Locating Identity within Economic Theory

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Abstract

In standard neoclassical economics, a preference ordering and certain constraints generally characterise the economic agent and give a simple representation of his or her behaviour. There is not more to know about the homo economicus' *identity*. It is argued that extensions of the standard model take account of *identity* in an implicit way, by adding more information either about what the agent prefers, or under what kind of constraints she maximises her utility. Only recently, economists began discussing explicitly a concept of *identity* within economics. However, implicit or explicit representations and arguments about the agent's *identity* do amount primarily to an illustration of *what* the agent is, thus of her *social identity*. Very little has been developed so far to show who the agent is, thus taking account of her *personal identity*, which is considered to be the conscious and self-reflexive act of creating one's own *self-image* or *identity*.

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The only good thing for men therefore is to be diverted from thinking of what they are, either by some occupation which takes their mind off it, or by some novel and agreeable passion which keeps them busy, like gambling, hunting, some absorbing show, in short by what is called diversion.

Blaise Pascal, Pensées.

1 Introduction

In standard economic theory, there are essentially two types of agents: the producer and the consumer. The producer's specific task is to choose and to carry out a production plan, that is, a specification of all inputs and outputs, exactly one time for the whole future. She will choose a production that for given prices will maximise her profit. The consumer, on the other hand, has to choose a consumption plan made now for the whole future. He is typically an individual[1] to whom one commonly refers to as homo economicus. He is a rational being, which means that he establishes a transitive preferences ordering over different consumption bundles. The individual's preferences are assumed to be insatiable (more of some consumption bundles is always preferred to less) and convex (the combination of two consumption bundles is preferred to solely either of those). The individual is able to assign numbers to his preferences, such that his more preferred consumption bundles get larger numbers than less preferred ones. These numbers, having purely an ordering function, represent the homo economicus' ordinal utilities. Utility, therefore, is a way to describe preferences. To have a higher utility for consumption bundle x means that the homo economicus prefers x over another one y. He does not prefer one bundle over the other because it has a higher utility[2]. If these preferences are continuous, then they may be represented in terms of a continuous utility function. Homo economicus eventually maximises his utility by choosing the most favoured consumption bundle under certain constraints. In the canonical model, as it is represented by Gerard Debreu [1959: 50], these choice constraints are of too kinds: a priori ones that refer, for example, to the physiological nature of the consumer, and secondly for given prices and the consumer's initial endowment, the value of his consumption plan must not exceed his wealth.

[1] But may also represent a household or larger group with a common purpose [Debreu 1959: 50].

[2] This is at least true for the axiomatic approach of economics. Especially applied economists, not using an preference preordering but passing immediately by a utility function, take the consumer's maximisation of utility in its more "classical" version of making oneself as happy as possible.

Thus, preference preorderings, constraints and initial endowments do typically form a minimalist representation of the human agent in economic theory. The economist takes preferences as given and does not account for their formation. Unencumbered by any social influences, the agents' preferences are independent of other people's behaviour. Interaction with other agents only happens indirectly through the price system, i.e. it is the price system that coordinates peoples' behaviour. Given the heterogeneity of people's preferences, their different endowments and the market prices, economists then establish people's demand function, which, coupled with the producers' production functions, are the necessary ingredients for economists to show that the economy will reach an equilibrium, where all markets are cleared. With this little information about individuals therefore, economists explain market outcomes such as the formation of prices, the quantity of goods produced and consumed, their respective production costs etc.

In general however, any representation of individuals necessarily relies on some conception of people's identity. In comparison to economics, other disciplines often have an extensive treatment of individuals' identity. Philosophical and sociological inquiry into people's personal identity amounts for example to the question about what a person is at one specific moment and through time. The answers to this question ranges from the unified self to the multiple selves over successive self up to the no-self, whereby each of the views situates itself in a specific ontological tradition. Economics so far thought little about what or who a person is. Yet, these interrogations might be interesting and helpful for economic analysis and the understanding of people's reasons to act and this for at least three motives.

Firstly, as John B. Davis argues in two, so far pioneering, articles in which he combines economics with philosophical interrogations on personal identity, the standard economic approach is unable to define the "scope" of individuals' agency [Davis 2001]. This means that the agents' identity, represented in form of their preference orderings, cannot be re-identified across change, i.e. through time in those models [Davis 1995]. Because in standard economic theory, individuals take a decision one time only for the whole future, nothing can be said about the agents through time. Also, changing prices or income affects people's choice behaviour. However, it is difficult to say if behaviour changes because of the modified prices or because people's preference ordering altered, which consequently would imply a changed identity. Besides that, changing preferences may lead to tautological explanations of economic phenomena. Thus, to consider individuals' behaviour over time, economists simply use the sum of the utility functions at different moments of time, thus evoking the impression of successive selves, but no specification is given as to the link between them.

Secondly, certain economists, inspired by sociological and psychological research, began to include more information about the social environment into the standard modelling in order to account for certain observable market malfunctions. This additional information attributes in an indirect way an extrinsic social identity to individuals. So can the extrinsic identity be the result of an individual's choice acts, who not only is concerned about his or her intrinsic preferences, but also about the status in a given society, which finally leads to a certain conformism of behaviour [Bernheim 1994]. On the other hand, social identity may be seen as common characteristics of certain agents. These are then represented as constraints that are added to the maximisation process and as elements that will directly affect people's utility [Becker 1976, Becker and Stigler 1977, Becker and Murphy 2000]. In these cases though, the given picture of people's social identity is limited to the description of what the individuals are, but not who they are. Akerlof and Kranton [2000; 2002] on the other hand, introduced into the standard utility maximising framework directly the idea of an identity that they define as the belonging to certain social categories and to which people attribute an intrinsic importance. This permits to better explain certain phenomena, especially at the labour market, that previous models could not account for [Akerlof and Kranton 2000]. They equally applied their model to schooling decisions and deliver interesting results [Akerlof and Kranton 2002]. However, this method might raise some conceptual issues in relation to identity that are worth being analysed.

