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The ‘pink tax’ was a whipped-up controversy

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As corporate profits get blamed for inflation, it’s worth remembering that not so long ago big retailers were under fire for alleged sexist price discrimination. Remember that? From 2015 through 2019, retailers were regularly accused of overcharging for products marketed to women, compared with men’s versions, including toys, clothing and personal care items.

In 2015, an investigation by the New York City department of consumer affairs compared 397 “gendered” product pairs and found that women’s versions, on average, were 7 per cent more expensive. British newspapers repeated the exercise, finding larger differences here. Pink Bic pens were pricier than blue versions, as were women’s Levi’s jeans compared with men’s. Fairy queen toy ships were sold with higher price tags than boy’s pirate ones. The idea of a pervasive “pink tax” on women and girls’ products was born.

Campaigners such as the Fawcett Society branded this apparent gender pricing a “sexist surcharge”. Maria Miller, at that time chairwoman of the Commons’ women and equalities committee, demanded that businesses end such discrimination. New York and California introduced legislation against differential gender pricing of goods deemed “substantially similar”. Christine Jardine, a Liberal Democrat MP, tried (and failed) to introduce a similar law in Britain.

Yet here’s the rub. Upon closer inspection, the case of the “pink tax” seems to have been . . . let’s charitably say “overblown.” More thorough and nuanced economic research since then has revealed that the differential is overwhelmingly a statistical artefact. This is a story about distinct consumer tastes between genders and subtle product differentiation, not the overt sexist overcharging of women.

Sarah Moshary, Anna Tuchman and Natasha Bhatia, the economists, were commissioned by the US Federal Trade Commission to dissect the market in personal care products. Collecting data on soaps, body washes, deodorants, hair colourants, razors, shampoo and shaving cream, their initial crude comparisons again found that women faced an 11 per cent price penalty for goods targeted at them.

But — and it's a big but — when they controlled for the ingredients used in the toiletries, assessing products that were substantially similar, the price gap vanished. Women, it seems, were more likely to want more expensive products, given their ingredients. On a like-for-like comparison, women's body wash, shampoo and shaving creams were cheaper than those targeted at men, with prices roughly equal for deodorant.

To economists, these findings make sense. If women could buy a product they deemed near-identical for cheaper in the men's aisle, why wouldn't they? If a disposable razor shaves just the same, who would pay more because of its colour? That these price differences persist indicates there must be meaningful gendered difference in the sellers' costs of producing the item or consumers' tastes for buying it.

Research by Kayleigh Barnes and Jakob Brounstein, economists at the University of California, Berkeley, has examined the buying habits of single-person households on products where more than 90 per cent of sales are by one gender. They sought to ascertain why, precisely, women paid more. Was it because they chose products with fewer competitors? Did they have stronger brand loyalty and so were less price-sensitive? Or was it that they voluntarily opted for goods with higher production costs?

They found women shopped in less concentrated product markets than men and had more diverse consumption habits. Women also were more price-sensitive and cautious shoppers. Primarily, the price gap arises because women are more likely to buy products with higher production and distribution costs. In an analysis of five gendered products, women generally chose costlier-to-produce items in four (yoghurt, deodorant, disposable razors and shampoo).

This is usually because of small but meaningful differences in ingredients, but not always. Research in other areas found that advertisers have greater demand for women's impressions, leading to higher advertising costs. In other sectors, such as clothing, gendered goods are often fundamentally different, while boys' variants of toys usually are more gender-neutral, amassing higher sales, possibly enabling economies of scale.

Each industry, then, is different. What the research suggests, however, is that differential prices generally do not reflect discriminating businesses exploiting women. The internet has made it easier to price-compare, in fact. Add to this that data shows married women often buy products for male household members, making females aware of any price differentials, and women's spending patterns look like a choice predicated on what they value, not a tax.

That's not to say there aren't examples of real gender price discrimination. Some hairdressers still price by gender rather than hair length or style. Nightclubs often charge men more than women. And, yes, there will be products that readers suggest that seem substantially similar but are priced differently, perhaps because of one-off deals, running down stock or even mispricing.

As a rule, though, the evidence shows retailers aren't hell-bent on price-gouging women. This matters, because, as we see with the "greedflation" debate, such narratives become factoids that permeate public consciousness. The crude analysis alleging sexism was welcomed with great fanfare and still gets repeated in everyday conversations; correctives have been consigned to economics blogs.

Yes, our government stood firm, telling Jardine again in 2021 “there is no discrimination involved in gender pricing, as there is nothing to stop a woman buying a product marketed towards men, or vice versa”. But such whipped-up controversies fuel demands for unnecessary regulations and damaging price controls. As firms today face allegations of profiteering, the “pink tax” saga underscores the risks of relying on shallow evaluations to hastily attribute malevolent motives to companies.

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