

Department of Economics
Working Paper

Identity

By

John B. Davis

Working Paper 2011-08

College of Business Administration



Identity (For: *The Elgar Handbook on the Economics of Philanthropy, Reciprocity and Social Enterprise*, eds., Luigino Bruni and Stefano Zamagni, Edward Elgar Publishing.)

John B. Davis[♦]
Department of Economics
Marquette University

Abstract.

This chapter introduces the economics and identity literature, and discusses the relationship between social identity and personal identity. It distinguishes categorical and relational types of social identities, and argues that the former are more readily associated with instrumentally rational behavior, while the latter, which involve close contact with others in roles and social positions, are more readily associated with behavior in which individuals unilaterally reciprocate the actions of others – what Bruni terms unilateral altruism, which involves a non-instrumental or deontological type of motivation. The chapter also distinguishes two views of personal identity as relational in nature, Bachrach's game-theoretic approach and one based on collective intentionality theory, and concludes by arguing that the *Homo economicus* view of personal identity is circular.

Keywords: social identity, personal identity, unilateral altruism, deontological motivation

October 2011

[♦] Corresponding author
Email: john.davis@marquette.edu

1. Introduction: Economics and Identity

The concept of identity has begun to be employed only relatively recently in economics, and accordingly still lacks a standard meaning and established set of applications in the subject. However, in its most influential initial uses by Amartya Sen (1999) and George Akerlof and Rachel Kranton (2000) it has been developed largely in terms of the concept of social identity (though in quite different ways). Social identity as understood in social psychology (cf. Brown, 2000), where the concept was influentially developed by Erik Erikson in connection with his idea of an identity crisis (Erikson, 1950), concerns individuals' 'identification with' social groups of which they are members. There are different ways of understanding the idea of 'identification with,' with both more psychological and sociological types of interpretations, but generally it means that individuals treat the characteristics of the social group with which they identify as their own individual characteristics, for example, as when people think of themselves as individuals as having a certain nationality, gender, or religion. Akerlof and Kranton, then, adopt this sort of understanding when they rewrite the standard utility function representation of the individual to include a vector of self-images which people are said to have in virtue of their having corresponding characteristics associated with certain social groups. Sen employs the same idea that social group characteristics and social identities are applied to individuals and influence how they think of themselves, but in contrast he also argues that individuals deliberate over whether to embrace these assignments.

Understanding the concept of identity primarily in terms of social identity, however, creates a problem in that it leaves unexplained 'who' it is that identifies with social groups (Kirman and Teschl, 2004). Since social identity is understood in terms of the idea of 'identification with' others, it follows that we also need to be able to say what the individual's identity is 'apart from' others. Indeed, if the concept of identity is only explained in terms of the concept of social identity, then since individuals have many social identities, they must fragment across their many social identities, and have no distinct unitary identities as individuals. This is inconsistent with referring to them as individuals. Philosophers consequently address the idea that individuals are distinct unitary beings by focusing on the different concept of personal identity (Noonan, 2003).

Though there are many issues this leads them to investigate within this framework, in general the concept personal identity is understood to concern characteristics that makes a person distinct from others, perhaps enduringly so. Nonetheless, this is not incompatible with an individual having a collection of social identities, and indeed one way in which an individual could be said to have a distinct personal identity would be to say that the individual is made up of a unique combination of different social identities. In any case, given that people can have multiple social identities, and given that economists treat people as individuals having social identities, it seems incumbent upon them to explain how their view of the individual relates social identity to personal identity (Davis, 2003).