Thirdly, people's identity may not matter much for commodity markets and the calculus of equilibrium prices, but as soon as the economic approach is applied to specific markets like labour and education, extended to non-market considerations or used to evaluate people's well-being, people become more than simple consumers or producers. Hence, to evaluate these respective issues, we might need more information about people's doing and being that enters their economic characterisation as well as more understanding about people's interaction with and influences of their social environment on their being and doing [Sen 1993, 1999, 2000].

In what follows, we will discuss in turn certain applications and extensions of the standard economic approach that shall visualise first, how economics deals with characterisations and descriptions of individuals that go over the standard information of preferences and constraints and second, what the consequences of the included data are on the overall view of what a person is and how he or she behaves. Thus, we firstly (Section 2) discuss Douglas Bernheim's and Gary Becker's indirect approaches that assign through the specificity of their modelling an extrinsic social identity to people without ever considering directly any concept of identity. Secondly (Section 3), we will analyse direct approaches of identity such as George Akerlof and Rachel Kranton's utility maximising model into which they directly insert an identity function. And we will discuss Amartya Sen's capabilities approach, conceived to analyse people's well being, in the light of his recently published articles where he argues to put "Reason before Identity" [1999]. The conclusion will summarise the findings and indicate that new ways of representing homo economicus are at sight, notably in the paper by Roland Bénabou and Jean Tirole [2002] who take into account people's self-confidence.

2 Indirect Approaches of Identity

Douglas Bernheim's "Theory of Conformity" [Bernheim 1994] is an extremely sophisticated and interesting extension of the standard economic approach that takes account of social interaction and of dependencies between people's behaviour and other people's perception of it. He continuous to rely on heterogeneous preferences, i.e. agents who have distinct "intrinsic" preferences over a consumption set. In addition to that, agents care about status or esteem, that is, individuals pay attention to how others feel about them [Bernheim 1994: 843]. Agents also have preferences over their actions. They will choose acts, which are directly observable and of which they think that they will create certain perceptions in others about their preferences. These perceptions will then determine the agents' status or esteem. Bernheim exemplifies this with the socially esteemed human quality of generosity [Bernheim 1994: 844]. Generosity in itself cannot be observed directly, only generous deeds. Hence, an agent has to choose acts that can be perceived by others as being generous and which, consequently, will affect this agent's status. Bernheim then shows with his model that if status or esteem is sufficiently important in relation to the agents' intrinsic utility, these individuals will tend to conform to a certain standard of behaviour even though they have heterogeneous underlying preferences. "They are willing to suppress their individuality and conform to the social norm because they recognize that even small departures from the norm will seriously impair their popularity" [Bernheim 1994: 843, 860 and 864]. Social punishment will follow as soon as one differs from the norm. Only certain people with "extreme preferences" will not conform to the social norm and are seen as being "individualists" [Bernheim 1994: 843].

Bernheim does not use any direct reference to any concept or idea of people's identity. He just states that agents' individuality does reside in their heterogeneity of their preferences [Bernheim 1994: 843]. This is just the standard neoclassical approach of the socially unencumbered individual. This common representation of individuals in economics, does not yet say anything about people's personality that goes over consumption preferences.

It cannot be determined if the individual is, say, generous or not. Hence, Bernheim's contribution to the standard approach consists in including certain results of psychological studies such as the importance of status for individuals within a given society. But if the resulting conformism is explained in terms of 'social conditioning' by socio-psychological research, Bernheim, who adopted the methodological individualism, does this in terms of individual, rational strategic choices. The outcome of the agents' deliberate choice acts confers to each of them a specified extrinsic identity.

Since he introduces status considerations in people's preferences, people's personality has thus become a matter of strategic choice. Knowing that status may be achieved through positive perceptions other people have of one's own acts, agents who care about status will from then onwards always face a choice between 'doing a generous act' and 'not doing a generous act', whereby the former will be preferred to the latter. Therefore, one does not know if the agent's personality is really to be generous or not. One does not gain any more information about the agent's identity or personality than there was in the standard approach. What has been done, though, was to extent the traditional mode of analysis, i.e. "consistent, self-interested optimisation" [Bernheim 1994: 843] to people's behaviour towards others. Indeed, if the agent would intrinsically be generous, then she would not have to care about status, as she would be generous in any case, with or without social esteem for her generosity. If, on the other hand, the agent would not be intrinsically generous, yet cares about her status in society, then she behaves generously depending on the possible perceptions she would evoke in others through her acts. However, given that the agent is not intrinsically generous and does not care about status, she would prefer not to act generously. Hence, if she cares about social esteem, she eventually might be caught in a perpetual situation of 'self-deception' as she behaves in a way that she is not. We therefore have a paradoxical situation where two aspects of the agent are constantly competing with each other. Thus, this model reposes on a particular view of personal identity, namely the multiple self.

