

“Investigating the Pink Tax: Evidence against a Systematic Price Premium for Women in CPG”

By: Natasha Bhatia, Sarah Moshary, and Anna Tuchman

Discussion by Amalia Miller

FTC Microeconomics Conference

November 4, 2021

Overview of discussion: pink tax repeal?

- This paper was my first introduction to the concept of a “pink tax” or idea of legal bans on gender-based price differences in consumer product
- Because my reactions to the paper also involved reactions to these *novel concepts*, I will use my time to:
 - Talk about the paper
 - Share my thoughts on broader conceptual and practical issues

Paper asks if the pink tax is a big deal (empirically)

- Policies/advocates often cite empirical justifications
- But these are generally from small studies with a limited range of non-randomly selected products, often limited range of stores
- Bessendorf (2015) NYC DCA report, is the key launching point for this analysis
 - Collected prices on 122 products in 3 NYC drugstores; found prices for women were higher in 6 of 7 categories
- This paper first confirms the pink tax finding for those same products nationally, but *not* across all products in the categories or across all 9 personal care product categories examined

Paper concludes lack of empirical support for laws

- Data fail to support a widespread systematic “pink tax”
 - 4/9 product categories have higher unit shelf prices for men (1 is neutral)
- This result is also in findings from two other studies (cited in this paper) that also take broad, representative samples of products
 - 2018 GAO report (Nielsen data on 10 categories, consumer complaints, literature survey)
 - Gonzalez Guittar et al. 2021 (over 3K products from 4 online retailers)
- Suggests earlier results were not representative, likely overstated the prevalence
- Authors conclude laws are unnecessary, will not improve gender equality

Discussion plan

1. Comments on empirical analysis, focus on linking to the laws
2. Comments on my difficulties with the pink tax repeal concept

1a. Limited scope of coverage

- This paper considers 9 consumer packaged personal care product categories: soap (3), deodorant, hair color, razors (3), shampoo (3) and shaving cream
- Good choice not to consider (like JEC report) children's products
 - Higher price for “pink” toys/equipment is ***not even gender-related*** for the adults making the purchases
- But also excludes fashion, perfumes, other products, in JEC that might be affected by law, and *all services*
- Law are not limited in this way; California law is just about services

1b. Blue taxes and aggregation

- Laws aim to eliminate gender-based pricing; like most anti-discrimination law, they are not gendered themselves
- Might be called “pink tax repeal” but would also be “blue tax repeal”
 - Law applies to any covered pair that has a significant gender price difference
- Aggregation across products and across categories therefore understates the extent of gendered pricing and the impact of the law in terms of range of products affected
- Aggregation still makes sense to measure overall effects on groups of consumers, so could be useful to flesh that out, explore weighting
- Not clear why it makes sense to use actual (endogenous) purchases to weight products (or any analysis of price paid instead of listed)

1c. Which prices should be equalized?

- Key challenge (for reasons I will emphasize more) is to determine which products are “similar” enough to be compared under the law
- Clearly, we want to allow for differences across manufacturers, and across stores, and for differences in quality and relevant features
- Which features are allowed to matter? Anything that is objective, maybe just excluding color and packaging? Or only things linked to variation in manufacturing, transport, labor, advertising (?) costs?
- The paper shows that controlling for exact active and top inactive ingredients significantly reduces the set of overlapping products and also the estimated residual gender gap
- This is informative, but I suspect it is overcontrolling relative to the law

2. Problems with the pink tax repeal laws

- Analysis in this paper, plus results from other work, shows that pink tax repeal efforts are based on a weak empirical foundation, misleading empirical evidence → may be irrelevant
- This isn't the same as arguing that they are unlikely to ever become relevant *or* that repeal laws are not a good idea if gender price gaps emerge (or where they do exist)
- I want to do that, as an economist who studies gender and discrimination in a variety of settings, by arguing that the underlying framework is based on an improper analogy to existing laws that requires a dramatic and unjustified conceptual leap

Discrimination laws are about people

- Discrimination laws aim to prevent individual people from being treated differently because of their membership in a group that is based on a protected category.
- Examples:
 - Paying women or minorities less for the same job
 - Not hiring them with the same skills
 - Charging a higher interest rate for the same creditworthiness
 - Charging a higher price for the same auto repair
- Pink tax is a *big innovation*: based on a protected category (gender), but not about differential treatment for an identical transaction

Pink taxes on personal goods are worst match

- Sometimes a “product” (transaction or situation) *is* about gender
 - Pregnancy coverage in health insurance or paid leave – even if nominally gender neutral, is still tied to sex/gender of consumer
- Best case for the pink tax is services, only part covered under CA law
 - For personal care (haircut, massage), the customer is part of the sale
 - For other services (dry cleaning), it is less direct, because pricing is not based on who brings the clothes, but on the types of clothes
- For consumer products, best case for equity argument is explicitly not covered in the law: gendered products (menstrual hygiene) where there is no comparison, or *option* to shift to neutral or male products

Which prices should be equalized?

- The goal of equalizing prices for equivalent products is both limiting and focused on the most trivial cases
- Distinctive gendered products are excluded
- Only products with close substitutes are affected
 - Identical matches (e.g., same ingredients and delivery form and manufacturer) are rare (from empirical work)
 - Very close matches are *least significant* because the male products are perfect substitutes for female products (how big can the price difference get?)
- If the gendered aspect is meaningful (different scent, formulation, shape of razor), the products are not the same
 - Leaves difficult choices of where to draw the line

Regulating prices across different products

- Seems like a bad idea because it will require determinations of which differences are allowed and which are not
- Notwithstanding my earlier point about the fundamental difference between laws aimed at products rather than people, there is an analogy here with labor law
- Same price for same product is equal pay law going back to 1960s
- Same price for substantially similar product is comparable worth idea, of comparing jobs by education level, other attributes, not federal law

Fairness versus efficiency

- Note that all antidiscrimination laws entail a potential tradeoff between fairness or equity and efficiency, because they put restrictions on market interactions
- Sometimes, these law can improve outcomes, if the market was distorted by discrimination (e.g., my work with Segal on affirmative action quotas for female police officers shows improved police quality)
- But sometimes policymakers/society opt for market inefficiency to achieve fairness – common in health insurance regulation also in GINA (genetic non-discrimination) - when the membership in a protected category is relevant for the transaction
- Inefficiency also comes from enforcement and monitoring costs

Thanks for inviting me to discuss this paper!

★★★★★★★★★★  ★★★★★★★★★★
SMELL LIKE A MAN, MAN
 ★★★★★★★★★★ *Old Spice* ★★★★★★★★★★

©2018 P&G