Another issue that economics' employment of the concept of social identity brings up concerns the behavioral implications of individuals having social identities and moreover of having multiple social identities. This is particularly important to the topic of philanthropy, reciprocity, and social enterprise – all ways in which people are other-regarding and orient towards others – since not only can people's orientation towards others be understood as a reflection of their identification with them, but differences between the different ways people have of orienting towards others can be understood in terms of the different kinds of social identities people have. Note, then, that when social psychologists investigate people's different kinds of social identities, they generally distinguish between “(i) those that derive from interpersonal relationships and interdependence with specific others and (ii) those that derive from membership in larger, more impersonal collectives or social categories” (Brewer and Gardner, 1996; Brewer 2001). This can be understood to mean that individuals have social identities that are “identifications of the self *as* a certain kind of person” – a role-based social identity – and they also have social identities involving “identifications of the self *with* a group or category as a whole” – a collective social identity (Thoits and Virsup, 1997, p. 106). Thus broadly speaking people's social identities can be classified as being relational or categorical. They are relational when a person occupies occupy a position in a “relational web” (kinship, friendship, patron-client, team member, etc.), and socially identifies with another person or set of people to whom they are connected in this relational setting in a specific kind of way. They are categorical in regard to their “sharing some categorical attribute” with other like people (race, ethnicity, gender, age, disability, language, class, nationality, sexual orientation, etc.) when a person

socially identifies with another person as representative of that shared category (Brubaker and Cooper, 2000, pp. 15ff). One way, then, in which philanthropy, reciprocity, and social enterprise can be investigated in economics is by asking how individuals' behavior and orientation towards others varies according to whether they identify socially with them in a relational or categorical way. This perspective links up with previous question of how personal identity and social identity are connected, since an orientation 'towards' others – a matter of social identity – presupposes the individual having such an orientation – a matter of personal identity. The following section consequently looks more closely at how individuals' orientation towards others can be understood in overall identity terms when we differentiate between the different kinds of social identities individuals have, focusing specifically on the concept of reciprocity and the different ways in which it can be explained.

2. Identity and Reciprocity

Economics chiefly explains an individual's orientation towards others in terms of the idea of other-regarding or social preferences, framing this in terms of standard instrumental rationality theory in which individuals act in order to maximize utility. On this view, when individuals act on their social preferences, they gain utility when others are better off. However, this analysis is limited in what it can explain about the nature of reciprocity, since it implies that reciprocity is always conditional in nature in that a person only reciprocates the actions of others when in expectation of a private utility payoff. That is, by relying on standard rationality theory it leaves out all non-instrumentally rational reciprocal behavior which, as Luigino Bruni puts it, is unconditional in nature and not motivated by an expectation of a private payoff (Bruni, 2008). In such cases, the individual unilaterally reciprocates the action of another – a type of action which is ordinarily associated with altruism. Proponents of standard rationality theory generally deny such actions are rational, and reject the entire idea that people can be non-instrumentally rational, but this requires that they re-interpret and reformulate the testimony many people commonly express regarding this sort of 'selfless' behavior, in order to fit it into the standard view. Debates, however, over whether this is a reasonable strategy and about what rationality involves can be interminable, and so here the different ways in which reciprocity can be understood are

ted to the different ways in which people have social identities to see what this can tell us. Specifically, it will be argued that categorical social identities can generally be better explained in terms of instrumentally rational reciprocity behavior, while relational social identities often (but not always) need to be explained in terms of a non-instrumentally rational kind of behavior.

Consider, then, the nature of the social distance between people involved in the two types of social identities, and also note that when people identify with a social group, they are actually identifying with other individuals in that social group through their membership in it. Here the idea of social distance may be taken to refer to degree of familiarity one has with a person with whom one identifies. Though there are many ways of explaining the idea of familiarity, one important aspect of it is the extent to which a person actually sees, has contact with, or personally interacts with another person. At one extreme, then, there are people with whom an individual identifies who they never see, have contact with, or interact with; at the other extreme, there are people whom a person regularly sees, has contact with, and interacts with. Thus taking identification with social groups to be a proxy for identification with individuals in those social groups, we can distinguish between categorical and relational social identities according to whether this involves close or distant contact. In the case of categorical social identities, clearly social distance is great and contact limited; in the case of relational social identities there is less social distance and much more contact. For example, if one is of a certain nationality – a categorical social identity – there are usually millions of individuals with whom one identifies who one has never met nor ever will and who one only knows in the most abstract, representative sort of way. Alternatively, if one occupies a particular role or position in a family, community organization, business, or social network – a relational social identity – there are not very many people with whom one identifies, and for those with whom one identifies one has specific types of relationships which are understood in terms of regular as well as quite specific forms of interaction that one has with them.

