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Discrimination in the Market Place**

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Discrimination in the Market Place**

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Interest in field experiments of discrimination in the market-place increased during the 1990s with publications appearing in several economics journals including the *American Economic Review* (Ayres and Siegelman, 1995; Kenney and Wissoker, 1994), the *Quarterly Journal of Economics* (Neumark, D., Bank, R. and Van Nort, K., 1996) and the *Review of Black Political Economy* (Bendick Jnr. M., Jackson, C. and Reinoso, V., 1994). There has also been significant activity by the International Labour Office (I.L.O) and the Urban Institute in Washington. However the ethical issues involved have never been addressed in detail.

Field experiments of discrimination involve introducing bogus participants to the market place, for instance pairs of black and white applicants for housing, or pairs of male and female applicants for employment. The intention is to test whether real estate agents and/or employers exercise a consistent preference for a particular race or sex. In contrast to the technique of laboratory experiments, the behaviour of actual transactors in their market activities is investigated by these field experiments. Clearly deception is involved, as real estate agents are approached by individuals who do not genuinely wish to buy or rent. Likewise employers are approached by job applicants who do not genuinely want employment. Those subject to the

research are deceived and have not had an opportunity to provide their consent, therefore it is appropriate to address this issue of deception and absence of informed consent.

Consideration of the ethical issues involved in this application to the market place, of a deceitful research technique, i.e. of not obtaining 'informed consent', has been minimal. Sociologists and psychologists have a lengthy history of deceptive research activity in laboratory and social settings, and have consequently developed strict codes of ethics; e.g. The British Sociological Association and The American Psychological Society. Economists, on the other hand have not developed an equivalent code of ethics; an observation which Bok makes at the very outset of her major study on *Lying* (Bok, 1978, p. xvi). What is required therefore is a consideration of the ethical issues involved in the application of a deceitful research procedure, originally developed in sociology and psychology, to the study of an economic institution.

Any justification provided by researchers involved in field experiments generally emphasises the confidentiality of the findings and the minimal inconvenience imposed on the genuine market transactors. Bovenkerk

(1992), in his International Labour Office Manual, argues that no harm results because individuals are not identified on publication, and inconvenience to employers and genuine applicants is minimised by offers being promptly declined. Additionally he argues that there can be no legitimate expectation of privacy in the act of hiring labour, as national governments and international bodies have accepted the onus of ensuring equality of opportunity for all citizens by declaring discrimination unlawful in the market place. Bovenkerk suggests the possibility of seeking the co-operation of an employers' organisation, such as the Confederation of British Industry (Bovenkerk, 1992, p. 33-34). Fix, Galster and Struyk (1993), in a volume for the Urban Institute, endorse Bovenkerk's position that privacy is not a legitimate expectation where public and commercial acts, in the form of advertising vacancies, are involved, and where there is public regulation proscribing discriminatory activities. They also raise the "minimal inconvenience" argument and assert that any costs involved are outweighed by the precise information provided on discrimination, which cannot be obtained by any alternative procedure. They quote the U.S. Federal Court endorsing the latter sentiments. "Many times the evidence gathered by a tester may be the only competent evidence available to prove that the defendant has engaged in unlawful conduct" (Fix, Galster and

Struyk, 1993, p. 16-18). Edley, also in the Urban Institute Volume, argues for a pragmatic, utilitarian approach to justify a technique able to reveal discriminatory actions which are impossible to detect by other methods. "We can easily justify the use of testers in utilitarian terms reasoning that the moral costs of deception are outweighed by the great benefit of developing a clearer understanding of the social disease" (Edley, 1993, p. 378). Edley also puts the argument that where public; commercial activity is involved a claim for personal privacy and protection from public scrutiny, cannot be valid.

When deceitful procedures are practised by psychologists they usually involve *contrived* situations in a laboratory. Volunteers are recruited for a particular overt experimental objective, but are instead investigated for another quite different covert purpose. The most infamous example of such action was the experiment by Stanley Milgram in Yale during 1960-3 when volunteers were recruited with the overt objective of investigating memory, but instead were being tested for their level of obedience to authority. A high proportion of volunteers complied with instructions to administer, in response to mistakes, what they thought were high doses of electric shocks to a group of pseudo-learners who were very vocal in their pseudo agony (Parker, 2000).

The subject of deception in a psychology laboratory is participating in a event which is not a usual component of their day to day activity, and may for many be a unique experience; they are recruits for a one-off experiment in psychological behaviour which, it so happens, involves deception. It is readily apparent why there has been such concern expressed about these procedures; individuals are not accustomed to regular, or even infrequent participation in psychological experiments, and to confront them with deception in this situation takes advantage of their vulnerability and betrays their trust.

