

# Research on the Path and Function of Identity from The Perspective of Economics

Chunyu Wu

Chongqing University of Posts and Telecommunications, Chongqing, China

---

**Abstract:** Since the concept of identity was proposed, it has attracted a large number of scholars and carried out extensive and far-reaching research. This paper systematically combs and summarizes the research of scholar on identity from three perspectives. In terms of defining the concept of identity, this paper summarizes and defines the concept of identity from two research directions: static, single perspective and multiple, alternative perspectives. In terms of the theoretical development of identity, this paper combs the development of identity up to the beginning of the 21st century. In terms of the research direction of identity, this paper combs the different views involved in scholars' research on identity, and summarizes the impact of identity in various fields. Finally, this paper proposes the research gap of identity, and provides suggestions for the future research direction of identity.

**Keywords:** Identity, Identity, Identity economics.

---

## 1. Introduction

People have their own identities, and even a person has multiple identities from different perspectives. The earliest research on identity can be traced back to the 1930s. People always actively generate identity out of the need of self respect or recognition from others. With the development of Internet economy, more and more scholars pay attention to the influence and development direction of identity, and have carried out extensive and in-depth research on identity. This paper combs and summarizes identity from three aspects: the definition of identity, the theoretical development of identity, and the research direction of identity.

## 2. Definition of Identity

The study of identity has a long history. To explore the definition of identity, we should first explore the definition of identity. When defining the term "identity", there are several common explanations: one refers to origin and social status, the other refers to status, and the third refers to appearance, posture, and posture [1]. In addition to the above three understandings, identity also has the meaning of means, skills, behavior, quality, etc. With the continuous evolution of the meaning of identity, when talking about identity, we focus more on identity as a symbol that distinguishes individuals from others in social interaction and the display of social position.

Different people have different views on identity research. In most of the existing studies, identity connotation focuses on a static, single perspective, which is the established social positioning of individuals. The concepts of identity and identity originated from Latin *idem*, which has the same meaning and later developed into English *identity* [2]. Hogg and Arams (1993) believed that identity is a way to describe human individuals and groups and explore how to define oneself and how to be defined by others based on race, minority, religion, language and culture [3]. Fearon (2000) enumerated the concept of identity representation, For example, "identity is the self definition of people about 'who am I' and their relationship with others [4]. Akerlof and

Kranton (2000, 2005)'s theory tends to give a definition of identity that people feel about themselves. Identity is the phenomenon that individuals attribute themselves (including others) to a certain social category and adopt the normative behavior that should be expected of individuals in that category [5,6].

Other scholars enrich the connotation of identity and its identification from the perspectives of multiplicity and selectivity of identity. Kirman and Teschl (2006) defined identity connotation as the identity triangle of capability space or feature space, including what identity, where identity and who identity. What is the fixed preference order of individuals; Where depicts the identity connotation defined by most identity economics researches, that is, individuals determine where they are in a specific social space; They also advocate who identity, that is, individuals can make choices about social pressure, who they are, and what they can change [,8]. Horst et al. (2006) believed that where identity is an individual's choice to choose his position in the society, which is often a choice to interact with people in a certain position. While who identity emphasizes that individuals decide what kind of people they want to become, and make choices based on this goal and their own characteristics, preferences, desires, and relationships with the surrounding environment. Identity is defined by the characteristics that make these choices possible [9]. Sen (2013) particularly emphasized that identity should be defined as the independent choice of whether an individual recognizes his or her exogenous given identity. An individual has multiple identity, which cannot simply highlight one identity, and thus label individuals or groups. Individuals can pursue and achieve their desired self [7]. Davis (2009, 2015) analyzed the relationship between an individual's personal identity and social identity, and believed that individual identity is the identification of multiple different social groups, and that individual identity is also determined by his choice or the group he belongs to [10,11].

