‘Would women leaders have prevented the global financial crisis?’ Teaching critical thinking by questioning a question

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Abstract: ‘Would having more women in leadership have prevented the financial crisis?’ This question, raised in the popular media, can make effective fodder for teaching critical thinking within courses such as gender and economics, money and financial institutions, pluralist economics, or behavioural economics. While the question, as posed, demands an answer of ‘Yes – sex differences in traits are important’ or ‘No – gender is irrelevant’, students can be encouraged to question the question itself. The first part of this essay briefly reviews literature on the sameness-versus-difference debate, noting that the belief in exaggerated behavioural differences between men and women is not, in fact, empirically supported. But neither is gender irrelevant. The second part of this essay examines the important role of gender biases in the social construction of markets, and especially financial markets. Specific examples and tools that can be used when teaching about difference, similarity, and markets are discussed throughout.

Keywords: feminist economics; financial crisis; risk aversion; risk; economics education; behavioural economics; stereotyping; gender; sex; finance; markets.


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1 Introduction

In the aftermath of the crisis that shook USA and global financial markets in the fall of 2008, speculation arose about it whether it may have been caused, in some sense, by masculinity run amuck. Referring to the bankruptcy of Lehman Brothers investment bank, some asked “whether we would be in the same mess today if Lehman Brothers had been Lehman Sisters” (Kristof, 2009; Morris, 2009; Lagarde, 2010). In Iceland, women were called in to replace high profile male bank leaders and institute a ‘new culture’ (O’Connor, 2008). *Time* magazine, having run a laudatory cover featuring Federal Reserve and government economists Alan Greenspan, Larry Summers, and Robert Rubin in February 1999, followed in May 2010 with a similarly-posed cover featuring the regulators Elizabeth Warren, Sheila Blair, and Mary Schapiro. These, *Time* said, were “The women charged with cleaning up the mess”.

Would having more women in leadership positions in finance and its regulation naturally lead to a kinder, gentler, and tidier economy? This question can arise in courses such as ‘Women and the Economy’, ‘Gender and Economics’, or ‘Feminist Economics’. Courses on ‘Money and Financial Institutions’ or ‘Pluralist Economics’ may encounter this question in the course of examining possible solutions to the post-crisis malaise, and courses in ‘Behavioural Economics’ may raise questions about sex difference in preferences or choices. The question, as posed, seems to require either an answer of ‘Yes – sex differences in traits are important’ or the answer ‘No – gender is irrelevant’. One hallmark of critical thinking, however, is a willingness to question the question itself. The question posed in the popular media can be an entry point for teaching students critical social science thinking.

The question asked in the title of this paper is fundamentally badly stated. A ‘yes’ answer to the question would require a belief in substantial ‘differences’ in traits that males and females ‘bring with them’ to their jobs. The first half of this article discusses how an exaggerated ‘differences’ view has recently resurged within popular thinking and within economics, bolstered by simplistic binary thinking, low quality behavioural research, and media hype. Better quality behavioural and neuroscience research, including important recent research on stereotyping, however, points to a more sophisticated and nuanced understanding. Practicing the skill of noticing and measuring both difference and similarity, this essay argues, is important for developing more accurate perceptions and therefore more adequate conclusions.

Yet, cultural gender constructions are far from irrelevant. Because financial markets have been formed in a society pervasively shaped by gender binaries, a ‘no’ answer to the question posed in the title is not entirely adequate either. The second half of this article explores the overwhelmingly more important gender dimension of the financial crisis: the habit of thinking (at least in Western, Post-Enlightenment cultures) of market commerce and finance as stereotypically masculine in nature. Commentators from the left and right alike tend to regard capitalism as characterised in some intrinsic and unavoidable way by masculine-stereotyped qualities such as risk-taking and self-interest, to the exclusion of feminine-stereotyped qualities. This mental image severely distorts what we believe we can and should expect from institutions and leaders (of either sex) in finance, especially in regard to their social and ethical responsibilities.

Exploring the path to more satisfactory questions can take students into a deeper understanding of empirical research and encourage more thoughtfulness about the roots of economic thinking. Because of the level of sophistication and flexibility of thinking
The fields of behavioural economics (which looks at how people actually make decisions rather than at how a hypothetical ‘rational actor’ would make them) and neuroeconomics (which uses brain scans and such in the study of decision-making) are currently in vogue among many in the economics profession. To some extent, these projects can be welcomed by pluralist economists, to the extent we have long critiqued the image of the ethereal, disembodied, and disembodied agent so dear to classical liberal philosophy and economics (e.g., Ferber and Nelson, 1993; Groenewegen, 2007). Unfortunately, however, such a focus on psychological research has also encouraged a recent resurgence of ‘essentialist’ views of human sexual difference: any detectable difference in behaviour or brain organisation is, once again, being interpreted by some as a hard-and-fast explanation for – and rationalisation of – occupational segregation, social hierarchy, and economic inequality.