Gary S. Becker as well proposed an extension of the standard economic approach to account for certain social phenomena.

At first, he was looking for an answer to the problem of tautological explanations that changing preferences caused in previous models. He did this by introducing the idea of stable preferences throughout time, place and people. The preferences Becker has in mind do not relate to market goods and services as such, but "[...] are defined over fundamental aspects of life, such as health, prestige, sensual pleasure, benevolence, or envy, that do not always bear a stable relation to market goods and services" [Becker 1976: 5]. Second, Becker argued that the economic approach is an interesting way to tackle any kind of choice situations even outside typical market settings. Becker therefore extends his approach from market to nonmarket domains by applying shadow prices for non-tradable goods. Individuals then become some sort of producers of their own satisfaction or investors into their own psycho-physical richness. Becker's economic agents do not choose anymore among existing market goods the best they can achieve under given constraints, but they use market goods and services, time, human capital or other inputs to produce more basic commodities (or fundamental aspects of life) that enter directly the agents' utility function. Hence, Becker has "[...] come to the position that the economic approach is a comprehensive one that is applicable to all human behavior, be it behavior involving money prices or imputed shadow prices, repeated or infrequent decisions, large or minor decisions, emotional or mechanical ends, rich or poor persons, men or women, adults or children, brilliant or stupid persons, patients or therapists, businessmen or politicians, teachers or students" [Becker 1976: 8]. Thus, because preferences are stable, tastes do not disagree significantly between people and so "De Gustibus Non Est Disputandum" [Stigler and Becker 1977: 76]. Stigler and Becker write that "[o]n the traditional view, an explanation of economic phenomena that reaches a difference in tastes between people or times is the terminus of the argument: the problem is abandoned at this point to whoever studies and explains tastes [psychologists?, anthropologists? phrenologists? sociobiologists?]. On our preferred interpretation, one never reaches this impasse; the economist continues to search for differences in prices or incomes to explain any differences or changes in behavior" [Stigler and Becker 1977: 76. Their italics]. What Stigler and Becker implicitly refer at is the standard model's incapacity to develop a coherent vision of an individual through time. But their own view to explain behaviour throughout time seems to be only in terms of punctual reactions to a changing environment. Thus, they remain within a completely external view of individuals and no intrinsic motivation may be the reason for modification.

By considering productive consumption of commodities over time, Stigler and Becker develop several applications of this economic approach to situations where one would commonly expect preferences to alter. It goes without saying that stable preferences remain so with unchanging prices. Yet, they do so even in a changing environment. Suppose a traditional and customary society is unexpectedly exposed to some modern influences [Stigler and Becker 1977: 81ff.]. If this influence is temporary, people, relying on their traditional "habits and modes of thought" [Stigler and Becker 1977: 82], which represent accumulated knowledge of their environment, will not react to these influences as it would mean to reinvest in new and, relative to their tradition, costly information. If those modern influences are persisting, then young people tend more to invest in this new capital of knowledge and skills then old persons as this investment could become profitable in future years. They maximise a utility function that is a discounted sum of utility functions for each moment, whereby the discount rate is determined by a time preference [Stigler and Becker 1977: 78]. Of course, as Stigler and Becker note, a consistent application of their stable preference approach would require an absence of time preferences; yet economists commonly assume that people undervalue future wants so that consumption tastes always change when what was previously considered as "future", gets closer [Stigler and Becker 1977: FN 78 and 89]. Thus, for convenience, Stigler and Becker seem to stick to this custom. Elderly people, even though having the same preferences as the youngsters, choose not to invest in new information, even though the environment is changing, because the shift of investments from their traditional capital to the new knowledge and skills may be too costly for the few years still to live. Thus, differences between agents do not stem from their preferences, but from their different economic characteristics, such as income, wealth, human capital etc, that are reflected entirely in their choice constraints. Moreover, the only link between the different utility maximisations over time, i.e. between the different identities, seems to be people's discount rate, thus their time preference.

In some other models, Becker also introduced social components to account for the environment in which agents are living and which may constrain them in their choice acts. These models release the homo economicus of his or her anonymous depictions of preference orderings and constraints and begin with attaching special interest to the individuals in relation to their memberships to specific groups. This additional description, however mechanical in its application, may be regarded as a first aspect of social identity being introduced into economics. An example of this is Becker's economic approach applied to the phenomena of wage discrimination and segregation in which he shows that social belonging will affect people's behaviour even though their economic characteristics do not differ from those of others in the first place [Becker 1976: 17]. Hence, it shows that people's identity may affect their achievements as well as market outcomes. There are two "societies", one inhabited by B (Blacks), the other by W (Whites), and two different factors of production, labour and capital, which are perfect substitutes for production in either B or W. These societies will trade the factors of production, each society preferring to export the factor, which is relatively abundant. It comes that W will export capital and B labour. If there would be no discrimination, then the payment to each factor would be independent of its employment in either B or W, the prices for each product would be independent of the location of production and each factor would be paid for according to its marginal value product. But W develops a taste for discrimination against B, which is so strong that they accept a reduction in their income rather than to work with either B's capital or labour. Because of this desire to discriminate, any capital W combined with labour B will reduce the net return of W. Exported capital would have to achieve a higher money return than domestic capital in order to compensate for the undesired work with B, hence their exports will diminish. This will consequently reduce the income that B labour can receive if mixing with W capital and so labour export will become smaller. At the new equilibrium, B and W will export less labour and capital respectively; the net return to B labour and W capital will have decreased. However, the return to W labour and B capital will actually increase.