The definition of identity by many scholars is summarized in the following two aspects: most of the identity research stands in a static and single identity perspective, and a few studies are based on a dynamic and multiple identity perspective. Most of the studies are based on the "what

identity" perspective to elaborate the nature of identity and its connotation. In a small number of studies, the use of identity to explain economic behavior mostly uses the "where identity" perspective with established identity and preferences. The results of "rational choice" when investigating changes in individual preferences in the established social space. The "who identity" perspective is a highly valued direction in the development of virtual networks, The existing scholars have less research on it.

### 3. Theoretical Development of Identity

Social identity theory was introduced into economic analysis, forming "identity economics" [12]. Identity economics provides an important perspective for explaining and predicting the micro decision-making behavior of individuals and groups by studying the interaction between identity and social economic decision-making. It is an economic field that studies how identity affects decision-making and how people deal with identity issues. Collins put forward the concept of "the looking glass self", pointing out that self is a process in which an individual knows himself according to the views of others. Therefore, a person's self-awareness or self-identity is nothing more than a reflection of others' views that he is aware of. Every social relationship also reflects the self, which constitutes his identity [13]. George Mead, a giant of the Chicago School of Sociology, believes that in the process of forming a society by a single individual, the spirit and self have played a huge role. Human beings use symbols to determine the ability of objects in the environment, including the self, followed by the ability to understand conventional postures and use them to play the role of others (taking the role of the other); In this way, Couley and Mead formed the basis of the theory of symbolic interaction. They believed that society influences people's social behavior by influencing themselves, and the core mechanism is to "play the role of others" [14]. Streak put forward that we all have very different self components, namely the so-called role identity, relative to each role position we have in social life [15]. Sen (1985) introduced identity into economic research earlier. He pointed out that identity is how people see themselves [16]. Akerlof and Kranton (2000) introduced social identity theory into economic analysis and formed "identity economics". They believed that identity described the social classification and self-image of individuals, including the classification of individuals to others, and described the feeling of individuals to themselves and the impact of people's actions on this feeling [17]. Akerlof and Kranton (2010) believed that identity defined its social type, connected with certain social norms and affected its decision-making [18].

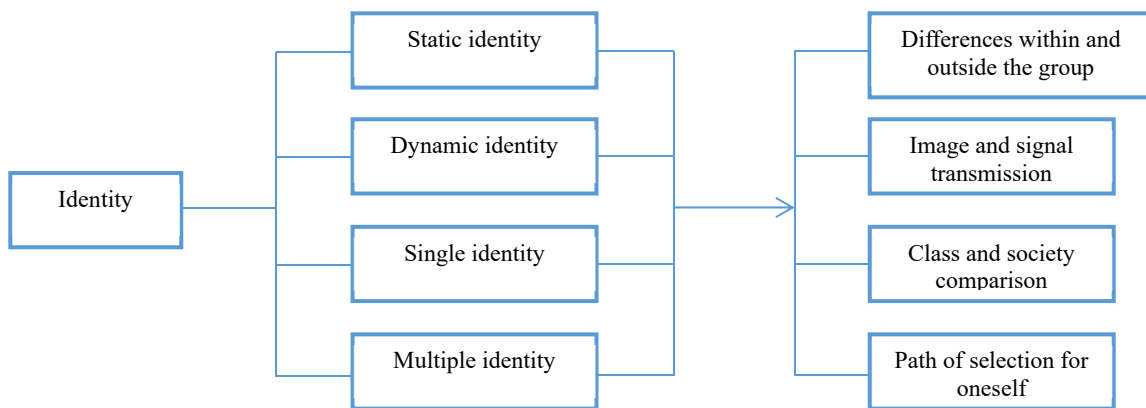
With regard to identity theory, existing studies have elaborated the impact of identity on economic behavior from multiple perspectives, such as symbol mechanism, role play, self-consciousness and social norm association, mainly

including three categories: the important impact of identity on cooperation, the important impact of identity on conflict and competition, and the impact of identity on other economic behaviors.

