

Comments on David Matsa and Amalia Miller
“A Female Style in Corporate Leadership?”
Evidence from Quotas”

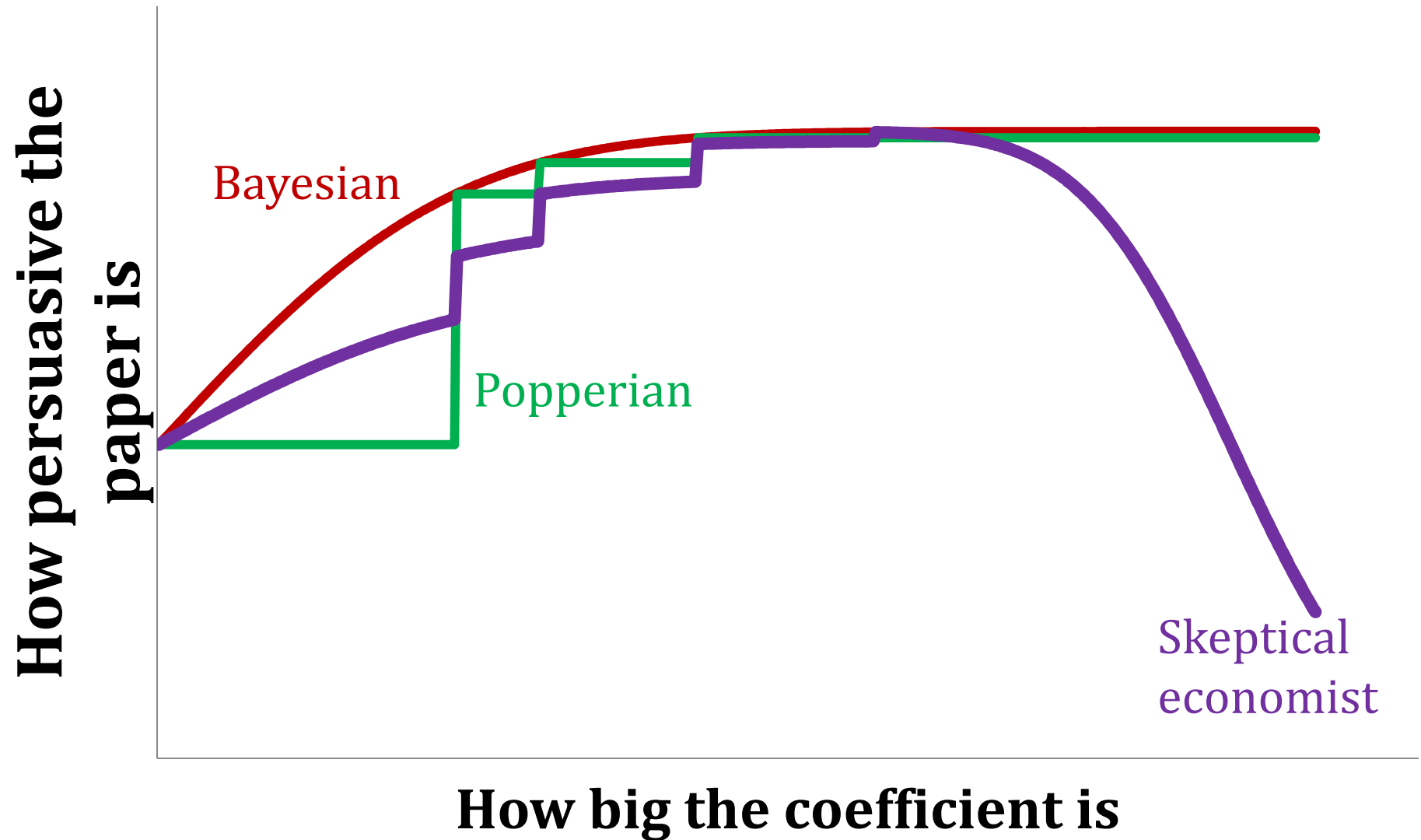
Justin Wolfers
Wharton School, University of Pennsylvania
Brookings, CEPR, CESifo, IZA and NBER

NBER Law and Economics Summer Institute, Cambridge, July 28 2011.