Becker shows that the societies' best situation is with free trade. The stronger the tastes for discrimination, the more the net incomes will be reduced and the more the market will become segregated. Hence, this model shows that people's simple membership to one group or the other may restrain their possibility to maximise utility as much as they could without discrimination. Their respective group-membership invariably marks them and this will, consequently, have influences on their well-being as well as on their behaviour. Indeed, B knowing that they will be discriminated at the labour market, they will have a reduced incentive to invest, for example, in human capital. But if they are less qualified than W, they will once again be discriminated indirectly for the lack of competence. Hence, competitive market forces combined with discriminatory tastes will amount to differences in the economic treatment of people who are not distinguishable in their economic characteristics, but in noneconomic ones such as race, religion or gender. What this model, however, does not explain is why these discriminatory tastes of people exist or how they develop. Indeed, preference formation in general is still a very unexplored domain within economics and it still demands a properly elaborated theory within economics [Becker in Le Monde, 06.06.02]. But even if we accept stable preferences as given, the question remains where this taste for discrimination does come from.

However, not only visible marks and observable characteristics influence the homo economicus' behaviour, but also norms, rules, traditions and social pressures began to echo in the modelling of homo economicus' being and doing.

Recently Becker and Kevin M. Murphy, proposed a model in which they treat the social environment of an individual, together with goods and services, as an argument in a stable utility function [Becker et al. 2000]. Their model allows seeing how the social background and its respective changes will influence the individuals' behaviour and it does also show, how the social environment will be determined by the interaction of individuals. The fundamental assumption of this model is the complementarity of a good and a social capital. Increases in social capital will augment the demand for the specific good. So for example, the more an individual's friends are using a bicycle, the more likely she will be to use one.

Hence, a person has a utility function over goods and an exogenously given amount of social capital. Indeed, Becker and Murphy show that only collective choices will be able to influence the social capital. The individual will maximise her utility, subject to a given value of the social capital and her budget constraint [Becker et al. 2000: 11]. The result of this maximisation will be a demand function for a specific good that will depend on the person's income, the price for the good and the level of social capital.

What Becker and Murphy's model show is that if the social capital and a specific good are strong compliments, then any changes in the person's income will not have much influence on the consumption of the good, since the social capital remains unchanged [Becker et al. 2000: 13]. Becker and Murphy use the example of divorce, which was, until recently, quite badly seen in Western societies: if the social capital represents social hostility to divorce, then even if, say, a woman's income raises, which allows her to be financially independent of her still-husband, it would not much influence her decision to divorce, because nobody in the neighbourhood does divorce. But, if a variable changes that is common to all, the aggregated effect of people's behaviour, generated through social conformity and social interaction, will change the social structure. Thus, an overall change in people's income could have quite an important effect on the divorce rate. Indeed, Becker and Murphy illustrate that in addition to things like an improved contraception and falling birth rates for example, many women began to work in the late 1950s, such that, at first slowly, because of the remaining opposition to divorce, but then ever increasingly, unhappily married women and men got divorced. This changed the whole structure of social capital and how marriage and its dissolution are now seen within the society [Becker et al. 2000: 15].

Becker and Murphy acknowledge that given strong complementarity, there is not much free choice left for an individual. However, this is not the end of free choice. As people know about the strong peer influences, they will, as it were, choose among the influences. People will choose where to live, in which school their children should go, what restaurants and bars one should frequent [Becker et al. 2000: 23]. However, once these choices are done, decision possibilities will be constrained by the respective social environment - at least in the short run. In the long run, all sort of social capital will be malleable by the necessary changes in the constraints such as income, prices, education and others. Hence, the idea of homo economicus is not lost; she does still choose with whom and where to live. But even given social influences, she will react to external changes in the constraint structure just as homo economicus does. The individual does not internalise values of the social environment since, given the right incentives, she is always prepared to change with the social capital. However, there is one tricky situation, that is, why should her choice about the social environment be freer than other choices? As the agent already lives with a specific social background at the moment of choice, she may already be constrained by the respective social capital in the choice over a social environment. Becker and Murphy's model do not give any answers to this kind of situation.

Thus, the standard economic approach and its extension made by Becker characterises economic agents by their preference orderings, constraints and endowments. According to the phenomena to analyse, more information about the agents' social environment and characteristics can be added, either directly as elements of their utility functions, or in form of their constraints. This information can be used to identify the economic agent, to describe him or her in such a way as to say something objectively about this agent's doings, beings and whereabouts, without ever mentioning directly any concept of identity and especially personal identity and what this may mean for an economic agent. This may suffice for an instrumental account of this theory. But is this information sufficient as a representation of agents in descriptive terms? Is there no need to go any deeper into a discussion of agents' identity in economics? There is much reason for arguing that it is. Becker's models are analytically interesting and (often) empirically acceptable. Thus, we have to face two issues. First, economics may not need any proper discussion of the agents' identity. It may well be that all that is needed is the economic approach to human behaviour who appears to be able to explain many phenomena without being ever formulating any theory of the individuals' identity (and hence avoiding any philosophical incoherencies related with it). Second - and this is even more difficult to deal with - what if Becker's approach shows the redundancy of the discussion of identity? Hence, he may also deliver some sort of philosophical answer to a tricky question about what identity is about - namely nothing. There is nothing such as a continuous identity, some internal perspective or personal mode of the agent that may give reasons to act. Preferences, the only personal view of the agents' lives, are for all the same, and agents react only to some external incentives of price and wealth changes. Hence, even if intuitively we might want to refrain from thinking that all there is due to breaking century-old fetters to independence and emancipation of women is a raise in revenue and not an internal desire and maturation process of men and women to change often suffocating or hurting situations, actual figures do show that income raises and so does divorce. Does Becker demonstrate that identity or the self is nothing then an imagination in the Humean sense, which hides a collection of different perceptions[3]?