### 4. Research Direction of Identity

Most of the studies on the influence of identity on economic behavior focus on the differential treatment of the same identity and different identity interaction objects. In addition, some studies also discussed other ways in which identity has an important impact, such as social image or self-image, social reputation and signaling, social norm compliance, discrimination and prejudice. Solow and Kirkwood (2002) found that common identity can significantly promote cooperation [19]. Eckel and Grossman (2005) found that identity induced by identity enhancement task can significantly improve cooperation [20]. Charness et al. (2007) also repeated the findings of Eckel and Grossman (2005) in their research on prisoner's dilemma and gender war [21]. The research of Drouvelis and Nosenzo (2013) expanded to explore hierarchical group cooperation behavior, and found that when the identity of the leader was consistent with that of other group members, the group contribution was significantly improved (up to 30% difference) than that without identity induction [22]. Bernhard (2006) and others conducted a dictator game experiment with third-party punishment in Papua New Guinea using naturally occurring groups. It was found that the third party showed a more obvious altruistic tendency towards the victims belonging to its own group, but showed a higher tolerance towards the dictators of its own group [23]. Ben Ner et al. McLeish and Oxoby (2011) adopted the priming method in their research, and found that subjects who started a common identity were more inclined to cooperate and make negative reciprocal actions to unfair proposals than individuals who started a different identity, indicating that individuals punished individuals with a common identity for violating social norms more weakly [25]. According to the classic research of Goette et al. (2012a), when a betrayer betrays an individual of the same group, the punishment is more severe than betraying other groups [26,27]. Butler et al. (2013) found that in the dictator game of third-party punishment, if the third party, decision-maker and receiver belong to the same group, the punishment for unfair treatment is the lowest [28]. Cadsby (2016) and others found through natural identity experiments in different universities in China that identity affects cheating behavior and moral judgment: individuals will choose to cheat even when they do not benefit but only for the benefit of their group members [29].

The impact of identity research on economic behavior mainly includes three categories: the important impact of identity on cooperation, the important impact of identity on conflict and competition, and the impact of identity on other economic behaviors.



**Figure 1.** Path and effect of identity

## 5. Summary and Suggestions

The definition of identity by many scholars is summarized in the following two aspects: most of the identity research stands in a static and single identity perspective, and a few studies are based on a dynamic and multiple identity perspective. Most of the studies are based on the "what identity" perspective to elaborate the nature of identity and its connotation. In a small number of studies, the use of identity to explain economic behavior mostly uses the "where identity" perspective with established identity and preferences. The results of "rational choice" when investigating changes in individual preferences in the established social space. The "who identity" perspective is a highly valued direction in the development of virtual networks, The existing scholars are very short of relevant research, and the relevant exploration has important theoretical value and practical significance, which is worth further research in the future.