When deceitful procedures are practised by sociologists it usually involves infiltrating an observer into some social group, where deceptive agents are generally absent, or at least very uncommon. No event is contrived as in the preceding activity, but instead behaviour in the workplace, or some social, religious activity etc., is observed clandestinely by an apparent colleague or fellow activist (Bok, 1978, p. 186-7). The study of worker behaviour at the Hawthorne plant of Western Electric by Roethlisberger and Dickson is a classic example of such "non-disclosed participant observation". Those subjected to deception, in this sociological application of "non-disclosed participant observation" are generally involved in an area of human interaction where the other participants can always be accepted at face value,

so again we encounter a situation where individuals are vulnerable and trust is betrayed.

When field experiments of market discrimination are practised by economists and other social scientists it involves participating in an actual event which takes place in an arena where deception is a regular and acknowledged activity. Nothing is contrived; the testers respond to the market signals of other transactors, such as employers of real estate agents. Unlike one's workmates, social peers or fellow activists, transactors encountered in most markets are regularly involved in varying degrees of deception, and it is a very naive market participant who fails to recognise this. Why else would we put the rhetorical question about one's potential trust of a Presidential candidate in the role of used-car salesman? Clothing salesmen and women assure us of the suitability of various garments when we engage in the shopping process in their stores; the pharmaceutical industry barrages us with claims for the youth enhancing properties of many of its products. The dispassionate customer relies on her (his) own judgement, and seeks advice from independent professionals and/or consumer association publications about complex products, such as

pharmaceuticals. In the appendix we cite several examples of deceitful employer responses to job applicants.

Ian Hislop, editor of Britain's satirical fortnightly *Private Eye*, reported his personal experience of the real estate market: "The property market is definitely moving again. I know this because I have just bought a house and I was told by the estate agent that I had to act quickly. Apparently a lot of people are now looking at property and prices are about to go up. This is very encouraging news and should give the Chancellor a great deal of comfort. It does not give me that much comfort because I have not managed to sell the house that I currently live in. The reason for this, according to another estate agent, is that the property market is still rather sluggish. Apparently there are not that many people looking at property and prices are pretty flat. This is not such good news and should make the Chancellor extremely gloomy. Interestingly the house I am buying and the house that I am selling are only a couple of streets apart, as are the offices of the estate agents. Unless each street in South London has its own independent financial climate then there is something of a discrepancy here between the various members of the profession" (Hislop, 1994, p.5).

The natural response of a sophisticated transactor in such markets is to retaliate and seek maximum information by posing as a bogus transactor; that is, when selling property, to approach real estate agents as a potential buyer, and *vice versa*. What distinguished Ian Hislop's experience was that he was simultaneously a *genuine* buyer and seller.

The subjects of field experiments are entrepreneurs participating in labour, housing and product markets. They do not constitute a group that is vulnerable, or one providing trustworthy behaviour that is being exploited by treacherous social scientists. Our principal justification for the use of field experiments is, therefore, that they are applied in circumstances where a lack of candour and truthfulness is endemic. We saw above that Bovenkerk, Fix *et.al.* argue that *privacy* is not a legitimate expectation where public and commercial acts are involved. We add that *honesty* cannot be a legitimate expectation by those who engage in deceptions and distortions themselves. Social scientists who experiment using bogus transactors are not acting out of character with the entrepreneurs, and their agents, who hire labour, provide financial services, sell real estate etc. In her study Bok has a chapter which pays specific attention to the morality of "Lying to liars" (Bok, 1978, p. 123-133). Significantly in that chapter she refers several times to

economic activity and the response which is necessary from a customer in a bazaar, or in dealings with a devious salesman. In particular, the two markets which have been the principal focus of field experiments: the labour and real estate markets, are notorious for their deceptive and discriminatory activity. What distinguishes Ian Hislop's experience quoted above is not its uniqueness, but the satirical skill with which it is described.

Bok does not, in general, consider that a counterpart's status as a liar is sufficient justification for lying oneself, but the one exception she does accept as justification for lying is when the liar *also* has the capacity to be harmful. This is precisely our point; entrepreneurs in labour and housing markets (in particular) are regularly engaged in deceptive activity, and when this involves discrimination on sexual, racial, religious grounds it does great harm to the social fabric. The re-emergence of violence in Ulster in 1969 was not unrelated to the labour market experience of Catholics. Field experiments of discrimination pass Bok's dual test; the deception takes place in an arena where deception is commonplace and great harm is done to society when women, blacks, Catholics etc. are denied equal access to housing and employment. Put in this context, the inconvenience experienced by an entrepreneur who has a bogus transactor briefly present in some arena

of market interaction is minuscule; especially when a prompt and courteous withdrawal is made in response to any offer.

