

MARKETING COLLOQUIA

Spring 2024 - Abstract

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Where: 741 JMHH

When: 12:00 PM to 1:20 PM

PRICE AND PREJUDICE: CUSTOMER TASTE-BASED DISCRIMINATION AND COMPETITION

ABSTRACT:

This paper investigates the effect of competition on the incidence of tastes for discrimination. The model shows that monopolistic sellers discipline discriminatory buyers by taxing their taste for discrimination. In equilibrium, monopolistic sellers hire a lower share of White workers and pay them a lower premium than sellers in a competitive market. These results are tested in the context of U.S. banking deregulation, which affected product market competition, and quantify its impact on customer-driven labor market discrimination. Using U.S. Census/ACS data from 1960 to 2010, O*NET measures of job requirements, and GSS measures of discriminatory attitudes against the Black community by state, I find that the Black–White wage gap increased following bank deregulation in jobs requiring intensive contact with clients, especially in states with high measures of prejudicial preferences.