

**Discussion of “Credit Market Competition and the Gender Gap in Labor Markets” by A. Popov and S. Zaharia.**

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## Gaps, Discrimination and Market Forces: Alternative Hypotheses

- Credit Market Imperfections limit Economic Opportunities for Women (direct effect)
- Credit Market Development increase demand for labor and increase the cost of taste-based discrimination (Beckerian effect)
- Levine, Levkov and Rubinstein (2014) similar results for Racial Inequality

- Market Forces seem to always to reduce discrimination (gender-based, racial-based).
- ..but market forces can, in principle, reinforce some preference-based discrimination and segregation.

## Racial Segregation and Market Forces

- Racial Segregation and Credit (Ouazad, Ranciere, 2016)
  - No Preference for Same-Race Neighbors: More Credit increases social integration.
  - Preference for Same Race Neighbors: More Credit increases segregation.

## **This paper:**

- Look at the effect of intra-state bank deregulation on gender gaps in labor markets: women's participation gap, wage gaps.
  - Large effect: 20% of the gap
  - Private Sector Jobs.
- Regression Discontinuity Design: contiguous countries
- Controlling for Social Attitudes (Survey on the role of Women, (initial) Fraction of College Educated Women, (initial) Share of women active in labor markets)

## **Understanding the results.**

- Economic transformation that are conducive to reducing gaps, i.e. structural transformation towards services.
- Credit Market Developments accelerate such transformation.
- Incentives for women to acquire more education: reinforcing effects.

## Some issues and equilibrium considerations

- Labor market and equilibrium effects
- Contiguous Countries (C1 in State Deregulated; C2 in State Regulated)
- Opportunities arise in C1, wage increase in C1  $\rightarrow$  Labor market competition  $\rightarrow$  wage increase in C2.
- The most “strigent” econometric specification should also be the one in which that should not work because of such equilibrium effects.

## Further Considerations

- Credit and Home Productivity: Consumer Credit for Appliances (direct effect)
- Credit and Education:
  - Delayed response
  - More Credit lead to More demand for Education but what about the cost of education (General Equilibrium Effect)
  - Alternative: Public Provision of Education (Europe) - interesting comparison.



## Overall.

- Very well done paper.
- Convincing results on the role of credit in economic transformation that reduce participation and wage gaps
- Equilibrium and General Equilibrium Effects can have a significant effect (Ouazad, Ranciere, 2016)

## **Lending Standards and Segregations (Ouazad, Ranciere, 2016): Partial Equilibrium**

- Minority households have access to a larger set of options.
  - relocate into more racially diverse neighborhoods.
  - relocate into neighborhoods with better amenities.

## General Equilibrium

- House prices change:
  - with non-perfectly elastic supply, demand  $\uparrow \Rightarrow$  price  $\uparrow$ .
- Neighborhood demographics change:
  - other households also enjoy greater mortgage credit availability.

**$\Rightarrow$  Greater credit availability can lead to  $\uparrow$  or  $\downarrow$  of urban segregation.**

**Even absent racial discrimination in mortgage lending.**

## MSA-Level Results

- More Relaxed Lending Standards (IV Approach) reduces the Exposure of Blacks to Whites.

## Neighborhood-Level Results

- Trends amplified by Credit:
  - Migration of Whites from Mixed Neighborhoods to Mostly Whites Neighborhoods
  - Migration of Blacks from Mostly Blacks to Mixed Neighborhoods
  - Price increase in Mostly Whites
  - Increase in Segregation