforce gender stereotypes and encourage risk-taking. By changing our use of language, we can help open new perspectives, breakdown gender barriers and encourage better behavior. If, for example, we used the term recklessness instead of risk-taking and caution instead of timidity, we might encourage better economic and environmental policymaking at a time, as Nelson warns, when "nothing less than the future of human life on the planet may be at stake" (p. 133).

Perhaps leaving the best till last, the final chapters of the book delve into the emotions associated with risk-taking and their implications for economics. The key emotion associated with risk is, of course, fear. Fearlessness is another positive trait linked to masculinity, and this association is potentially another spur to excessive risk-taking/recklessness. However, Nelson's key insight is that economics has generally neglected fear and the other emotions that people tend to experience when they take risky actions. This reflects a discipline-wide aversion to studying the role of emotions in cognition and rational behavior; something that Nelson also links to gender-bias given the often-pejorative association of emotions with the feminine.

Nelson concludes by identifying the prospects for improved economic discourse if the network of gendered, harmful biases that affect the study of risk preferences and other topics are addressed. She rightly points out that

> We could adopt a fuller and richer understanding of human behavior, as well as a more comprehensive set of research methods. The resulting changes in economic discourse could make our discipline more helpful for addressing the threats and opportunities continually thrown up by our world— a world that is not, in fact, under our control. (p. 131)

I hope that her book is widely read and that the changes it recommends and the guidance it provides are quickly realized.

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