

# ECONOMICS AND DIVERSITY

CARLO D'IPPOLITI\*

*Primary Supervisor(s):* Marcella Corsi and Bertram Schefold

*University:* (joint dissertation) Department of Economic Sciences, Sapienza University of Rome (Italy); and Faculty of Economics, Goethe-University of Frankfurt am Main (Germany)

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The main tenet of my thesis is that the bulk of contemporary economics assumes rather than explains differences between persons or between groups of people. Yet, many of these differences are produced by society, or they imply differing opportunities and outcomes. Thus, economists should concern themselves with the explanation of the social causes and effects of such differences. To this aim, the work (published 2011 by Routledge) proposes the introduction of the concept of *diversity* as distinguished from the mainstream concept of *heterogeneity*. By the former I mean all differences that are of social origin and that a theory or model seeks to explain; by the latter, in line with common use, I mean differences exogenous to the theory/model at hand (often they are differences foreign to society).

To introduce diversity, the work ranges from the fields of methodology and history of economics to applied empirical work. Such an assortment of topics may, at first, look naive to the Anglo-American reader. Indeed, this work was developed within a continental European tradition, in which the history of economic thought traditionally plays a significantly larger role than, for example, in the UK or the USA. Thus, gender is considered in depth as a relevant example of diversity. Through the analysis of the thinking of two major economists of the past, John Stuart Mill and Gustav Schmoller, it is shown that gender diversity entails such fundamental issues for economics as the division of labor, the capacity of society to reproduce itself, and the role of social institutions and their impact on individual and collective behavior.

Mill and Schmoller are two authors particularly relevant to the theme of diversity, for a number of reasons. The prime area of motivation concerns economic methodology and the history of economic thought, and it descends from the specific period in which most of Mill's and Schmoller's research was carried out. During the late nineteenth century, a substantial shift in the paradigm of political economy practiced by the majority of economists gradually took place. This revolution, as it is usually termed, fundamentally defined the methodology of most of the subsequent economic science carried out, and it is especially of interest here because it determined the almost complete exclusion of the category of diversity (in the sense proposed here) from economic analysis. With their economic analyses, the two

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\*Assistant Professor of Economics at the Department of Statistics, Sapienza University of Rome.

authors were and are frequently recognized as protagonists of this shift: Mill as the cultural leader of British Classical economists after Ricardo; Schmoller as the academic leader of the German Younger Historical School. Both authors personally contributed to the theoretical reflection and debate on the methodology of economics. In the light of their unquestioned influence on the economists of their generations and countries, their contribution is therefore of prime relevance. From this point of view, methodological individualism and the *homo oeconomicus* hypothesis will prove the most relevant issues.

The second set of reasons for the interest in the two authors relates to the theme dealt with in the third and fourth parts of this work: gender. During the second half of the nineteenth century, when Mill and Schmoller published most of their works, women's status in society emerged as an important political issue. Both authors contributed to the debate on the origin and legitimacy of gender inequality, even if from a strictly economic point of view. They are among the very few economists who placed in their major works a complete discussion and several references to the debate on the origin and legitimacy of gender inequality.

While comments on specific issues such as women's wages or the regulation of their working time were occasionally dealt with by other economists, Mill's and Schmoller's contributions stand out for their comprehensive consideration of the general question of men's and women's status in society as a proper subject for political economy to consider. Both authors dealt with the relation of the class of women to the class of men, and they located the origin of gender roles in power relations. They were both concerned with the legitimacy of such a state of affairs, and tried to predict probable future developments.

Their interest in the "women's question" is occasionally recalled by historians of economic thought, but is rarely analyzed. Instead, beyond the interest *per se*, it emerges from the analysis that Schmoller and Mill faced an economic context and social institutions not dissimilar from our own times, and their discussion on gender issues still features relevant insights for contemporary policy making. Moreover, the analysis shows that the two authors' accounts of gender relations cannot be considered as an addendum, separate from the bulk of their economic analyses. Instead, they are based on, and profoundly affected, their economic analysis of social institutions, of individual and collective behavior and, most notably, the study of the division of labor. Thus, the historical investigation of Mill's and Schmoller's economic thought, if unaware of their analyses of gender relations and of the sexual division of labor, proves at least incomplete. Thus, their analyses show that gender may not profitably be considered as an instance of diversity, in the sense proposed here, and not (only) of heterogeneity.

However, a characteristic of the approach to history in this work is that it is assumed that by analyzing relevant works of the past, it is possible to glean insights useful to contemporary economic analysis. Thus, in the empirical part, the work applies the concept of gender diversity to an analysis of labor market trends in the last few decades. Many of the insights and policy suggestions by Schmoller and Mill are put to a test by means of advanced econometric methods. It is shown that the concept of diversity is not a void theoretical construct, and that there is a great difference in economic applications and in drawing policy implications if we assume diversity or just heterogeneity. For example, it is shown that growth of GDP and of the services

sector can not be trusted to automatically bring about greater inclusion of women in the labor market. Active policy interventions are needed, spanning from the removal of discrimination to the provision of public services and the establishment of fair competition in the market, along with an improved division of social and political power between the sexes.