2.1 Exaggerated difference and the ‘Lehman Sisters’ argument

The popular arguments in favour of a ‘Lehman Sisters’ viewpoints are based on the belief that there are fundamental and sizeable differences between males and females in their attitudes towards finance. “Several gender studies have pointed out that women behave and manage differently from men. They tend to be more risk-averse and to focus more on a long-term perspective”, writes one French management professor (Ferrary, 2009). Another management consultant reports that many male executives “feel, from experience, that women tend to be more risk-averse”, and that women are “more willing to…defend an issue of governance or ethics” (Wittenberg-Cox, 2009). Lagarde (2010), at the time of the crisis France’s minister for the economy, industry and employment, wrote about how “as a woman I am, perhaps, more keenly aware of the damage that the crisis has done”.

While it is sometimes mentioned that differences, when they are observed, could be due to differences in socialisation (e.g., girls being raised to be less competitive) or created by positional inequalities (e.g., people in weaker positions may have good reason to be more sensitive to losses), biological and evolutionary explanations seem to be currently in vogue. It has been suggested that the levels of testosterone among men working on financial trading floors is related to the ability to make profitable decisions (Coates and Herbert, 2008). A large number of popular books (see review in Fine, 2010) have argued that men and women are ‘hard-wired’ differently, through the influence, for example, of genetic differences and prenatal hormones. Assertions such as
Baron-Cohen’s (2003) that men are natural ‘systematisers’ while women are natural ‘empathisers’ have gained audience. The ‘different essences’ perspective has influenced the business management literature, where a cooperative and relational approach has been associated with women (Schumpeter, 2009). At the extreme, ‘difference’ advocates portray gender differences as large, *Men are from Mars, Women are from Venus* (Gray, 1993) dichotomous gulfs between the sexes.

### 2.2 Responses

Scholars such as Barnett and Rivers (2004), Eliot (2009), Hyde (2005), Fine (2010), and Jordan-Young (2010) have taken on the task of debunking the exaggerated view of sex differences in behaviour. Assigning a reading or two from these works can help create a more sophisticated view of social and neuro-scientific methods and standards that enriches pluralist economics education. A few of the major critiques of the essentialist literature are as follows:

- Much of the research on which broad generalisations have been based does not merit confidence. Many studies were based on small samples, offered conclusions and interpretations that were not justified by the data, and/or have since been discredited by later research.

- Studies which find sex differences tend to be considered sexy and publishable, while those that do not are not. This ‘file drawer effect’ will tend to skew reporting towards ‘difference’. (Recall that if a 5% level of statistical significance is used to test for ‘difference’, then 1 in 20 studies can be expected to show such ‘difference’ just by chance).

- Meta-analysis (Byrnes et al., 1999; Hyde, 2005) shows that when differences in the behaviour of adult men and women have been found, they are not uncommonly substantively quite small. Emphasis on a fairly minor difference in means can hide the fact of substantial overlap. Rather than different planets, it seems that ‘Men are from North Dakota, women are from South Dakota’ (as Dindia, 2006, has quipped). This will be discussed more, below.

- Many of the results seem to be highly dependent on context, varying quite widely over types of situations encountered or the nationality or cultural background of the subjects, further shedding doubt on essentialist views. A number of sociologists have pointed out how inequalities in power and access to resources can create the ‘differences’ that are incorrectly attributed to sex (Acker, 1990; Kimmel, 2000).

- The links from hormones or brain organisation to behaviour are far from well-established, as the more serious researchers acknowledge. The brain’s ‘plasticity’ (Eliot, 2009), or responsiveness to experience, makes it particularly hard to attribute behaviours to ‘nature’ alone. The finding of structural differences in the brain also does not – contrary to the popular ‘difference’ literature – point unambiguously to differences in function or ability [Fine, (2010), Ch. 13; Jordan-Young, 2010].

None of the abovementioned critics of the ‘difference’ literature claim that males and females are biologically and neurologically identical, only that the essentialist ‘difference’ claims are far overblown.
A recent survey of the economics and finance literature on gender and risk aversion – an issue highly relevant to the issue of gender and the financial crisis – finds more instances of biased reporting and exaggeration (Nelson, 2012). Not only is information on the substantive size of differences not generally given, but:

1. the sorts of statistical information that would allow the reader to analyse the substantive size of the differences is often not presented
2. the existing literature on sex differences is often mis-cited or selectively cited.