[3] David Hume writes in his *A Treatise of Human Nature* in the chapter "Of personal identity": "For my part, when I enter most intimately into what I call myself, I always stumble on some particular perception of other, of heat of cold, light or shade, love or hatred, pain or pleasure. I never catch myself at any time without a perception, and never can observe any thing but the perception." Thus, he refuses to acknowledge that we have any idea of self and affirms "[...] of the rest of mankind, that they are nothing but a bundle or collection of different perceptions, which succeed each other with an inconceivable rapidity,

Are these perceptions nothing else then the different price and wealth changes to which an individual reacts, the sum of which does appear as a continuously evolving identity to this individual? Becker does not ask these questions but is quite optimistic about his endeavour and states in relation to his results that "[n]one of these or other implications are necessarily true, but all appear to be consistent with the available evidence" [Becker 1976: 10]. So does this imply that either, economics does not need any further discussion about identity - all there is to do is to improve existing models to capture more details of the interdependencies of people's behaviour - or does it mean that identity in general is quite an empty concept since the right economic incentives will modify eventually everything. Though, the answers to these questions are not as simple as they may appear. Only because Becker does not explicitly discuss the issue of the agents' identity, does it not mean that there is no implicit vision of identity incorporated in his models. Indeed, because his models demonstrate the non-existence of a continuous mode of being or intrinsic point of view, he already defends an ontological position in relation to the question what a person is. His presentation of the individual does therefore refer to a vision of a self, where the notion of intrinsic continuity throughout live does not make much sense. As Becker himself would say: "I do not mean to suggest that concepts like the ego and the id, or social norms, are without any scientific content. Only that they are tempting materials, as are concepts in the economic literature, for ad hoc and useless explanations of behavior" [Becker 1976: 13].

3 Direct Approaches of Identity

Recently, George A. Akerlof and Rachel E. Kranton published an article on "Economics and Identity" where they introduced "[...] identity - a person's sense of self - into economic analysis" because "[i]dentity can account for many phenomena that current economics cannot well explain" [Akerlof et al. 2000: 715]. They are, thus, the first ones to make explicit use of identity in an otherwise conventional utility maximising framework. Akerlof and Kranton's identity is based on social categories [Akerlof et al. 2000: 718]. Each person knows what kind of social categories exists, to which social categories she or he belongs and to which categories she or he assigns all other people. For each social category, there is a set of prescriptions that corresponds to some form of 'ideal type representation'. To follow these behavioural prescriptions means, according to Akerlof and Kranton, to affirm one's self-image or identity [Akerlof et al. 2000: 716].

Akerlof and Kranton propose a utility function that depends on the individual's action,

and are in a perpetual flux and movement." [Hume 2000 (1739): 165].

on the actions of others and on the individual's identity of self-image. The identity in its turn is also represented as a function that depends once again on the individual's action as well as on those of others. Furthermore identity depends on the social categories the individual is assigned to, on his or her own characteristics and on the set of prescriptions given for all the social categories [Akerlof et al. 2000: 719].

Social categories do differ, among others, in status. The more a person's own characteristics correspond to the prescriptions of a category with high status, the more the person gains in identity. "Gains [or losses] in identity" are in fact the increases [or decreases] in utility that derive from identity [Akerlof et al. 2000: 719]. In the simplest case, given category-assignments, prescriptions, own characteristics as well as actions of others, an individual will choose an action that maximises his or her utility [Akerlof et al. 2000: 719]. However, people have identity-related payoffs not only from their own actions, but also from those of others'. Also, individuals will be able to some extent to choose their identity, that is, their social category adherence, via educational or occupational decisions for example [Akerlof et al. 2000: 725]. And through the creation and manipulation of social categories as well as their prescriptions, the individuals' payoff may also be affected [Akerlof et al. 2000: 726]. Those are the four avenues (one's own actions, actions by others, choices of social category, influences on social categories and prescriptions) that Akerlof and Kranton employ to develop some interesting models of economic interaction. Given, for example, two social categories called "man" and "woman" with their respective prescriptions of ideal outlook and behaviour. Then it can be that women refrain from applying to what in a given society would typically be seen as 'a man's job', because they do not fit the corresponding prescriptions of the social category man associated with the job. Applications for this job would reduce women's utility. This would eventually affect female labour supply decisions as such. On the other hand, we could imagine that women take on 'men's jobs' if the payoff of doing this work is higher than the payoff of any other, more 'female' job - even at the cost of renouncing some aspects of femininity [Akerlof et al. 2000: 722]. Yet, these women risk that the men, working in this professional domain, feel their self-image "threatened" by the sudden presence of the 'other', the 'foreign element', the women in their 'male' working environment [Akerlof et al. 2000: 723]. If this were the case, the men would loose identity in the sense of a utility reduction through the women's violation of category prescriptions. Therefore, they could respond to the women's advance and take (for example discriminating) actions against them in order to 'restore' their identity or self-image. This would reduce the women's payoff of doing the job and may again affect 'female' labour supply decisions.

