

# Deepening and Widening Social Identity Analysis in Economics

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## I. DASGUPTA AND GOYAL'S CONTRIBUTION

Standard rationality theory explains individual behavior as utility maximizing in every possible circumstance and situation individuals may encounter. No matter how the world is organized or institutionally structured, individuals always behave in one single way. As a universal, top-down characterization of behavior, it rules out there being any evidence that might disconfirm it. As Paul Samuelson observed long ago, the utility maximization hypothesis “is in the nature of an axiom, or definition, not subject to proof in any empirical sense, since any and all types of observable behaviour might conceivably result from such an assumption” (Samuelson 1937, 156). Employed, then, without fear of refutation, by contemporary standards of science where theories are accepted or rejected according to how well they stand up to the evidence the world provides, the utility maximization hypothesis falls short.

One way to correct this failing is to incorporate the concept of identity into how economics characterizes individuals. Asking how we identify individuals ties their behavior to ‘who’ they are (Kirman and Teschl 2004), who they are reflects how they occupy the world, and in principle this allows us to determine whether our characterizations of their behavior are refutable—that is, whether these characterizations fit what we observe about the world. One might say attention to identity dampens the universalism most standard rationality accounts of behavior assume. So Dasgupta and Goyal (2019; henceforth DG) are to be commended for incorporating the concept of identity into their analysis of individual behavior.

They are also to be commended for making the concept of social identity central. There are many ways to investigate how social factors influence individual behavior, but using the concept of social identity has a distinct advantage—it organizes those factors in a framework that has

been extensively investigated, both conceptually and empirically, for many years in social psychology. Needless to say, the amorphous and ambiguous concept ‘social’ has the potential to create endless disputes over its scope and meaning. The social identity concept limits and determines what counts as social by elaborating a specific set of behavioral hypotheses associated with well observed social circumstances where people are said to have social identities.

Yet, DG neglect that social psychologists distinguish *two* main types of social identity referred to as *relational* social identities and *categorical* social identities. Relational social identities are seen as “identifications of the self *as* a certain kind of person”—a role-based social identity—while categorical social identities involve “identifications of the self *with* a group [or category] as a whole”—a collective identity (Thoits and Virshup 1997, 106; emphasis added). For example, in the case of relational social identities, people identify themselves *as* employers when they employ others or *as* employees relative to their employers; similarly with students and teachers, people sharing households, and many other social settings that involve role relationships. In the case of categorical social identities, people identify *with* others who, for example, share the same ethnicity or gender, and they do so independently of interacting with these others in role relationships or indeed of ever even coming into contact with them.

These two types of social identities, then, are sometimes treated in social psychology as two dimensions or

two levels of [people’s] social selves—[(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, 83)<sup>1</sup>

The reason for saying that they involve two dimensions or ‘levels’ of a person is that the two types of social identity involve two quite different kinds of behavioral motivations.

DG, however, build their analysis exclusively around social-group categorical social identities as if relational social identities either do not exist or can be ignored for the purposes of their analysis. In one variation of DG’s (two-group) model, “a group’s payoff [to members] is an increasing function of its own size but a decreasing function of the size of the other group” (2019, 397). Their theory, they point out, is reminiscent of club

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<sup>1</sup> See also Brewer (2001), Reynolds, Turner, and Haslam (2003), and Davis (2011, 201ff).

theory but it interprets clubs in social-group identity terms and is then modeled in such a way that social-group (or club) membership can be understood in terms of how social groups compete in attracting individuals and maintaining membership levels. Over time, DG argue, the rules that groups employ become endogenous to the competition for members between groups.<sup>2</sup> Recall that, in the standard taxonomy of goods, club goods (also termed local public goods) are defined as goods that are excludable and non-rivalrous for particular groups of people.