In addition:

3. findings of ‘no sex difference’ are systematically set aside and ignored
4. findings that women sometimes act, on average, in a statistically significantly less risk-averse way than men are often explained away in a highly contrived manner (Nelson, 2012).

A reasonable conclusion is that the economists and finance researchers are looking for difference, and making the empirical results conform to their biases.

2.3 What explains the appeal of the exaggerated difference view?

Why does there seem to be such a tendency to adopt simplistic, exaggerated views? One obvious reason may be that ‘difference’ findings tend to serve the interests of those who want to sustain gender inequalities in economic power (Acker, 1990; Barnett and Rivers, 2004). Findings that women financial managers have a different ‘management style’ could be used to exclude women from certain realms – for example, to limit women to areas of finance where they will do the hard, unappreciated, and relatively low-paid work of ‘cleaning up the mess’ in bad times, without getting the chance to prove that they can do more the interesting, creative, and highly compensated work of leading risk-taking organisations in good times (Hall-Taylor, 1997; Corrigan, 2009; Ibarra et al., 2009). By examining power issues, one can certainly approach the teaching of issues of gender, risk, and finance with a strong ‘political economy’ focus.

But these beliefs are widespread even among those not defending an entrenched position of power. This suggests that there may be additional reasons for the persistence of these beliefs. ‘Difference’ beliefs, psychological research reveals, capitalises on certain human cognitive weaknesses. Examining these can help students think about how they think.

The pervasive tendency to draw contrasts between male and female is itself a symptom – researched by some behavioural scientists – of our embodied, evolved, often helpful but sometimes also dysfunctional cognitive habits. The habit of grouping stimuli into categories – the simpler the better – saves on cognitive processing effort. As psychologists use the term, ‘cognitive schemas’ are the way in which we “organize incoming information and integrate it – through no conscious act of will – into clusters” [Most et al., (2007), p.287]. Stimuli that correspond to an existing schema can be more rapidly processed than stimuli that must be individually sorted and assimilated piece by piece. We also tend to have a bias towards believing that what is easy is true (Bennett, 2010), and what is easier than a simple binary or polar contrast? Binaries such as male/female or up/down (Lakoff and Johnson, 1980) seem to be important building blocks for how we perceive, think, and communicate. Because so much of this processing
is unconscious, we may not be at all aware of how much influence the attraction to simple binaries has on our perceptions and beliefs. Stereotyping is a process by which individuals are mentally associated with such simple binary groups.

Thought habits based on simple binaries and stereotypes can make us stupid. A simple and effective way to bring this point home to students is to pose the following decades-old riddle:

A man and his son are in a car accident. The father is killed instantly, and the boy is taken by ambulance to the nearest emergency room. The emergency room surgeon, however, says “I can’t operate on him – he’s my son!”

How can you explain this?2

Even in classes on Gender and Economics, and even when this riddle is posed soon after the class has gone over statistics about historical changes in the gender composition of professions, a substantial proportion of students (in recent years, in my experience, about a third) find the riddle difficult. They hand in answers saying that the surgeon is the boy’s stepfather, or the man in the car was the boy’s priest, or that the student is simply stumped.3 Upon hearing the straightforward answer, these students are generally incredulous – hitting their foreheads or looking shocked – at their own lack of insight. The word ‘surgeon’ fits so comfortably into the ‘male’ cognitive schema that logical thought is actually blocked.4

2.4 Teaching about similarity and difference

Teaching students some slightly more sophisticated statistical techniques can be helpful in breaking up overly simplistic binary thinking. Many exaggerated conclusions about sex ‘differences’ result from comparisons of proportions or mean scores, without any attention to the degree of intra-sex variability and inter-sex overlap.

Assigning chapters from Lise Eliot’s book subtitled How Small Differences Grow into Troublesome Gaps – and What We Can Do About It,5 or the article in which psychologist Hyde (2005) advances the ‘gender similarities hypothesis’ (emphasis added) can be helpful antidotes to the overwhelming attention currently being given gender differences.

In these (and other) works, the substantive size of gender differences in behaviour measured by continuous variables is commonly measured by a ‘d’ score’, also known as ‘Cohen’s d’ or (as one measure of) ‘effect size’. Commonly in use in the psychology literature, it expresses the size of a difference (between means) in standard deviation units. It is calculated as the mean for male on some measure minus the mean for females, divided by the pooled standard deviation:

\[ d = \frac{\bar{X}_m - \bar{X}_f}{s_p} \]

where \( \bar{X}_m \) is the male mean, \( \bar{X}_f \) is the female mean, and \( s_p \) is the pooled standard deviation, a measure of the average within-group variation.6 A positive value for \( d \) represents a case where the male score exceeds the female score, and a negative score the reverse. Taking an idealised case in which a variable is normally distributed and has the same standard deviation for men and women, the difference between large and small \( d \) scores can be visually illustrated in Figure 1.
The graph in panel (a) of Figure 1 illustrates two distributions whose difference is measured as $d \approx 2.6$. This approximates the real world distribution of male and female heights [Eliot, (2009), p.12]. Adult male and female average heights are, in daily life, noticeably different, though there is considerable variation within each group and some degree of overlap. Sex differences in various other physical performances, such as throwing velocity and throwing distance, also tend to have large $d$ scores, of near 2 [Hyde, (2005), p.585].