In a more recent paper, Akerlof and Kranton refine their identity-model and apply it to the economics of education [Akerlof and Kranton 2002]. In this model, people, i.e. students, have to choose their social categories and an effort in school. By selecting the social category (leading crowd, nerds or burnouts), they take into account their own characteristics and the ideal characteristics of the respective social category to which they would like to belong. The more their private characteristics differ from the social ones, the higher are the costs of membership. By choosing an effort level, students consider their own actions and the ideal behaviour of the chosen category. The more students deviate from the prescribed behaviour, the higher are their costs in terms of utility loss. Thus, once again, these students have an interest to minimise the distance between themselves, their proper characteristics and actions, and the self-image associated to the specific category.

Akerlof and Kranton justify the use of their identity-variable with psychological and sociological findings. However, their understanding of identity is vague and seems even contradictory. Akerlof and Kranton take a typical external view of individuals and identity is used in its social sense to describe to which categories the individuals belong and what their characteristics are in comparison to the set of prescriptions of the respective category. Hence, it says what the agent is, but not who she or he is. And still, they also state that identity is the person's sense of the self [Akerlof et al. 2000: 715] and that to follow the behavioural prescriptions of the assigned social categories affirms the individual's "self-image" [Akerlof et al. 2000: 716]. But what and who then is the self they are talking about? As Akerlof and Kranton situate themselves within a standard utility maximising framework, they also do not face the issue of the representation of individuals through time and only have utility maximisers at different moments who may be summed up to give the impression of a continuous existence of an individual without explaining though the link between the various optimising selves. Hence, their reference to some "sense of the self" or realisation of some "self-image" gives the idea of individuals' having a continuous centre, which is an intimate source of one's existence and actions. Indeed, people's aim to restore their self-image or identity in situations where it seems to be in a state of imbalance refers strongly to some pivot around which the person evolves. Thus, their use of identity is ontologically contradictory since they introduce into the economic approach that seemingly amounts - as was argued above - to the negation of a continuous identity a concept of identity that reflects some substantial vision of it. However, this is only their verbal interpretation of their models. Underlying the notions of the person's "sense of self" or "self-image" is a formalised representation of identity that cannot account for a substantial approach. Their identity-function is still nourished mainly by social categories and own characteristics, which refer to the external, descriptive, view rather than any personal vision of identity and thus cannot represent an individual's "sense of self". Still, by introducing the notions of this intimate relationship people may have with themselves, Akerlof and Kranton hint at an issue that might be of importance within economics for a better understanding of people's reason to act. That is, they visualise the fact that economists need for certain problems more information about the individual than his or her preference orderings and constraints. This more on information is not just a better depiction of what an individual is, where he or she lives and what the respective rules and norms are, but amounts to know something about this individual's vision on him or herself. Thus, in certain contexts, it makes sense to ponder about people's strive for self-creation and to know something about their self-conception in order to explain economic and social outcomes. The relation that a person can have with herself and her dynamic, creative impulses or intrinsic motivations that follow from that for this individual's life may be an important ingredient to understand human behaviour. Without this element, it seems rather difficult to account for, why, at some time, women - to stick with the example - did start to engage in men's jobs, even if it did not correspond to the social category prescription. Indeed, choosing according to a "self-[created]-image" or choosing according to a social category membership may not amount to the same choice. Put differently, choosing according to social categories may not account for all choices that are related to the identity of an individual. There may be reasons that lie behind the social identity aspects and amount to the realm of personal identity and the creation of ourselves. It remains to know, how that can be introduced into economic reasoning.

It seems as if Amartya Sen is much more concerned with all these issues related to the different aspects of identity, namely social identity, personal identity in terms of an intrinsic point of view or intimate, creative mode of being, and the philosophical questions about what a person is. This seems to be the case as he discusses openly certain issues; others might be read only between the lines. In some recent articles, Sen explicitly discusses issues related to people's social identity and the role it plays in their lives. He acknowledges that social identity will have considerable influences on human behaviour, especially in that it may lead to departures from solely self-interested attitudes [Sen 1999: 5]. Thus, while accepting the importance of social identity for human beings, he goes on to explore "[...] how our identities emerge - whether by choice or by passive recognition - and how much reasoning can enter into the development of identity" [Sen 1999: 6]. For Sen, there is no doubt. His answer amounts to an appeal to the moral qualities of homo economicus. He defends vigorously the need for choice and reasoning in relation to social identities. He makes this clear by differentiating two aspects of identity. The first one is the identity's delineating role; the second one concerns its perceptual function [Sen 1999: 13]. The former aspect is concerned with demarcation, i.e. the question about what group of people a person belongs to. Sen emphasises the fact that people indeed have "multiple identities" [Sen 1999: 14], that is, a person may be member of several different groups that call for sometimes even competing attitudes. The important point for Sen is then "[...] that delineation leaves room for choice and reasoning. To insist on a particular canonical group identity, without reasoned support, would beg the question: why focus on this group only rather than another, of which the person may also be a member?" [Sen 1999: 14]. Sen calls for a critical reflection on one's commitment to specific groups in order to avoid, as he remarks, "uncritical acceptance of conformist behaviour" [Sen 1999: 19] that may even amount to "unreasoned herd behaviour" with its devastating effects [Sen 1999: 20-1]. Therefore, "[g]iven the alternative identifications among which we can choose, the actual identities to which we can give recognition and priority are, to a considerable extent, ours to determine" [Sen 2000]. Of course, these choices are limited by specific constraints such as our historic background, physical look [Sen 1999: 18] or even the way that others see us and which will be difficult to change [Sen 2000]. In relation to the second aspect of identity, the perceptual one, Sen argues that "[t]here can be little doubt that the communities or cultures to which a person belongs can have a major influence on the way he or she sees a situation or views a decision" [Sen 1999: 22]. However, Sen insists on the point that even though our social identity may influence the way we reason, it certainly does not determine it fully. There is possibility of choice even in an "encumbered position" [Sen 1999: 23]. This is especially so since there is not one exclusive way of how our reasoning is going to be influenced and formed by our respective culture. Our social identity is not defined by a unique set of attitudes and beliefs. Even within a culture, one observes different variations of it. Choice and reason do exist everywhere and for everybody and they are not, Sen emphasises, specifically "Western" values. Therefore, Sen puts "Reason before Identity" and rejects what he calls the communitarian "[...] tendency to treat different cultures as cognitive or moral islands" [Sen 1999: 31]. Nevertheless, he admits that social identities are important, thus he equally rejects the idea to consider individuals "merely as self-concerned islands" [1999: 30]. Hence, in order not to do the latter, one has to take into consideration social identity, and in order to avoid the former, he argues to go "beyond identity" [Sen 2000]. Going "beyond identity" means to realise that there are more than social identities, such as gender, class, professional and other ones, based on our activities or "interpersonal sympathies and solidarities" [Sen 1999: 28-9]. Of course, the demands and imperatives stemming from the multiplicity of identities may be a cause for conflicts. "This calls for reasoning - not for a mechanical formula - on the varying priorities of the respective identities" [Sen 1999: 30], concludes Sen.