Research question

- ❑ What are the effects of Norway mandating women on boards during a global financial crisis?
- ❑ What are the effects of mandating women on boards?
- ❑ Is there a female style in corporate leadership?

Evidence and Persuasion



Causal estimates of the effects of the mandate:

On firm outcomes:

- ❑ Return on Assets (=operating profit / assets): **-4.0%**
 - ▶ Mean: +3.4%
 - ▶ Standard deviation: 17.5%
- ❑ Employment: **+35%**
 - ▶ All through less firing

On board composition

- ❑ Female share of board directors: **+17%**

Interpretation:

- ❑ Estimating causal effects of one more female director
- ❑ Instrumental variables interpretation
 - ▶ Wald estimator = $\frac{\text{Big effect on firm outcomes}}{\text{Small effect on board composition}}$
 - ▶ Implied effects of all-female boards is huge

How big is the experiment?



← Mandate requires appointing women to boards
But not to the executive committee

← France just passed a similar law

← Spain passed a similar law in 2007

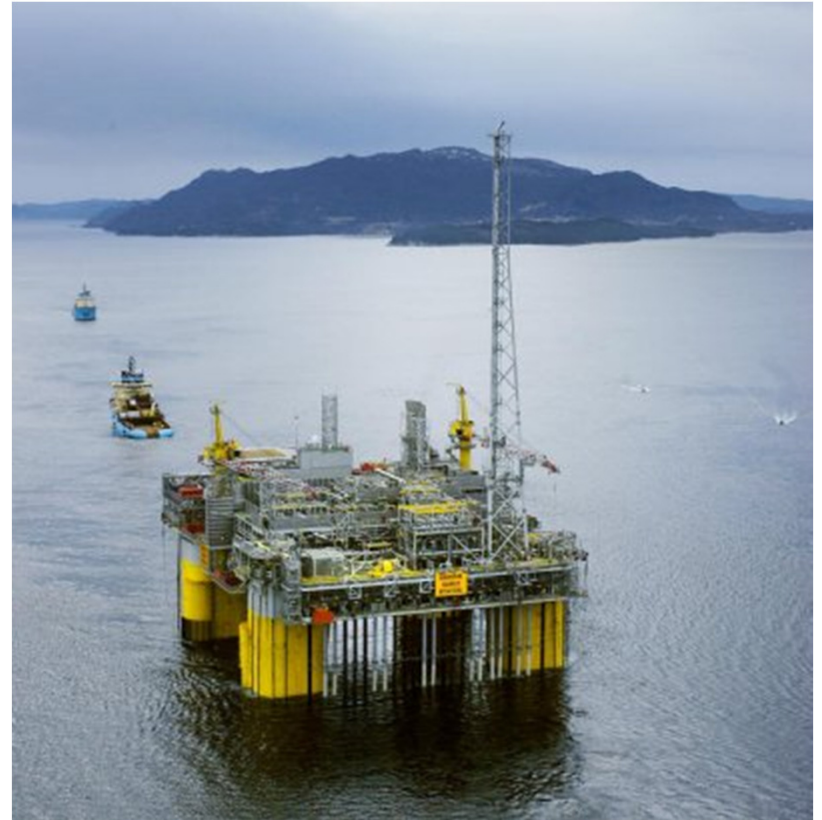
What's missing?

□ An analogy:

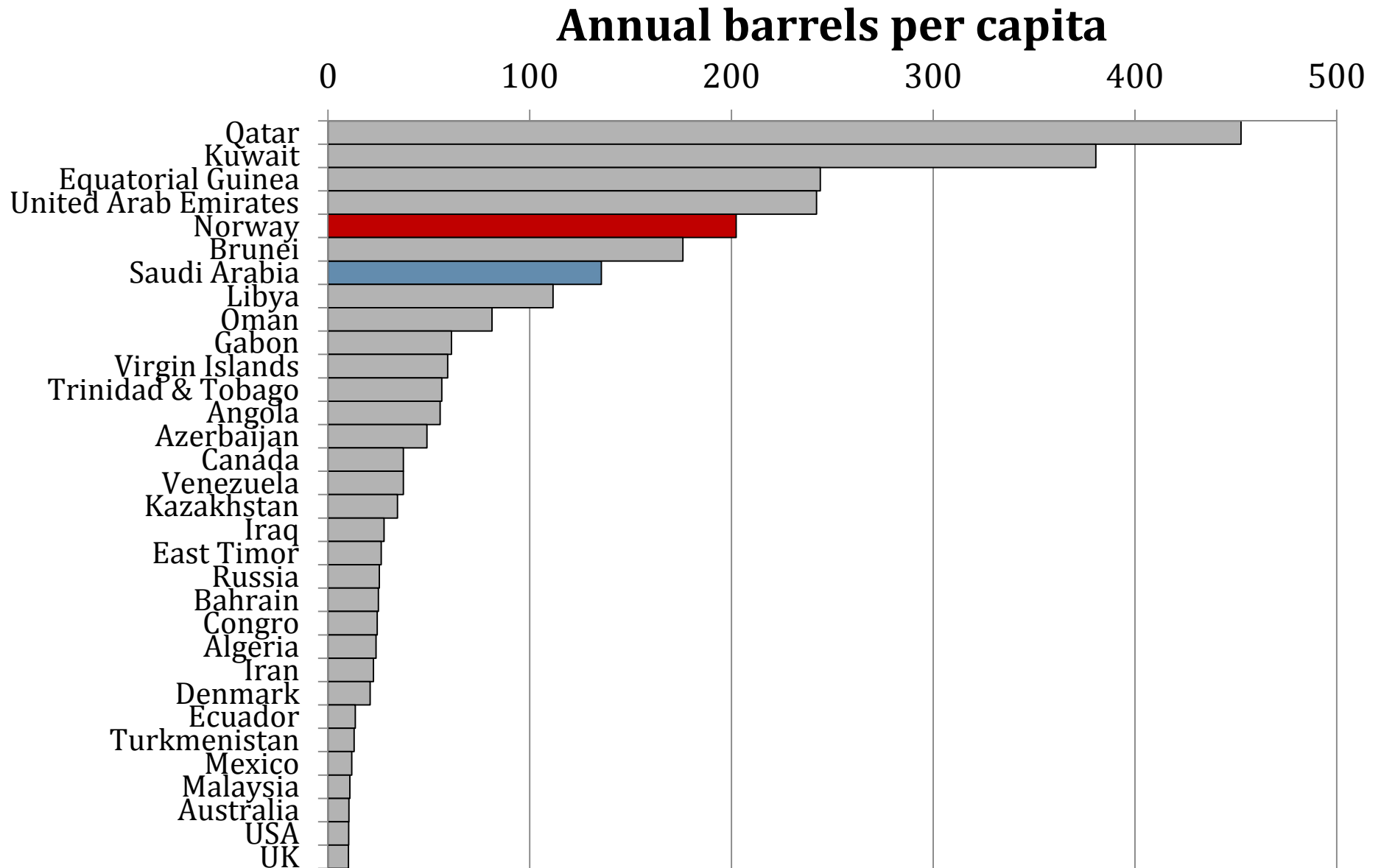
What if they studied Saudi Arabia instead of Norway?