So, how big are most empirically observed *behavioural* sex differences? Hyde’s (2005) meta-analysis of 124 sex-related effect sizes resulting from tests of math and verbal abilities, communication, personality, self-esteem, and motor behaviours (such as throwing) found that that 78% of reported gender differences were smaller than $d = .35$.

The graph in panel (b) illustrates the case of $d \approx .35$, demonstrating that these findings indicate a very high degree of overlap. The Hyde article is well-worth reviewing with students when issues of gender differences in behaviour arise. Especially, relevant to discussion of the financial crisis, a meta-analysis of 150 studies on risk-taking done by behavioural researchers James P. Byrnes, David C. Miller, and William D. Schafer found a weighted mean $d$ score of .13. The very largest $d$ score was 1.45, and the very smallest was –1.23 (indicating more risk-taking by females), with 60% clustering between –.08 and +.49.

‘Sameness’ would, in terms of images like those in Figure 1, imply completely identical distributions, while a simplistic binary understanding of ‘difference’ would imply distributions that do not overlap at all. For many behaviours, the more accurate image to hold in one’s mind is Figure 1(b), illustrating a great deal of empirically-found similarity along with a small amount of difference.

Another tool for investigating similarity is the *Index of Similarity* (or *IS*) proposed in Nelson (2012).

$$IS = \text{Index of Similarity} = 1 - \frac{1}{2} \left( \sum_i \left| \frac{f_i}{F} - \frac{m_i}{M} \right| \right)$$

where $f_i / F$ is the proportion of females within category $i$, and $m_i / M$ is the proportion of males in that same category. *IS* can take on values from 0 to 1, and represents the proportion of either men or women who (assuming equal size samples) could be paired with someone of the opposite sex who gives exactly the same response.7

The $d$ score or the *IS* measure, or both, can be explained to students, as long as they have at least a modest background in statistics. It would also be possible to have them compute some as an exercise. Enough information is given in ‘Gender-based risk
aversion and retirement asset allocation’ (Arano et al., 2010), for example, for anyone with a calculator to compute $d$ scores for the authors’ measure of risk-taking—the proportion of portfolios held in stocks. The results are $d = .19$ for married men versus married women, and $d = -.05$ for single men vs. single women. The finding of small (about one-fifth of a standard deviation) and even negative $d$ scores should perhaps leading one to question whether there is, indeed, enough ‘Gender-Based Risk Aversion’ to merit featuring in the article title.

As another example that could be taught, consider an article on risk aversion entitled ‘Will Women be Women?’ One of biggest statistically significant sex differences found was among Italian male and female fund managers [Beckmann and Menkhoff, (2008), p.379]. But was the authors’ affirmative answer to their own question actually justified? When asked whether, having a portfolio which has outperformed a benchmark up to that point, the fund manager would “decrease the relative risk level to lock in the performance” 82% of the Italian women managers in this study said they would do so, as compared to 57% of the Italian male managers. 18% of the women managers and 39% of the male managers said they would ‘not change’, while none of the women and 5% of the men said they would ‘increase risk’. From this information one can calculate an ‘IS’ value of .75. That is, for three-quarters of the fund managers in the sample, behaviour was identical across the sexes. One can also look at this another way: if avoiding risk is thought of as ‘womanly’, it seems that 57% of male managers in the ‘Will Women be Women?’ study ‘are women’. On the other hand, if not decreasing risk is ‘manly’, then 18% of the women managers apparently ‘are men’. In response to the authors’ question ‘Will Women be Women?’ the answer (if one takes the dualistic view) actually seems to be that a number of women ‘are not’, while a majority of men ‘are’.

In a review of 24 papers on sex and risk for which some $d$ and IS values can be calculated, Nelson (2012) found that many differences were statistically insignificant, and among those that were statistically significant most $d$ scores were less than .50 and most IS values exceeded .80. With $d$ and IS values in these ranges, one would very frequently be wrong if one guessed that a woman would show risk-averse behaviour, or that a person showing risk-averse behaviour would be a woman. Clearly, in these examples, men and women are both very similar and, on average, a little bit different.