Thus, Sen goes much further than any of the preceding authors. He explicitly discusses the issues of identity and defends much more rigorously people's possibility to choose their social characteristics. Indeed, Sen's individuals do not have as a final aim to maximise their utility, given certain constraints linked with their social identity. Sen's individuals have first of all to be responsible agents in relation to - as I would call it - who they are and to reflect upon their acceptance of the constraints imposed by their social identity. So each individual sees him or herself confronted with several competing interests or preference rankings, which Sen calls "multiple identities", that have not only to be weighted against each other, but also decided about the degree of importance the individual attaches to them. Jon Elster already said that "[t]his would involve comparing each possible self with the ideal self, in order to rank the options and make a decision about what I would like to become. Now the foundation for this ranking must be my conception of the ideal self. To ask me to compare the options with one another, with no reference to this benchmark, would not make sense" [Elster 1986: 13]. This means that Sen's individual must have a notion of his or her personal identity, that is, who he or she is and wants to be. This individual has to take decisions always in relation to some vision of herself and any choices may then be seen as reflections of intrinsically motivated creative acts of self-conception through time and place. Taking this rich conception of human beings into account, it is easy to see why it was Sen who proposed a change in the informational base for the assessment of well-being and social advantages from personal utilities (among others such as income, primary goods...) to functionings, i.e. what a person is and does, and capabilities, i.e. the various functionings a person can achieve [Sen 1993: 30]. Hence, Sen starts depicting individuals not any more in terms of their preference orderings and constraints, but in terms of their functionings and capabilities and allows much more information about the individual's being and doing to enter economic considerations and assessments. Sen's claim for a change in the informational base of evaluation is sustained by the different unsatisfying results the standard measurement in terms of utilities (this time in the sense of happiness or preferences satisfaction) has brought about. In particular, Sen was concerned about avoiding situations where people would lack the perception of their personal interest. If well-being is assessed in terms of utilities as happiness, a person may say to be happy even though he or she suffers from severe deprivation. "The underdog comes to accept the legitimacy of the unequal order and becomes an implicit accomplice" [Sen 1990: 125]. This may also be translated in terms of utility maximisations: people choose what they think to be the best for them under given constraints even though they might have had better options in comparison to other people. Indeed, because constraints are different for different people, their well-being cannot be assessed in the same way simply in terms of utilities. Thus, Sen does, for example, defend a gender-based analysis that takes into account the various, often diverse, constraints men and women see themselves confronted with in a society [Sen 1990: 123]. "[N]ongender view has much plausibility in some contexts", however "[t]he systematically inferior position of women inside and outside the household in many societies points to the necessity of treating gender as a force of its own [...]" [Sen 1990: 123]. Sen is therefore keen on establishing an evaluation that takes account of what (and who) the individual is and does as well as what (and who) the individual would like to be and to do in some future. He thus stops being dependent on the minimalist representation of individuals in terms of their utilities and its sister-view of assessing people's well-being in terms of utility or happiness. However, what also has to be said is that the models we discussed previously, although maybe weak in their description and representation of people's identity, they were able to present models with acceptable results. Sen's rich account of individuals and his concern about the proper evaluation of well-being makes formal representation of his ideas much more difficult.