Relational social identities, then, tend to be tied to established, customary, institutionalized, and rule-driven types of interaction between people. We need to understand people relationally when we see this in this capacity, and understand them in terms of social structures. Categorical social identities, in contrast, tend to be individualizing in the sense that each person having a given

identity is equally and in the same way a member of the set of all people having that social identity. They are in part social statistical artifacts and in part social organizational in nature. But because they apply homogeneously, there is generally nothing in the way in which people have categorical social identities that distinguishes one individual from the next, whereas people who share relational social identities are heterogeneous and distinguished from one another according to the ways in which they have them, reflecting their different positions and roles in the associated social groups on which these identities depend. This difference thus points to an important difference between the kinds of behavior people exhibit in connection with these different kinds of social identity. In the case of relational identities, the fact that people occupy positions and roles means that their behavior is considerably more circumscribed by what they ought to do in those contexts in comparison with what is implied by their having categorical social identities. They also know what they ought to do according to what their circumstances dictate, and thus rely to an important degree on a non-instrumental rationality. This may also be true in important ways with respect to categorical social identities, in that a sense of obligation applies there also to membership in large social groups, though given the less structured way in which this sort of social identity operates, more space remains for instrumentally rational decision-making.

This all accordingly allows us to distinguish different kinds of reciprocity, or at least a spectrum of forms of reciprocity associated with a spectrum of social identities. What Robert Trivers (1971) originally labeled 'reciprocal altruism' then gets placed at the end of the spectrum where instrumental rationality theory best applies, and what Bruni (2008) contrasts as a unilateral altruism best applies where rationality is non-instrumental or deontological in nature (meaning in particular that it reflects a sense of obligation). Somewhere along this spectrum one would also want to include conceptions of reciprocity such as the much debated 'strong reciprocity' concept (e.g., Gintis, 2000; Fehr, Fischbacher, and Gächter, 2002). At the same time, we may draw a general conclusion about the economics of reciprocity and identity. That is, what we find when we look at the different forms of social identity is that how we understand rationality depends upon how rationality is endogenous to individuals' social circumstances. That is, what counts as rational is not something we can determine in and of itself, axiomatically, and apart from how we understand the identity of individuals, especially in connection with their social identity side.

This then returns us to the question of how individuals with different social identities also have personal identities associated with ‘who’ it is that has those different social identities. The discussion above tells us that relational and categorical social identities mean different things to individuals, implying that they contribute to personal identity differently. Though there are many ways this issue can be approached, one view is that individuals’ personal identities depend on how they use their relational social identities to organize and interpret their categorical social identities (Davis, 2011, 201ff). That is, their closer connections to others in their positions and roles are a key to their approach to their more distant connections to others in large social groups. This makes personal identity first and foremost relational in nature. To show how such a view might be developed, two different recent accounts of personal identity treated as relational in nature, both of which emphasize social identity and reciprocity, are the subject of the next section.

3. Two views of personal identity as relational in nature

Michael Bacharach (2006) develops a game-theoretic conception of the single individual as a being who possesses multiple selves which function together as a team. When individuals are faced with a choice of action, Bacharach argues that rather than seeing the person asking, ‘what should *I* do?’ we ought to see the person’s multiple selves asking, ‘what should *we* do?’ On his view, an individual’s multiple selves are simply all the person’s social identities, so that we have a sub-personal self for each social identity we have. This is central to Bacharach’s account of why the personal identity of the individual can be understood as a team, because having a social identity (he primarily means categorical social identity) is akin to having membership in a team. Thus, just as one’s many social identity selves each identify with the teams/social identities to which they belong, so they also have the same capacity to identify with the team made up of the single person to which they belong. This makes the individual’s personal identity explicitly relational in nature in that what makes the individual a single distinct person is the relations they have to others through their identification with them in social groups. For comparison, it is a different kind of view from one that says individuals may act on team preferences (Sugden,

2000) – a kind of social preference – since these views attribute such preferences to a unitary individual rather than make the individual itself a team.