I have in other works suggested the use of a ‘compass’ as a tool for opening up possibilities that have been hidden by simple binaries. In the binary shown in Figure 2, only one side or the other can be chosen.

**Figure 2** A simple binary for ‘difference’

| Different | Same |

Once one admits the least amount of ‘difference’, ‘sameness’ is no longer possible. In a ‘compass’, a new binary is introduced. In this case, suppose we add a dimension of complexity to this picture.
That is, in a simple world, men and women would be either completely identical or totally different/disjunctive. But in the complex world we live in, the question is not so simple.

It may take considerable training for students – and their instructors – to recognise when binary thinking is misleading. While my students are relatively more able to imagine overlaps in areas where observed differences can be more plausibly explained by social pressures or culture, as characteristics get closer to what we think of as biologically determined, their ability to think in a non-binary way tends to disappear again. Imagine, for example, that we gather data about men, women, and pregnancy – specifically, we determine the number pregnancies each will have over his or her lifetime. Do the male and female distributions overlap?

The evidence and exercises presented in this section should help students critically evaluate popular notions about sex differences in traits. It is highly unlikely that female financial leaders would have, by virtue of their sex, ‘brought with them’ essential qualities that would have prevented the financial crisis. But does a finding large hole in that argument mean that gender is irrelevant to discussions about the cause of the crisis? Insights from feminist economics suggest not, and to that discussion we now turn.

3 Why ‘no’ is not a good answer: gender and the social construction of Wall Street

A more gender-diverse financial industry would be different from the current one, but not because women ‘bring something different’ with them that men do not possess, when they enter it. As we have just seen many women act ‘like men’ and vice versa, so that one cannot reliably predict behaviour from sex. On the other hand, the world of finance has its own peculiar sets of norms, traditions, and so on. The perspective of any sort of cultural outsider can help to make apparent the particularity of behaviours and values – otherwise often mistaken as natural, universal, and appropriate – practiced by any cultural in-group. The presence of women leaders, then, could have, arguably, by changing the culture – and quite apart from any question of inherent sex-linked traits – prevented the financial crisis.
3.1 Stereotypes, masculinity, and finance

Commerce, in general, has been imagined – at least in the West, and at least since Victorian times – as ‘masculine’, in contrast to the ‘feminine’ sphere of home and family. This cultural ascription of masculinity to the market spheres both:

1 makes it seem that only males are the appropriate participants (thus rationalising the sexist exclusion of women from positions of financial power)

2 makes it seem that only masculine-stereotyped behaviours, values, and skills are natural and appropriate.

Participants in commerce are, in particular, assumed to engage in risk-taking and competitive behaviours; to be motivated by individual self-interest; to not pay much attention to social relationships; and to need technical competence to be successful. Note how these are distinctly not the same behaviours and values assumed for women and caring labour, as illustrated in Table 1. When caring for family members or working in areas of industry such as child care or nursing, a person is often assumed to be careful, protective, cooperative and altruistic, to express interpersonal warmth, and to possess any requisite abilities simply as part of their (her) ‘nature’. Notice that this dualistic view is just another list of (overly-) simple binaries.

Table 1 Binary thinking about finance and care

<table>
<thead>
<tr>
<th>Masculine stereotypes and finance</th>
<th>Feminine stereotypes and caring labour</th>
<th>'Naturally' arising</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-taking</td>
<td>Careful, protective</td>
<td></td>
</tr>
<tr>
<td>Competitive</td>
<td>Cooperative</td>
<td></td>
</tr>
<tr>
<td>Self-interested</td>
<td>Altruistic</td>
<td></td>
</tr>
<tr>
<td>Impersonal</td>
<td>Warm</td>
<td></td>
</tr>
<tr>
<td>Mastery, competence</td>
<td></td>
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</tbody>
</table>

Among areas of commerce, the financial industry seems to have taken the exaggeration of ‘masculinity’ to an extreme. Linda MacDowell in a 1990s study of the City of London (the UK’s equivalent to the USA’s Wall Street) described it as “riven by sexualized and gendered scripts” [McDowell, (2010), p.652]. She described masculine iconic figures of upper class patriarchs and traders, the latter being “embodied as the quintessence of masculine energy…The exuberance, outrageous energy and machismo of traders matched the speed of trading and dealing: shouting, sweating, and screaming…” [McDowell, (2010), p.653]. To these icons we might add the more recent rise of the technocratic masculinity of the mathematical modeller absorbed in complex calculations for valuing financial derivatives [de Goede, (2004), p.207]. Popular writings, social science studies, and legal cases have brought to light the macho and sexualised culture of Wall Street, highlighting virulent sexual harassment and entertainment of clients with prostitutes, as well as the bringing into the common lexicon phrases such as ‘Big Swinging Dicks’ (referring to successful securities salespeople) and ‘the Boom Boom Room’ (Smith Barney’s frat-house styled party room) [Chung, (2010), p.180, p.228].
3.2 The invention of the masculine ‘nature’ of commerce