4 Conclusion

The concept of homo economicus has become over time a very acquainted notion to everybody. The main argument of this article was that behind any concept of this homo economicus lies a particular view about his or her identity. Until recently, the standard neoclassical approach of economics and its extensions never considered explicitly any form of identity. If we take as identity in its simplest form a criterion according to which we can re-identify an agent through time, we must acknowledge that standard economics, representing the economic individual in form of preference orderings and constraints, does not deliver any proper idea of identity. The individual is modifying his behaviour punctually according to changes in prices or income and there is no criterion that links those punctual modifications together. Over time, we may only have a "bundle" of single-episodes [Davis 1995] of changing behaviour, thus reflecting the Humean idea that no self exists. Methodological changes in the representation of the economic agent made some form of re-identification through time possible. Stigler and Becker [1977] changed preferences over goods into preference over fundamental aspects of life, which people produce with the help of available goods, time and accumulated human capital given the different constraints that include monetary, psychic or opportunity costs. Investing in human capital (or modern knowledge as in our example) today will reallocate the stock of human capital and hence its price and cost structure of tomorrow. Thus, the individual can be re-identified through time by looking at his stock of knowledge in the light of his past choices [Davis 1995]. However, it remains true that the individual is reacting only to changes in his environment, i.e. to changes in his price or income structure and no change is motivated by some intrinsic consideration of a proper self.

Other extensions of the standard representation of the economic agent include adding more information about either the individual's preferences or his or her constraints. Bernheim's [1994] model started with a typical economic agent with intrinsic preferences over goods, but also over status in society. The status depends on the agent's actions that will be perceived by others. It depends on how the others interpret the preference for behaviour behind the agent's actions, that a specific status is accorded to the agent. Thus, the result of Bernheim's choice behaviour produces a certain social identity of the economic agent. Becker and Murphy's [2000] model, on the other hand, adds more information of the economic agent's social environment into the choice situation. Thus, the economic agent is from the beginning onwards enriched with a social identity, according to which he or she will choose the corresponding goods. Social capital is thus added as a constraint to the individual's choice behaviour. However, in none of these examples, there was any explicit discussion of the agent's identity and what that could be.

Only recently, Akerlof and Kranton started to introduce explicitly the notion of identity into an otherwise standard economic reasoning [2000, 2002]. They did this by bringing an identity function into a utility function that depends on the individual's and other people's action, on social categories and their respective prescriptions in terms of outlook and behavioural norms, as well as on the individual's proper characteristics. A person's self-image or identity relies thus on his or her own social category with its particular status in society, and the extent to which his or her characteristics and behaviour correspond to the respective prescriptions. As we have seen, an enhanced self-image leads to identity rewards and thus to a gain in utility. However, this self-image is a purely social one. Thus, Akerlof and Kranton's identity model represents a different account of people's social identity and thus of what an individual is. Even Amartya Sen, via his capability approach that he developed to measure people's quality of life, is interested in what an individual is and does (his or her functionings) and in his or her choice among different aspects of what he or she can be and do (his or her capabilities). Although he is very much concerned about how strongly social identity affects people's behaviour and does not become tired to insist that choice is always possible, that is, that "Reason [comes] before Identity", his focus on what a person is and does may also be read as an account of who the person is. To concentrate on who the person is means to consider his or her identity as a dynamic process of forging one's own self-image or personality over time. This self-image will necessarily depend on a person's background and past experiences that direct future choices, but also on values, ideas and aspirations that guide the individual in living her life. Experiences will be revised according to own and newly acquired values and will affect future choices. That is, the individual is self-reflexive and takes account of her actions in order to evaluate if what she is doing corresponds with who she would like to be. This would be an account of a person's personal identity.

Thus, even though social identity gained on importance within economic reasoning, explicit considerations of the agent's personal identity is still missing to a large extent. However, even on that account we may now notice some changes appearing at the horizon. Bénabou and Tirole's paper [2002] represent a new and interesting approach to describe human behaviour. They indeed are interested in exploring "[...] the crucial role played by self-image in motivation, affect, and social interaction" [p. 871]. Their notion of self-image is linked to the idea of self-confidence. It is defined as belief over one's abilities (ability is the probability that an undertaken project succeeds, the belief over one's abilities is described as a distribution function depending on the probability), and the level of self-confidence will influence the motivation to act over time. People are not fully informed about their abilities and thus do not always know well enough what the costs and what the payoffs of their actions are. Hence, their model considers three temporal selves, whereby the current self, Self 0, has an interest in keeping or building the necessary amount of self-confidence or self-esteem for Self 1 such that the latter undertakes an action that if successfully accomplished will give a certain payoff to Self 2. Thus, their model is situated within an intertemporal utility maximising approach. Self 0 has to decide if Self 1 should learn his ability exactly or not. To learn more or less exactly about one's ability will have consequences on the level of self-confidence. In general, the higher the degree of initial self-confidence, the less an individual will be willing to receive information about her ability, as this may reduce her level of self-confidence. Bénabou and Tirole's model is interesting especially in so far as it accounts for an individual over time, whose re-identifiable identity criteria is her given level of ability. Furthermore, the individual is interested in maintaining a certain image of herself in terms of her level of self-confidence. Thus, in this model, we obtain a first representation of who the individual is, that is, somebody who projects herself over time and acts according to a certain aim. However, this final aim is not to create herself, or to discover herself in the sense of trying to know her true abilities, but it still is to maximise her utility. Thus, if it is better not to know who she is (thus her ability), then Bénabou and Tirole's individual acts in such a way as not to receive this information. The individual is not reflexive over her own actions; she is interested in her self-confidence as a mean for achieving utility maximisation, but not in the understanding or development of her self.

Economic agents might be considered to be persons who wish to integrate their lives into an "oeuvre of life" [Leroux 1995; p. 34]. In this case, personal identity becomes a key concept of analysis. Remains to be known how we could further develop this idea of who the person is within economic reasoning.

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