Moreover social scientists have engaged in field experiments during the past three decades precisely because the alternative techniques for measuring discrimination have proved inadequate. Surveys of attitudes towards minority groups in the market are not likely to produce honest and accurate responses.

The classic study of survey inadequacy was La Piere's in 1934 when he traveled through the USA with a Chinese couple and gained admittance to all except one of 251 hotels and restaurants approached. In response to questionnaires sent six months later to the same establishments, over 90 per cent replied that they would not accept Chinese guests (La Piere, 1934).

The econometrician's application of the technique of regression analysis to deduce discrimination, pioneered by Blinder (1973) and Oaxaca (1973) has been subject to considerable criticism. Basically this technique interprets any wage differential that cannot be explained by productivity-determining characteristics such as education, length of employment, etc. as measuring the extent of discrimination. The criticisms revolve around the specification of the model and the choice of independent variables -

"In light of such sensitivity of the magnitude of discrimination to plausible alternative specifications of the underlying regression equations, and the fact that neither productivity nor discrimination itself is directly observable, some scepticism has arisen about the adequacy of this technique for measuring discrimination" (Blau and Ferber, 1987, p. 318).

In summary the justification which we offer for the application of deceitful field experiments in markets such as those for labour and housing, is that a lack of veracity is endemic in such markets; that great harm is done to the social fabric by discriminatory practices in these markets; that minimal inconvenience is imposed on the entrepreneurs in the experiment, and that the technique provides evidence with a degree of accuracy and transparency which is not available from any other procedure.

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Appendix

Examples of matched rejection/acceptance responses from employers from various tests.

Disability discrimination: *In 1990, England, written applications:* To the disabled applicant: "As you know, we asked for at least one year's suitable experience: we feel that you are therefore over-experienced, for this post, which is very much as assistant to the MD's PA. To the similarly qualified able-bodied applicant: an invitation to interview was sent (Graham *et al.* 1990:6).

Race discrimination: *In 1967, in the U.K., written applications:* Both applicants had the same qualifications, the white applicant was invited to interview with, "DearWe should like you to attend for interview so that we can discuss the position further ... ". The Indian applicant was rejected as overqualified with "DearThere was a big response to the advertisement and we have studied all letters carefully before making our final short list of candidates. It seemed to us that you were a little too well-qualified for the type of job we were offering and therefore regret to inform you that we decided against including your name on the short list. We would like to wish you every success in obtaining the type of position for which your qualifications fit you...." Both letters to the applicants were

written on the same day (Jowell and Prescott-Clarke 1970:412). *In 1987, in Australia:* The white applicant was invited to interview for a sales representative position whereas the Vietnamese applicant received the following reply, "Unfortunately, this time your application was unsuccessful. We have filled the position with someone whose background is suited to our requirements a little closer than yours." (Riach and Rich 1991:252). *In 1994, in the Netherlands, telephone applications:* The Moroccan tester phoning first for a semi-skilled job was rejected with "Hi, Mustafa, brother! It is a shame but you are too late! Thanks for calling!" When the Dutch tester then rang about the job he was invited to interview with the following "Can you tell me something about yourself? [...], sounds good, you can come for an interview" (Bovenkerk *et al.* 1995:51). *In 1999, U.S.A. in-person approach:* The white applicant was offered a position leading to a secure reasonably paying, job. "(T)he African-American applicant (the same background and experience) was told she would need to polish her MS Excel skills to make her truly employable, and that she should sign up with other employment agencies, to ensure she would find work, and was never offered a job" (Nunes and Seligman 1999:5).

Sex discrimination: In 1974, U.S.A., telephone applications: "A female caller for a restaurant management training program was told that two years of college with no other management position was insufficient. A

male who gave identical information was scheduled for an interview....A male caller for a receptionist job was told prior experience in credit checking was required for the job while the female (who also said she had no experience in credit checking) was told to come in anyway for an interview" (Levinson 1975:537). *In 1987, Australia, written applications:* Neither job-seeker had claimed supervisory experience in an application for a gardening position yet the male was invited to interview whereas the female was rejected because – "I regret that your supervisory experience is less than we require...". In seeking a position as a computer programmer both applicants had claimed to be graduates of four years standing, but only the female was invited to interview whereas the male was rejected – "...as due to an enforced salary ceiling we are looking for a recent graduate" (Riach and Rich 1987:175).

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