Oil



Annual Oil Production



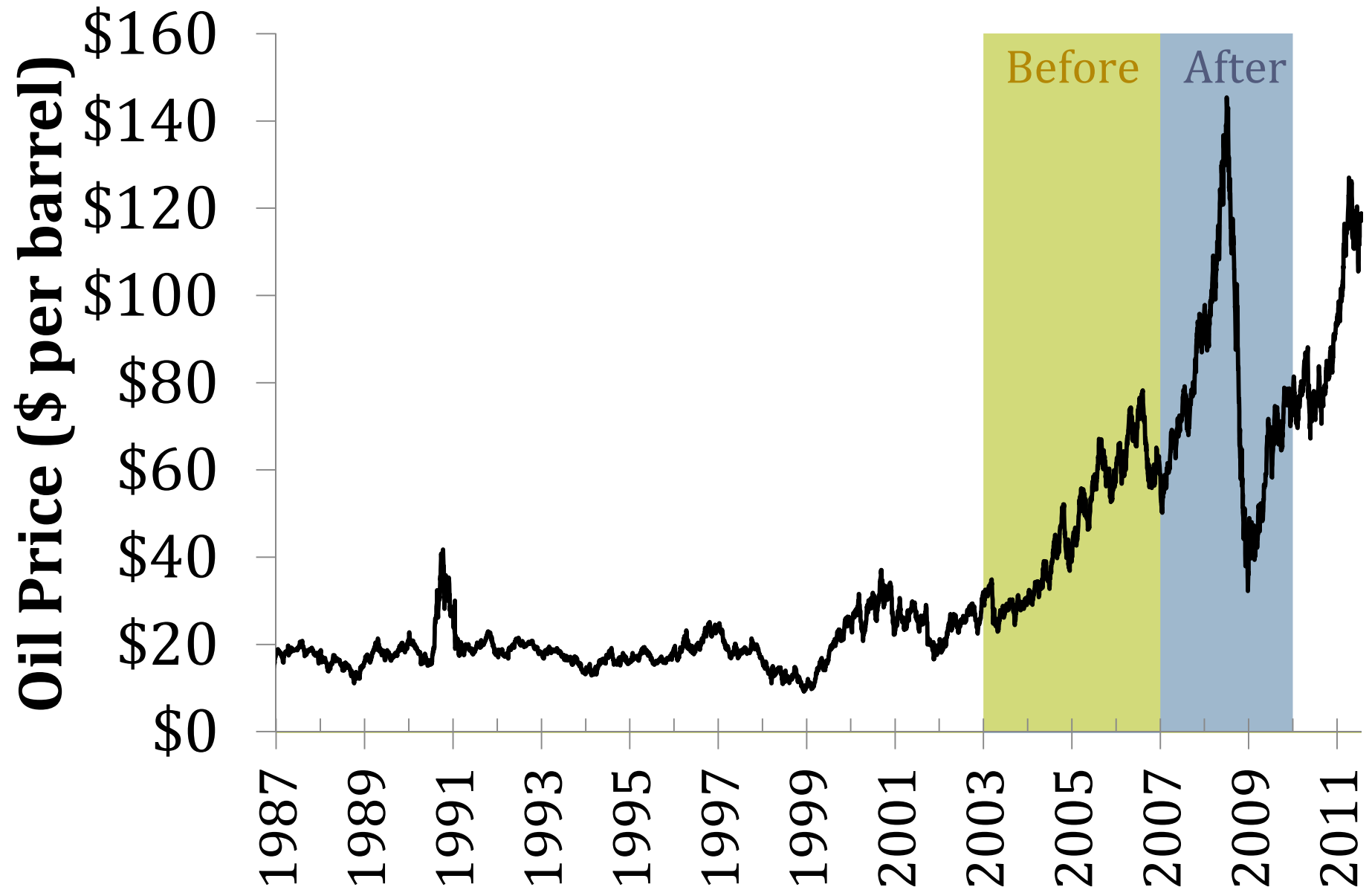
Footnote ¹⁹

“In a related exercise we also confirmed that the results are unchanged if we exclude companies in the petroleum industry from the analysis.”