Another view of personal identity as relational in nature derives from collective intentionality theory (e.g. Searle, 1995; Gilbert, 1989; Tuomela and Miller, 1988). Collective intentionality theory examines the behavior individuals when their intentions are formed in social settings and expressed in first person plural ‘we’ language rather than in first person singular ‘I’ language. An important difference between ‘we’ intentions and ‘I’ intentions concerns their conditions of success. To successfully express an ‘I’ intention, a person needs to use language correctly to communicate that intention. In the case of ‘we’ intentions, however, not only must this be true, but those to whom this is expressed must agree with the content of the intention since the ‘we’ binds them as well to what has been said (Davis, 2002). Thus, a person fails to successfully express a ‘we’ intention about something if those to whom it applies reject what has been said. Individuals, of course, regularly express ‘we’ intentions, as shown by the cross-language nature of this form of speech. Thus at least a part of what is involved in being an individual is a matter of being embedded in relationships to others where collective intentions operate. Note, then, when individuals express ‘we’ intentions, they make what others want part of what they want, so that their own identities are partially relational in nature. At the same time, they do so in a non-instrumentally rational way, since in the expression of a ‘we’ intention one is (deontologically) obliged to put things in a way to which others will agree for that ‘we’ intention to be successful, quite apart from one’s preferences. The choice to express a ‘we’ intention could be understood in an instrumentally rational manner, but the actual expression of it must be non-instrumentally rational.

For both Bacharach and collective intentionality theory, then, individuals’ personal identities can be understood to have a relational character. However, the degree of this relationality is not same, as reflected in the different kinds of social identities involved. Bacharach is largely though not exclusively concerned with categorical social identities which typically involve considerable social distance between individuals and those with whom they identify. Collective intentionality theory, at least as developed around the logic of success conditions for ‘we’ intentions, makes a person’s contact with others central, and accordingly puts more emphasis on

relational social identity. We may consequently distinguish between these two ways of talking about personal identity as relational according to the different kinds of reciprocity associated with these different kinds of social identity. Bacharach's view better fits instrumentally rational or conditional reciprocity, while collective intentionality theory better fits non-instrumental rational or unilateral reciprocity. More could be said about this basic distinction, but for comparative purposes, the following section turns to what this might tell us about the implicit view of personal identity in the standard *Homo economicus* view of the individual.

4. The personal identity of *Homo economicus*

Though standard economics does not employ the concept of personal identity, it is fair to say that it identifies individuals with their utility functions or as collections of well-ordered preferences defined in terms of a set of axiomatic assumptions ascribed to those preferences. However, much experimental research over the last decade has cast doubt on whether these assumptions have a sound empirical basis (cf. Starmer, 2000). If these assumptions do not hold, or if they require significant revision, then it becomes unclear whether they can still support a unique monotonic utility function which would represent individuals' personal identities. In addition to this problem, there is an even more serious problem with the utility function representation of individuals' personal identities. Individuals' preferences are also always assumed to be their *own* preferences and not someone else's. Indeed, two people could have identical preferences, but on the standard view would be two different people because those preferences in each case would still be their own. This means, then, that the definition of the individual as a single distinct being is circular, because it makes individuals' identities depend on having their own preferences. Having an 'own' set of preferences accordingly does not distinguish and identify an individual, but rather counts as a formal procedure for mapping given preference ranking information into a choice space for whoever or whatever is to be called an 'individual' (person, firm, nation, neural process, etc.) to which those preferences belong. As Gerhard Debreu aptly put it, "an axiomatized theory has a mathematical form that is completely separated from its economic content" (Debreu, 1986, p. 1265).

