

**PHD THESIS SUMMARY:
Diversity and economics.**

CARLO D'IPPOLITI

PhD in economics, October 2009

Sapienza University of Rome

J. W. Goethe Universität

By and large, the mainstream contemporary economics literature assumes that economic behaviour can be explained by means of a singular process (usually a choice process) applied to all individuals. In discussing specific issues, it is occasionally assumed that individuals exhibit quantitative differences—either parametric or functional—in their properties, as summarised by preferences, constraints and endowments, expectations or cognitive abilities. In my thesis I argue that such an analytical differentiation of individuals (i.e., *heterogeneity*), does not exhaust the theoretical needs or the methodological possibilities of economic science. Specifically, my thesis aims to show that insufficient attention is currently being given to another form of difference, that produced by societal dynamics (i.e., *diversity*).

Some heterodox approaches, for example institutional, feminist, and radical economics, as well as other social sciences such as sociology, often proceed by conveniently aggregating individuals in a number of groups or classes, each subject to its own laws of behaviour and fundamentally influenced by the socioeconomic environment. These individual and group differences emerge as a consequence of market or institutional developments, i.e., they emerge as a consequence of the division of labour, and imply a group-specific set of constraints and rules of conduct (either legal or social norms) for individuals' behaviour. Thus, it is clear that the issue of diversity (as opposed to heterogeneity) is intertwined with the methodological issue of aggregative analysis and with the theory of individual and collective behaviour. These topics are investigated in the first chapter of my thesis, especially by comparing the views by John Stuart Mill and Gustav von Schmoller.

In the next two chapters, my argument regards a relevant example of diversity: gender inequality. I argue that in contemporary capitalist societies men's and women's economic performance is best understood

when the two genders are perceived as diverse, that is, largely affected by differences in status due to institutional dynamics, rather than simply as heterogeneous, that is, as direct a consequence of differences in their endowments or preferences.

This argument is put forward in the second chapter of the thesis through a historical analysis of Mill's and Schmoller's works. The two authors are among the few economists who included a discussion as well as several references to the debate on the origin and legitimacy of gender inequality (i.e., well beyond the discussion of specific policy issues such women's employment and wages) in their major economic works. A historical analysis of Mill and Schmoller's works enables one to identify a number of factors significantly affecting men's and women's socioeconomic status: the sexual division of labour (that is not exclusively produced by market forces); the role of public policies; the relevance of unfair competition (or what might be termed gender-based discrimination); the role of law, custom, and gender roles.

In the third chapter, Mill's and Schmoller's analyses, both in terms of the theory of behaviour and the interpretation of gender inequality, constitute the basis of an applied analysis, investigating men's and women's contemporary labour market experiences in Italy.

The empirical analysis makes use of multi-level modelling, allowing us to consider individual, household and context factors simultaneously as determinants of individuals' employment status. I interpret all quantitative differences arising from a singular process (e.g., ageing) that can be reasonably considered as independent from society as instances of heterogeneity. Instead, a method compatible with the investigation of diversity is the definition of separate and different models (and estimates) of individuals' behaviour, possibly affected by totally different variables.

The analysis demonstrates that a number of variables affect only men or women, while others show opposite effects on the two. This implies that there is a significant difference in terms of theoretical models and policy implications, when defining men and women's employment as heterogeneous, thus resulting from a singular choice process, or diverse, that is, crucially affected by context and family variables, in a society where the context is clearly different for men and women.

Education is confirmed as the single most relevant variable in determining individuals' probability of employment. The analysis

suggests that it cannot be assumed that aggregate growth or the expansion of the 'services sector' will automatically lead to higher women's employment rates. Rather, culture (in terms of gender roles), discrimination and unfair competition (in terms of barriers to entry to specific professions and qualifications) play a crucial role, together with social policy.

The most relevant result with respect to the main aim of this work concerns the concept of gender diversity. From the analysis, it emerges that the behaviour of each gender cannot be represented as equal or simply as parametrically heterogeneous. These empirical findings suggest that diversity might be a relevant theoretical category for economics and that its application to applied analyses may bring to light a number of topics currently not thoroughly developed in the literature.

Carlo D'Ippoliti obtained his joint PhD degree from Sapienza University of Rome (Italy, Dottorato di Ricerca in Scienze Economiche) and the "J. W. Goethe" Universität of Frankfurt am Main (Germany, Dr. rer. pol. cum laude). His supervisors were Marcella Corsi (Sapienza University) and Bertram Schefold (Goethe-Universität). He is currently research fellow of political economy and adjunct professor of applied economics at Sapienza University of Rome.

Contact e-mail: <carlo.dippoliti@uniroma1.it>

Website: <<http://w3.uniroma1.it/dippoliti>>