## References

- [1] Zhang Shuhua, Li Haiying, Liu Fang Overview of Identity Research [J] *Psychological Research*, 2012, 5.
- [2] Guo Xu, Liu Bo. "We" and "They": Self identification and Group Distinction of Three Informants [J]. *Ningxia Social Sciences*, 2020 (02): 143-150.
- [3] Hogg, M.A. & D. Abrams. *Group Motivation: Social Psychological Perspectives* [M]. New York: Harvester Wheatsheaf, 1993.
- [4] James D. Fearon, David D. Laitin. Violence and the Social Construction of Ethnic Identity [J]. *International Organization*, 2000, 54(4).
- [5] Akerlof, G., and R. Kranton. 2000. "Economics and Identity." *The Quarterly Journal of Economics* 115(3): 715-753.
- [6] Akerlof, G., and R. Kranton. 2005. "Identity and the Economics of Organizations." *The Journal of Economic Perspectives* 19(1): 9-32.
- [7] Amartya Sen, 2013: *Identity and Violence: The Phantom of Destiny*, Chinese translation, China Renmin University Press.
- [8] Kirman, A., and M. Teschl. 2006. "Searching for Identity in the Capability Space." *Journal of Economic Methodology* 13(3): 299-325.
- [9] Horst, U., A. Kirman, and M. Teschl. 2006. "Changing Identity: The Emergence of Social Groups." *halshs-00410853*. <https://halshs.archives-ouvertes.fr/halshs-00410853>.
- [10] Davis, J. 2009. "Identity and Individual Economic Agents: A Narrative Approach." *Review of Social Economy* 67(1): 71-94.
- [11] Davis, J. 2015. "Stratification Economics with Identity Economics." *Cambridge Journal of Economics* 39(5): 1215-1229.
- [12] Zhou Xiaohong, *Identity Theory: An Analytical Approach to Sociology and Psychology Social Sciences*, 2008 (04): 46-53+187
- [13] Cooley: *Human Nature and Social Order*, Huaxia Publishing House, 1989 edition, page 118.
- [14] George H. Mead, *Mind, Self, and Society*, Chicago: University of Chicago Press, 1934, p. 154.
- [15] Sheldon Stryker, *Symbolic Interactionism, A Social Structural Version*, Palo Alto: Benjamin/Cummings, 1980.
- [16] Sen, A. 1985. "Goals, Commitment, and Identity." *Journal of Law, Economics, and Organization* 1(2): 341-355.
- [17] Akerlof, G., and R. Kranton. 2000. "Economics and Identity." *The Quarterly Journal of Economics* 115(3): 715-753.
- [18] Akerlof, G., and R. Kranton. 2010. *Identity Economics: How Our Identities Shape Our Work, Wages and Well-Beings*. Princeton NJ: Princeton University Press.
- [19] Solow, J., and N. Kirkwood. 2002. "Group Identity and Gender in Public Goods Experiments." *Journal of Economic Behavior and Organization* 48(4): 403-412.
- [20] Eckel, C., and P. Grossman. 2005. "Managing Diversity by Creating Team Identity." *Journal of Economic Behavior and Organization* 58(3): 371-392.
- [21] Charness, G., L. R. Isgotti, and A. Rustichini. 2007. "Individual Behavior and Group Membership." *The American Economic Review* 97(4): 1340-1352.
- [22] Drouvelis, M., and D. Nosenzo. 2013. "Group Identity and Leading-by-Example." *Journal of Economic Psychology* 39: 414-425.
- [23] Bernhard, H., U. Fischbacher, and E. Fehr. 2006. "Parochial Altruism in Humans." *Nature* 442: 912-915.
- [24] Ben-Ner, A., B. McCall, M. Stéphane, and H. Wang. 2009. "Identity and In-Group/Out-Group Differentiation in Work and Giving Behaviors: Experimental Evidence." *Journal of Economic Behavior and Organization* 72(1): 153-170.
- [25] McLeish, K., and R. Oxoby. 2011. "Social Interactions and the Saliency of Social Identity." *Journal of Economic Psychology* 32(1): 172-178.
- [26] Goette, L., D. Huffman, and S. Meier. 2012a. "The Impact of Social Ties on Group Interactions: Evidence from Minimal Groups and Randomly Assigned Real Groups." *American Economic Journal Microeconomics* 4(1): 101-115.
- [27] Goette, L., D. Huffman, S. Meier, and M. Sutter. 2012b. "Competition between Organizational Groups:

- Its Impact on Altruistic and Antisocial Motivations." *Management Science* 58(5): 948-960.
- [28] Butler, J., P. Conzo, and M. Leroch. 2013. "Social Identity and Punishment." *Einaudi Institute for Economics and Finance Working Paper*. <https://ideas.repec.org/p/uto/dipeco/201329.html>.
- [29] Cadsby, B., N. Du, and F. Song. 2016. "In-group Favoritism and Moral Decision-Making." *Journal of Economic Behavior and Organization* 128: 59-71.