One reason for focusing exclusively on people's social-group categorical social identities is that this makes social identity analysis primarily about the importance of social groups—a relatively unexplored subject in economics. This seems to be what DG are doing. The particular challenge this strategy then faces is how to limit intersectionality, or people having multiple social-group identities and belonging to different groups—what DG call 'multiple identities'. If people move back and forth between different social-group categorical social identities, because they believe they belong to different groups, cross-group mobility becomes important. In that case, group membership explains less of their behavior than in the case where people maintain strong loyalties to one or only a few groups. DG's payoff analysis, then, rules out this sort of outcome by showing how it can be in individuals' interest to maintain strong loyalties to one or only a few groups and to narrow their social-group profiles.

What, then, does setting aside people's relational social identities miss? First, it obviously misses incorporating social roles into an economic social identity analysis. Second, it misses how relational social identities are also a source of categorical social identities and not just one of two types of social identity. Thus, not only does one have a relation to others in social roles *as* a kind of person, but one also shares this identity *with* many others outside these role relationships. For example, students see themselves in relational social identity terms *as* students in virtue of their interaction with their teachers, but they also share the identity of simply being students in categorical social identity terms because they identify *with* other students.

Consider the difference, then, between a role-based type of categorical social identity and a categorical social identity simply involving identification with others outside of role relationships. Categorical social identi-

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<sup>2</sup> A similar argument about group dynamics was previously made by Horst, Kirman, and Teschl (2007).

ties specifically attached to relational social identities mix personal acquaintance with others in those role relationships with impersonal association with others outside of them. Thus, such identities are behaviorally more complicated than categorical social identities *not* connected to social roles in that the former somehow combine two kinds of motivation: one based in regular personal contact with people in role settings and the other in impersonal recognition of shared social categories. That is, students are motivated both by how they see themselves relationally *as* students vis-à-vis their teachers and also by how they identify categorically *with* other students.

In this more complicated behavioral situation, the issue is how the motivations associated with personal acquaintance, interaction in a specific relational setting, and the role responsibilities this involves connect up and interact with the more impersonal sort of motivation associated with identifying with others one doesn't know and will likely never meet. Does one kind of motivation dominate or take precedence in people's decision-making? Do role relationships persist or break down in light of people's perceived categorical identities? Or, apropos DG, do people's associated categorical social identities matter more or less in role settings?

Note an important difference, then, in where people's understanding of the two different types of categorical social identities comes from. In the case of categorical social identities per se, social scientists and other third-party individuals in public media, government, and elsewhere have an important say in ascribing social categories to individuals. In contrast, in the case of categorical social identities that arise specifically out of relational settings, it is individuals themselves, who, based on their own experience—for example, students studying with other students in relational settings—determine whether it is important to them to act upon a given social category ascribed to them by others. That is, in the first case, categorical social identities are largely ascribed to people independently of their own experience while, in the second case, role-based categorical social identities also depend on self-ascription. I return to this difference in connection with the issue of individual agency in the next section.

The vision, then, that DG pursue is one in which categorical social identities independent of relational ones are our only concern. In this framework, people have increasingly *narrow* social group identities associated with how the payoffs to individuals of maintaining primary loyalties to at most a few groups tend to rise. Intersectionality is potentially

an issue for this framework, but DG's payoff analysis makes it a non-issue.

This makes the world today a space of more and more intense social group rivalries—a world that is arguably increasingly polarized into largely non-communicating social groups locked into a competition with one another; a competition brought about by utility-maximizing individuals' impersonal, rational calculation of the payoffs to increasingly exclusive social-group loyalties. A possible corollary here is that democracy may matter less and less in this world because people ultimately vote according to their perceived group interests, and groups are more likely to promote partial interests rather than group-independent conceptions of the common good. In a time of increasing political partisanship, DG can hardly be blamed for seeking to model the social world in this way.

I will argue, however, that there is a more serious problem involved in focusing exclusively on people's categorical social identities, namely, that it risks eliminating individuals as distinct and independent agents which is fundamental to explaining what individuals' personal identities are. DG recognize that people have both personal and social identities, but do not explain what the former involves, thus leaving unaddressed what the relationship between the two is. This comes out in the inherent ambiguity associated with saying that people 'identify with' others.