This masculine-sex-typed image of what finance is about severely distorts what we believe we can and should expect from its institutions and leaders. Note that while the home is imagined as the realm of virtue and duty, in the masculine image of the marketplace social and ethical responsibilities have no place. Right-leaning commentators will appeal to the free market myth to justify this exclusion: The economy is imagined to be an engine fuelled by the energy of self-interest, which when guided by the ‘invisible hand’ of market competition serves the social good. Left-leaning commentators likewise accept the image of the mechanical, self-interest-driven capitalist economy, but decry instead of praise its effects. Both the right and left tend to be dismissive of appeals for corporate responsibility (or any ideas of corporate vision that go beyond profit maximisation) because these go against what they believe to be the essential ‘nature’ of market systems. Particularly among critics in sociology or the humanities, images of a soulless capitalism (perhaps inherently in league with patriarchy) have been popular (e.g., Acker, 1990; Orr, 2009).

But what if this image of the ‘nature’ of market economies is wrong? The masculine image of economies was, in fact, invented by economists. Historically, it in part goes back to the 18th century work of Smith [1776(2001)]. Although Smith was a much more complex thinker than his modern legacy would suggest, one part of his thought has had a profound impact on how we think about economics: Smith suggested in a few passages that economies could be seen as functioning like giant machines, in which the ‘invisible hand’ of markets magically channels the energy of individual self-interest into service of the social good. At the time that Smith wrote, of course, machinery was radically changing people’s lives, and Newtonian physics – which explained many mechanical phenomena – seemed the epitome of science. So, it was understandable that he applied such a mechanical metaphor to economic life. Smith laid the groundwork for thinking about economies in mechanical, a-social, self-interest-oriented terms.

But the full-fledged notion of ‘economic man’ did not really get developed until the 19th century, when Mill (1836) attempted to lay the groundwork for a discipline of economics that would be both fully scientific and carefully demarcated from other endeavours. Mill explicitly peeled off many dimensions of human experience: human bodies were considered to be the topic of the natural sciences; conscience and duty were consigned by Mill to the realm of ethics; life in society was given its own discipline. What was left for economics to deal with was “man [sic]…solely as a being who desires to possess wealth, and who is capable of judging of the comparative efficacy of means for obtaining that end” (p.38). This added an assumption of rationality to the idea of ‘economic man’ as a-social and self-interested.

Why did Mill believe that he had to separate out a very thin slice of human life for analysis by each of the various fields? He believed that this was required by the nature of science. Significantly, his model for science was geometry, and its methodology of reasoning from abstract principles. Mill, to his credit, argued that no economist would ever be “so absurd as to suppose that mankind” is really described by only the parts of human nature selected for study in economics (p.38). Unfortunately, however, what remained and flourished in later economic thought was not Mill’s modesty concerning the ad hoc premises and limited applicability of the geometry-like discipline he proposed, but rather his idea that economics must base itself on an image of autonomous, rational,
self-interested beings in order to be ‘scientific’. This approach received a big boost in the late 19th century when ‘neoclassical’ economists found that they could mathematically formalise Mill’s idea of desiring the greatest wealth using techniques of calculus.

The inventors of neoclassical economics assumed that individual consumers or workers are rational, self-interested, autonomous agents who maximise a mathematical function that represents their level of satisfaction or utility. By analogy, firms were seen as rational, autonomous actors who maximise a mathematical function that represents their profits, that is, excess of revenues over costs. These assumptions continue to form the core of mainstream economic analysis today.

Note, then, that the notion of ‘economic man’ is doubly gendered. First, in leaving out all aspects of human life having to do with bodies, emotion, dependence, etc., it highlights only culturally masculine-associated notions of humanity, while blocking out consideration of feminine-associated ones. Not only are the occupations of feeding, cleaning, and nursing bodies (traditionally assigned to women) made invisible, but everyone’s experiences of social life in general – and of dependency in childhood, illness, and old age in particular – are denied. ‘Economic man’, in contrast to real humans, neither ever needs care nor has any responsibility or desire to give it. Secondly, the origin of, and continued allegiance to, ‘economic man’ reflects the impact of a gender-biased view of scientific endeavour, which prioritises mathematical and abstract thinking, and denigrates qualitative analysis or delving into particulars. In attempting to achieve ‘scientific’ status, the discipline of economics has, ironically, instead fallen into dogma. The discipline has been – to use a card game analogy – playing with only half a deck, both in terms of assumptions about human motivation and in terms of methodology.