The utility function conception of the individual, then, fails as an account of an individual's personal identity. Since the circularity problem is at the root of this, it makes sense to ask how one would go about explaining personal identity in a way that avoids this problem. That would involve describing the individual in a manner that does not presuppose the individual, that is, in terms of characteristics that do not refer to or imply the individual, as in the case of having an own set of preferences. There are different ways in which this can be done (cf. Davis, 2011), but one element that can profitably be drawn upon is patterns of relationships between people, as in the two relational views of identity set out above. The basic idea is that patterns of relationships between people can individualize particular persons if they occupy distinct locations in these patterns. The advantage of this approach is that reference to 'patterns of relationships between people' does not presuppose any particular individuals who might be identified by those patterns, and thus potentially makes it possible to distinguish them out as individuals in a non-circular way. Explaining individuals' personal identities in this way would then also make it possible to investigate how individuals' personal identities could be seen to evolve over time as individuals' social relationships change. This allows for a variety of views of what individual personal identity involves alternative to the standard *Homo economicus* conception, and as the discussion here has argued provides additional foundations for explaining behavior in connection with such phenomena as reciprocity.

References

Akerlof, George and Rachel Kranton (2000) "Economics and Identity," *Quarterly Journal of Economics* 115: 715-753.

Bacharach, Michael (2006) *Beyond Individual Choice: Teams and Frames in Game Theory*, N. Gold and R. Sugden, eds., Princeton: Princeton University Press.

Brewer, Marilyn (2001) "The Many Faces of Social Identity: Implications for Political Psychology," *Political Psychology* 22: 115-125.

Brown, Rupert (2000) "Social identity theory: past achievements, current problems and future challenges," *European Journal of Social Psychology*, 30: 745-78.

Brubaker, Rogers and Frederick Cooper (2000) "Beyond 'identity,'" *Theory and Society*, 29: 1-47.

Bruni Luigino (2008) *Reciprocity, Altruism and the Civil Society*, London: Routledge.

Davis, John (2002) "Collective Intentionality and the Agency-Structure Model," in E. Fullbrook, ed., *Intersubjectivity in Economics in Economics: Agents and Structures*. London: Routledge, 2002, pp. 11-27.

Davis, John (2003) *The Theory of the Individual in Economics: Identity and Value*, London: Routledge.

Davis, John (2011) *Individuals and Identity in Economics*, Cambridge: Cambridge University Press.

Debreu, Gerard (1986) "Theoretical Models: Mathematical Form and Economic Content," *Econometrica*, 54 (6): 1259-1270.

Erikson, Erik (1950) *Childhood and Society*, New York: Norton.

Fehr, Ernst, Urs Fischbacher, and Simon Gächter (2002) "Strong Reciprocity, Human Cooperation and the Enforcement of Social Norms," *Human Nature* 13: 1-25.

Gilbert, Margaret (1989) *On Social Facts*, London: Routledge.

Gintis, Herbert (2000) "Strong Reciprocity and Human Sociality," *Journal of Theoretical Biology* 206:169–179.

Kirman, Alan and Miriam Teschl (2004) "On the Emergence of Economic Identity," *Revue de Philosophie économique* 9 (1): 59-86.

Noonan, Harold, 2003, *Personal Identity*, Second Edition, London: Routledge.

Searle, John (1995) *The Construction of Social Reality*, New York: Free Press.

Sen, Amartya (1999b) *Reason before Identity*, New Delhi: Oxford University Press.

Starmer, Chris (2000) "Developments in Non-Expected Utility Theory: The Hunt for a Descriptive Theory of Choice under Risk," *Journal of Economic Literature* 38: 332-382.

Sugden, Robert (2000) "Team Preferences," *Economics and Philosophy* 16: 175-204.

Thoits, Peggy and Lauren Virshup (1997) "Me's and We's: Forms and Functions of Social Identities," in R. Ashmore and L. Jussim, eds., *Self and Identity: Fundamental Issues*, Oxford: Oxford University Press: 106-133.

Trivers, Robert L. (1971) "The Evolution of Reciprocal Altruism," *Quarterly Review of Biology* 46: 35-57.

Tuomela, Raimo and Kaarlo Miller (1988) "We-intentions," *Philosophical Studies* 53: 367-389.