## II. THE PROBLEM OF INDIVIDUAL AGENCY

The categorical social identity sense of 'identify with' that DG employ is where individual agents cognitively associate themselves with others in social groups and yet still maintain their independence as individual agents while doing so—a weak sense of 'with' that preserves the person's individual autonomy. Here, the identification with others is done under the individual's control. Yet, the 'identify with' idea can also mean that individuals give up their status as independent individual agents when they associate themselves with others in social groups—a strong sense of 'with' in which the person's status as an individual is unclear. In effect, people may become representative agents of those social groups<sup>3</sup> and substitute group utility functions for their own under pressure from others—in that case, the social group, not the individual, effectively becomes the agent. Indeed, this was the meaning of 'identify with' that was investigated in the famous Robbers Cave experiment (Sherif et al. [1961] 1988),

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<sup>3</sup> Note that this is not the macro-level representative agent concept of new classical economics but instead a micro-level one with a different purpose.

cited by DG (2019, 401). The experiment influenced many social psychologists and social identity theorists to argue that at least in some circumstances—particularly when individuals feel they are at significant risk—people cease to act as independent individuals and form strong allegiances to social groups. Indeed, this is one way to explain despotism in mass movements in history.

While DG clearly accord considerable weight to the influence social groups have on people, they clearly hold the weak sense of ‘identify with’ that preserves individual agency since, in their model, people are individual utility maximizers. DG also do not say that groups are also agents, even if this might be an interpretation or possible implication of their model. DG are, like many economists, ontological individualists who hold that only individuals exist and that only individuals are agents.

Yet, given the two possible meanings of ‘identify with’, it is incumbent upon DG, and those who hold the weak sense, to say how individuals retain a status as independent individual agents when group loyalties may count as important factors in explanations of their behavior. In this regard, restricting their social identity analysis to categorical social identities (and setting aside relational ones) creates a problem for DG, since the social distance individuals have from those with whom they identify in the case of categorical social identities—as manifest in the impersonality of this relation—diminishes their individuality and thus what might distinguish them as distinct and independent individuals. Essentially, if individuals see themselves as being simply like others, they become indistinguishable from others. In contrast, as I will argue more fully below, relational social identities, because they depend on personal role relationships, potentially differentiate people from one another according to how those role relationships distinguish them *as* certain kinds of people.

I’ve previously argued (for example, in Davis 2011) that to be able to say people are distinct, independent individuals, one needs to provide an adequate account of how they are individuated or shown to be distinct and different from one another. Individuation, that is, is an identity criterion (or test) for picking out individual agents (of any kind); and such a criterion needs to be satisfied when explanations and models are populated by agents, if these explanations and models are to be assumed to refer to real agents in the world.<sup>4</sup>

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<sup>4</sup> Of course, one could argue that the theory is normative, not descriptive of real-world individuals, and that it states what people ought to do in order to be rational. But DG presumably see their theory as descriptive.

I've also argued, however, that the individuation criterion implicitly assumed for utility-maximizing individuals is circular and inadequate because it cannot show that people are distinct and independent individuals. It relies on saying that a person is a distinct and independent individual in virtue of having their *own* preferences or utility function. However, it's question-begging to say that something is a distinct and independent entity because it has its *own* characteristics. So, despite the fact that DG assume people are distinguishable, independent individuals, their utility function analysis does not give us grounds for supposing that it is the weak sense of 'identify with' that applies in the world they envision.<sup>5</sup>

To be clear, I am also an ontological individualist. I believe individuals exist and can act as independent individual agents, though there are also social circumstances when they do not do so—I think human history has repeatedly, sadly demonstrated this when we examine the uptake on totalitarianism. From this I infer that we need to develop explanations of behavior that show us where the grounds lie for individuals to be able to behave and be explained as independent individual agents; then, we need to normatively and institutionally try to make the social circumstances involved objects of social policy. From this perspective, let us return to how relational social identities work.