Unfortunately, the image of economies as being mechanical, impersonal, a social, and therefore functioning in a realm beyond the reach of ethics and responsibility has become entirely engrained in most popular and political, as well as academic, discourses. Many have come to believe – falsely – that a-social, narrow, profit-maximising behaviour is mandated by law, or by the functioning of markets – a belief that is erroneous (Nelson, 2006, 2011b).

3.3 The alternative

Instead of buying into dualisms that contrast men to women, and commercial labour to caring labour, one may instead deconstruct the binaries. If we are willing to suspend our belief in the inherent masculinity of commerce, we can begin to notice the elements of caring labour that are inherent within commerce (Nelson, 2011a). Specialists in organisational behaviour and the psychological aspects of employment relations have, for example, long known that emotional and social factors play a large role in workplaces (Herzberg, 1987). A few behavioural economists (Fehr and Falk, 2002) have begun to recognise this as well.

To practice thinking non-dualistically about risk, consider that some amount of bravery and risk-taking is probably a good thing for encouraging innovation and entrepreneurship. The literature risk-taking often hints that those who are not brave enough to take risks are unsuited for leadership roles. Yet the idea that this is the only interesting comparison arises from thinking about only the simple dualism shown in Figure 4:
Figure 4  A simple binary for risk-taking

<table>
<thead>
<tr>
<th>Risk-loving</th>
<th>Risk-averse</th>
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</table>

We can get past such trapped thinking by being willing to notice that behaviours do not follow such simple binaries. Being brave and risk-taking does not, in fact, preclude being also careful and protective. Psychologists who see elements of personality as containing many dimensions are already aware of this. Figure 5 illustrates a compass for this case, with the adventurous/cautious polarity on the horizontal access, and a polarity of value (positive or negative) on the vertical:

Figure 5  A ‘compass’ for bravery and carefulness

<table>
<thead>
<tr>
<th>Positive</th>
<th>Negative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brave</td>
<td>Reckless</td>
</tr>
<tr>
<td>Careful</td>
<td>Timid</td>
</tr>
</tbody>
</table>

Risk-taking without carefulness leads to recklessness (as we saw in the financial crisis). Carefulness without courage leads to timidity. Mature professional race-car drivers, for example, survive and win by balancing precaution with risk-taking (in ways that teenage drivers, unfortunately, often do not). Parents who take brave actions to protect their children from injury or abuse are careful but far from cowed.

To return to the main topic of the present essay, the above analysis implies that a leader in the financial industry or its regulation should be prepared to take risks, but also to do so with proper caution and care. When a one-sided ‘macho’ culture of finance developed, however, it became all too easy to denigrate appropriate caution as something sissified and weak, while elevating the reckless behaviour associated with aggressive masculinity.

Other aspects of Table 1 can be similarly deconstructed. Complementarities can be found between cooperation and competition, and self-interest and altruism [Nelson, (1996, 2011a), p.136]. In particular, psychologists have noted that personality traits of warmth – “the expressive factor (including such traits as understanding, sympathetic, and loyal)” (Moore, 2007) – and competence – “the instrumental factor (including such traits as analytical, decisive, leader, and assertive)” (Moore, 2007) – are not mutually exclusive. Individuals can rate themselves and others as high on both, only one, or neither. While historically and stereotypically, traits of competence were considered more appropriate for men, and traits of warmth more appropriate for women, in recent decades, psychologists have observed greater variability in self-attribution across genders (see also, Greenwald et al., 2002; Moore, 2007). The possibility of complementarity is illustrated in Figure 6.
Unfortunately, however, recognition of the complementarity of warmth and competence seems to be largely limited to culturally central groups (Fiske et al., 2002) such as white males. Leaders who are warm and good at managing relationships are often referred to in the management literature as having ‘soft skills’. When such leaders are men, the simultaneous ascription of competence does not seem to be impaired. As Acker (1990, p.153) has noted, “Such qualities [as warmth] are not necessarily the symbolic monopoly of women. For example, the wise and experienced coach is empathetic and supportive to his individual players”. Psychological research finds, however, that groups that are socially less central tend to be stereotyped as missing in one or the other positive trait (Fiske et al., 2002). For women, this takes the form of the notorious ‘double bind’: if a woman acts competently she is often perceived as cold and inappropriately unfeminine, while if she is thought of as having good relational skills, she is often assumed to be incompetent in technical domains. Stereotypes of women as being warmer or more careful or altruistic than men may be benevolently stereotypes, but they are stereotypes nonetheless. We should remember this when we are tempted to buy into them.

