

Mistresses of the Universe

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Banks around the world desperately want bailouts of billions of dollars, but they also have another need they're unaware of: women, women and women.

At the recent World Economic Forum in Davos, Switzerland, some of the most interesting discussions revolved around whether we would be in the same mess today if Lehman Brothers had been Lehman Sisters. The consensus (and this is among the dead white men who parade annually at Davos) is that the optimal bank would have been Lehman Brothers and Sisters.

Wall Street is one of the most male-dominated bastions in the business world; senior staff meetings resemble a urologist's waiting room. Aside from issues of fairness, there's evidence that the result is second-rate decision-making.

"There seems to be a strong consensus that diverse groups perform better at problem solving" than homogeneous groups, Lu Hong and Scott E. Page wrote in [The Journal of Economic Theory, summarizing the research in the field.](#)

A fascinating British [study supports](#) that conclusion with evidence from the drool of financiers. The researchers, using the saliva of male traders, tracked natural variations of testosterone in the morning and the amount of profits they earned for the firm that day.

"We found that a trader's morning testosterone level predicts his day's profitability," reported the study, published last year in The Proceedings of the National Academy of Sciences. Higher testosterone meant more risk-taking and, usually, more money.

On its own, that might suggest that men have an advantage on the trading floor. Yet the same study also suggested that elevated testosterone levels could lead to greater assumption of risk; high testosterone levels "may shift risk preferences and even affect a trader's ability to engage in rational choice." In other words: when male traders crash ... boy, they crash.

So could it be that the problem on Wall Street wasn't subprime mortgages, but elevated testosterone?

It's important to be skeptical of some of the research: often it seems to be conducted or studied by those who have strong views about gender. And it's generally true that research conducted on matters pertaining to fairness or social justice rarely has the rigor of research conducted on, say, particle physics.

Yet the number of studies reaching similar conclusions from different directions is striking.

One of the shortcomings of any system of men sitting in front of screens making financial bets was [reported last year in](#) the journal Evolution and Human Behavior, in case you missed your copy. That study found that men are particularly likely to make high-risk bets when under financial pressure and surrounded by other males of similar status.

As for women, their risk-taking was unaffected by this kind of peer pressure.

The study's authors point to an evolutionary hangover. Across cultures, women prefer high-status men, while a woman's reproductive prospects depend much less on her social status. Thus, when men of similar status gather, they jockey for an edge and jostle for the alpha role — and try to get ahead with high-stakes gambles.

On the plus side, boasting about these financial bets might make a great pickup line. On the downside, the

bank goes bust.

A greater gender balance could reduce some of these unhelpful consequences of male herding. After all, we also saw some unexpected gains from the balance resulting from women's suffrage.

Skeptics have noted that the first president elected after women got the national vote was Warren Harding — an embarrassment to female voters ever since. Yet [a remarkable study](#) published recently in The Quarterly Journal of Economics by Grant Miller of Stanford University indicates that female voters did have a profound and positive impact.

Professor Miller examined states where women won the vote before national enfranchisement. He found that when a state gave women the vote, politicians there quickly began behaving differently — in particular, devoting about 35 percent more money to new public health programs. These programs were seen as a priority for women, and the politicians wanted to curry favor with them.

The same happened at the national level: the 19th Amendment of 1920 was followed a year later by the Sheppard-Towner Act, a landmark public health measure, because members of Congress believed that was what women wanted. The upshot of all this was a sharp decline in child mortality, with Professor Miller attributing 20,000 fewer deaths nationally each year to the impact of women's suffrage.

I'm skeptical of any effort to force banks to accept more women (one woman on the board for every \$100 million handout?). But looking at the evidence of how homogeneous groups go astray, let's all hope that banks seek a little more diversity on their own — just as desperately as they're seeking bailouts.