### III. RELATIONAL SOCIAL IDENTITIES AS A BASIS FOR EXPLAINING INDIVIDUAL AGENCY AND PERSONAL IDENTITY

Again, relational social identities concern how people in role settings identify themselves *as* certain kinds of persons, but because roles often refer to broad social categories, they also involve identifying people *with* others via their categorical social identities. In order, then, to distinguish these kinds of categorical social identities from those not connected to social roles, we might say that the former are nested or embedded within those relational social identities. This, I will argue, offers a way of explaining how the different kinds of motivations associated with the two kinds of social identities fit together, and how people can then be individuated as distinct and independent economic agents.

Generally speaking, individual agency is understood as a person's ability to bring certain things about. In social roles, then, people are seen as being able to bring things about because having a role implies a person

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<sup>5</sup> I believe the source of this failure, as Samuelson saw, is that the utility maximization hypothesis is taken as an axiom or a definition.

is expected to do certain things, and this assumes that the person is able to do such things. In contrast, having categorical social identities per se tells us nothing about individual agency since simply possessing a categorical social identity does not tell us that there are certain things people are expected to do. They simply concern a property assigned to people by third parties without any reference to agency. However, in the case of categorical social identities that specifically arise out of relational social identities, there do exist expectations, framed by people's associated social roles, regarding what people are expected to do.

For example, when a student says that a teacher is not acting as a teacher should, and when the student uses how she compares herself categorically to other students, the standard for this cross-student comparison and identification is what teacher-student roles generally involve. That is, the student's interpretation of her shared student categorical social identity is nested or embedded in the relational teacher-student social identity. Thus, to answer the question above regarding how relational social identity motivations and categorical social identity motivations connect up or are related, the former dominate and take precedence in determining how people understand the latter.

This, then, bears on the issue of individuation and what is needed to show that people are distinct and independent individuals. They are distinct and independent individuals if they can be seen to be individual agents, and they can be seen to be individual agents in social roles where they have responsibilities they are expected to be able to individually fulfill. So, fulfilling a specific role distinguishes a person from others in relation to others. Roles are, of course, largely given, but fulfilling them is up to the person who accepts them.<sup>6</sup>

In contrast to the standard utility-function conception of the individual, where individuating people in terms of only their own characteristics is circular, in this case, people are individuated not solely in terms of their own characteristics, but also in terms of how their characteristics are understood in relational role settings. Thus, as a conception of personal identity, people can then generally be individuated as distinct and independent individuals to the extent that across their many different role relationships in workplaces, households, and so on, people are expected to act on the various responsibilities these relationships involve. Personal

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<sup>6</sup> Previously (Davis 2003, 145-147), I used collective intentionality theory—how shared intentions relate individuals behaviorally—to explain how roles and responsibilities individuate people, but the simple idea of role fulfillment also explains this.



identity is thus relational; we are distinct and independent individuals relative to others with whom we interact.<sup>7</sup>

This view accordingly implies a different vision of society than the one DG offer. People's categorical social identities are indeed important, but their impact on society is mediated by people's social roles and relational social identities—at least if we wish to argue that people are distinct and independent individuals (and contrary to the hypothesis that social groups are agents rather than individuals). On this view, the world need not be seen as becoming increasingly polarized across rival, competing social groups. Rather, social conflict lies in whether role relationships operate as they are functionally expected to do or are prey to manipulation and unfairness undermining individual autonomy, particularly where some people have power over others. I touch on this issue below.

#### **IV. RELATIVELY CLOSED AND RELATIVELY OPEN BEHAVIORAL DOMAINS**

The social identity analysis above raises a difficult methodological issue regarding how one explains the interaction of economic agents' different behavioral motivations. This issue does not arise when utility-maximizing behavior is taken to be the only type of economic behavior. But people's two kinds of social identities produce two different kinds of behaviors.