Yet to return to the main point, neither masculine-stereotyped traits nor feminine-stereotyped traits are, alone, sufficient to make a wise and competent financial leader. In the mechanical economy imaged by neoclassical economics, technical competence in reading financial statements and bravery in pursuing opportunities for innovation might be all that would be necessary for good leadership. But because the real economy involves real people – and real dangers – relational skills and due carefulness are also required. We forget this, and allow ‘cowboy capitalism’, at our peril.

4 Conclusions

The question in the title for this paper is badly posed. The idea that women would ‘bring something different’ to finance is dangerous because it exaggerates sex differences in behaviour far beyond the degree supported by research, stereotyping women as lacking in adventuresomeness and competent only in doing (financial) mopping up.

Yet, the idea that gender is irrelevant to finance is also unsatisfactory. If we fail to challenge the macho culture of contemporary finance, we let men and markets morally and socially ‘off the hook’ for the consequences of careless and irresponsible actions. Were Wall Street firms and regulatory agencies such that they welcomed women and men as equal participants, this might indicate that societal gender stereotypes were breaking down. It might also be likely, then, that certain valuable characteristics and behaviours commonly stereotyped as feminine (such as carefulness) would be
encouraged industry-wide, and inappropriate male-locker-room and reckless behaviours frowned upon, to the benefit of the industry and society.

Teaching about gender, economics, and/or finance using the example of the financial crisis, then, can be a prime opportunity to develop students’ critical thinking skills. It is worth stressing to students that before one can come up with a good answer, one has to come up with a good question. Being able to recognise a questionable question, and being able to seek out and understand the evidence that can be drawn on to evaluate it, are skills that would serve economics students well in their future studies and future lives.

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References

‘Would women leaders have prevented the global financial crisis?’


Notes

1 Since the study was done only on men, however, it does not itself address the question of gender difference.

2 I have not been able to find the source of this riddle. For an interesting video on its use, see http://news.yahoo.com/video/us-15749625/different-generations-same-riddle-21861323.

3 Being that I teach in Massachusetts where same-sex marriage is now legal, I also tell the students that the answer is not that the boy is being raised by a gay couple.

4 The surgeon is the boy’s mother. I myself took several minutes to work this out when I first heard it – although, in my defence, that was decades ago.

5 The title of the book is, unfortunately, Pink Brain, Blue Brain. I would wager good money that the title was chosen by the publisher’s marketing department rather than the author.

6 This is most often estimated as:
‘Would women leaders have prevented the global financial crisis?’

\[ Sp = \sqrt{\frac{(n_m - 1)s_m^2 + (n_f - 1)s_f^2}{n_m + n_f}} \]

where \(s_m, s_f, n_m\) and \(n_f\) are the standard deviations and sample sizes for the male and female samples.

7 Readers familiar with the ‘index of occupational segregation’ long used to study gender segregation of occupations [Reskin, 1993; Blau et al., (2010), p.135], or the mathematically equivalent ‘index of dissimilarity’ (also called ‘Duncan’s D’) long used to study racial housing segregation (Duncan and Duncan, 1955), will recognise the \(IS\) formula as one minus those similarly-computed formulae. Those represent the percent of either males or females (blacks or whites) who would have to change their occupation (residence) for the responses to be identically distributed across the sexes (races).

8 Many of the results found, in four countries, were not statistically significant, and one was statistically significant in the direction of indicated greater female risk-taking. In spite of these indications, the authors still concluded that gender differences are ‘robust’ (p.379).

9 They overlap, since some women never become pregnant. While data on pregnancies are difficult to obtain, one can get some ideas by looking at data on childbearing: according to US Current Population Survey data from 2008, 17.8% of US women aged 40 to 44 never had a child (US Census Bureau, 2010). My students generally shout out ‘no overlap’ when I ask them about pregnancies. Then I stare at them silently until someone thinks about it, and answers correctly. If one were to ask about future pregnancies – a topic of relevance, for example, for thinking about employment in certain hazardous jobs – the area of male and female overlap would be much more substantial, including nearly all women over age 45.

10 The term ‘careful’, of course, could mean either ‘cautious’ (risk-averse), or ‘full of care’ (concerned for or acting to improve someone else’s well-being). In the present paper, I focus mainly on the first meaning, having discussed the second meaning in other works (Folbre and Nelson, 2000; Nelson, 2006, 2011a).

11 In the HEXACO personality model, for example, ‘brave’ (as contrasted to ‘fearful’) is part of the ‘emotionality’ dimension, while being ‘careful, thorough’ as opposed to ‘negligent, reckless’ is part of the ‘contentiousness’ dimension. Each of the dimensions is thought of as being largely related to the others, so that knowing a person’s personality type on one dimension is not very informative about any other dimensions (Anonymous, 2011).