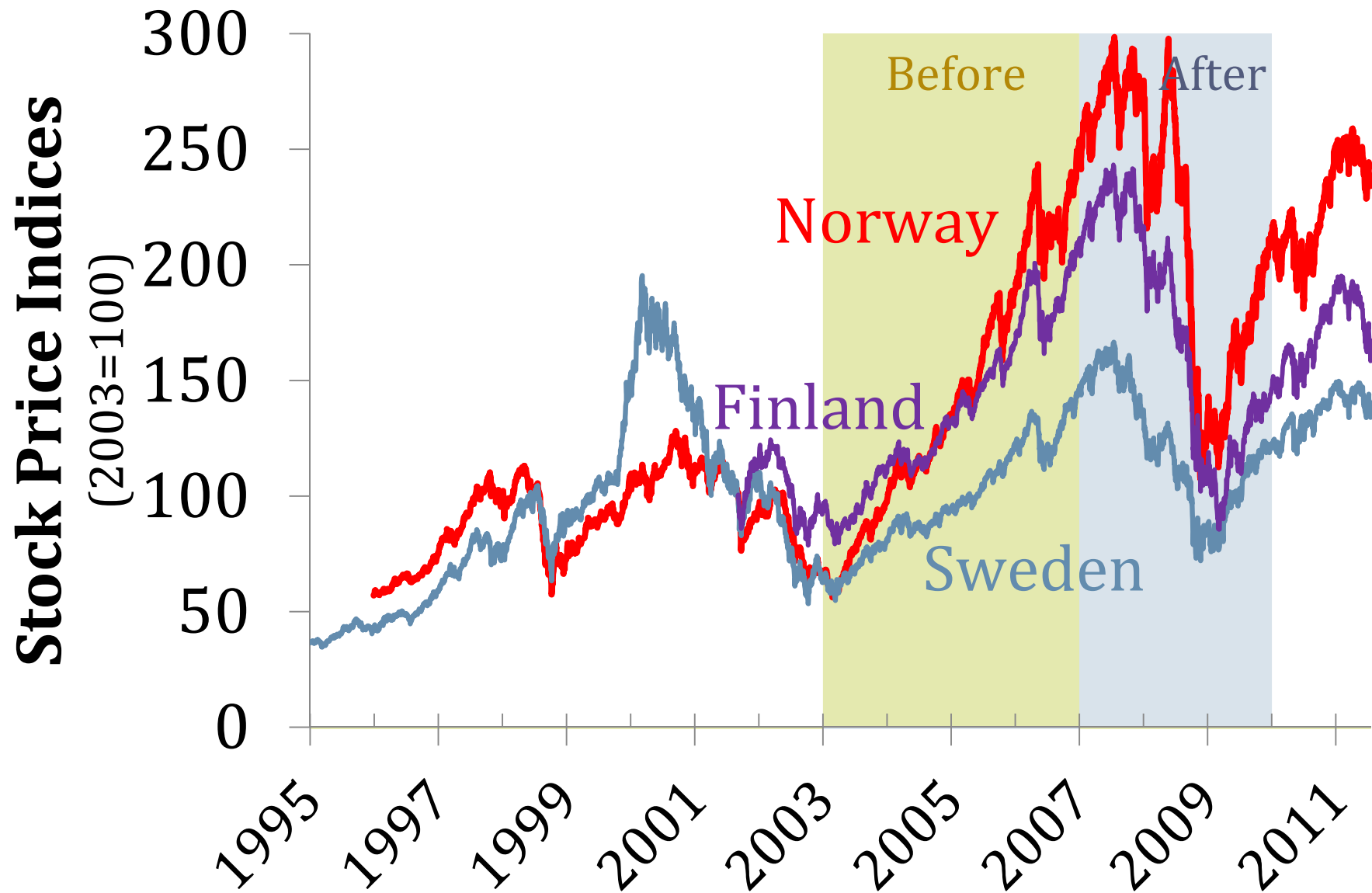
The logic of diffs-in-diffs-in-diffs

- ❑ Differencing strategy works if confounding unobserved factors are:
 - A. Common to the listed and unlisted sectors in Norway, Sweden and Finland
 - B. And have the same effect on the relative performance of the listed and listed sectors in Norway, Sweden and Finland
- ❑ Questions:
 - ▶ Are the shocks common?
 - ▶ Are the effects similar?
 - Labor economists assume yes (differencing)
 - Finance economists don't—estimating firm-specific β 's
 - ▶ Are the confounding shocks small?

Oil Prices



Stock Prices



General observation

In the wake of the global financial crisis, we need to be particularly careful about intertemporal comparisons.

Ceterus ain't parribus