Suppose, then, that we regard the different types of behaviors associated with role settings and group affiliations as occupying two different behavioral domains. People's relational social identities and social roles refer us to a domain where people are motivated by the responsibilities they believe they have—a domain of deontological behavior. Following DG, categorical social identities refer us to a domain where people act according to payoffs they expect from ties to social groups—a domain of instrumental behavior. An economic approach to social identity analysis, distinguishing people's relational and categorical social identities, could then be developed around explanations of the relationship between these different domains of life.

The analysis above made one key assumption in this regard. It argued that if we take individual agency seriously and focus on what makes people distinct and independent individuals, their role-relationship behaviors should have prior importance and their social-group behaviors should be

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<sup>7</sup> There is, of course, much more that needs to be said for a complete relational account of personal identity. Any relational account, however, shares the idea that without relationships to others, it is impossible to say what one is—thus, a human being deprived of such relationships throughout their life would, on this view, not count as an individual agent.

seen as modifying how people address these behavioral priorities. Again, when a student says that a teacher is not acting properly when the teacher judges the student by her ethnicity or gender rather than by how she behaves as a student, the standard for this complaint is what the teacher's role requires, and remedying the situation involves emphasizing the responsibilities of that role.

Note, then, that social roles, because they are usually structured around interconnected sets of rules, constitute a 'relatively closed' type of behavioral domain. The personal character of role settings—people being in contact and regular interaction with others—arguably reinforces their 'relatively closed' nature. In contrast, whereas social roles involve relatively well-structured domains of activity, people's categorical social identities motivate a more diffuse set of behaviors and thus constitute a 'relatively open' type of behavioral domain. That one possesses a social-group identity does not point toward specific kinds of behaviors other than acting in the interest of the group, which can mean many things. The 'relatively open' character of this domain is also reinforced by the social distance between people who share categorical social identities and the more impersonal connection this involves. Moreover, that people have multiple categorical social identities competing for their attention moderates the weights they place on any single social group identity.

Thus, the behavioral complexity associated with people having two kinds of social identities can be explained in terms of how the 'relatively closed' relational social identity domain interacts with the 'relatively open' categorical social identity domain. What, then, the priority given to social roles and the modifying effects upon them that group identities have tells us is that the effects of the latter domain work within and not simply from outside the social roles domain. The social roles domain is only 'relatively closed', not fully closed, because categorical social identities matter when we attend to the performance of responsibilities attached to social roles. At the same time, the domain constituted from people's categorical social identities is only 'relatively open', not fully so, because it is still structured, if loosely so, by intersectionality and by the fact that people have multiple social identities.

One implication of this sort of conception lies in how we understand normative economics and order different ethical goals in economics. Standard normative economics makes efficiency its principle, if not exclusive prescription, on the grounds that all behavior is utility maximiz-

ing. Yet, if social roles are of primary importance, because only they explain how people are distinct and independent economic agents, then economics should make the fulfillment of role responsibilities an important basis for its prescriptions. That is, in a world of ever-increasing specialization and continued expansion of social roles, economic gains are not the product of continual extension of the scope of utility maximization in the world, but of assuring that people's behavior efficiently fulfills what their roles entail.

However, there is a problem with this understanding since social roles in many instances embed and sustain discrimination against individuals according to their social-group memberships. Role relationships often place one party in a position of authority, and this allows them to abuse those relationships when it serves their interests.<sup>8</sup> Thus, re-orienting normative economics also needs to give emphasis to values associated with combatting social discrimination—a concept of justice tied to the idea that people should be valued as individuals, not according to their social characteristics.

DG, then, are to be commended for incorporating the concept of identity into their analysis of individual behavior. Their framework allows us to raise new issues regarding economic behavior and to potentially expand the normative thinking underlying economics. This comment seeks to further extend DG's framework by deepening and widening social identity analysis by emphasizing the differences between people's relational and categorical social identities.

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<sup>8</sup> In Davis (2021), I discuss how people in positions of power in role relationships can discriminate against others by manipulating intersectionality.

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