

Economics and Identity

Akerlof (2000), QJE

Yasaman Saeidi

TelAS

July 2019

Table of Contents

- 1 Introduction
 - Identity
- 2 Utility Function with Identity
- 3 Examples of Identity-Related Behavior
- 4 A Prototype Model
 - Equilibrium Outcomes and Comparative Statistics
- 5 Identity, gender, and Economics in the workplace
 - The Model
 - Implications for Labor Market Outcomes
 - Effects of the Women's Movement
- 6 Identity and Economics of the Household
- 7 Conclusion

- How identity, a person's sense of self, affects economic outcomes?
- Psychology and sociology of identity into an economic model of behavior: In the utility function identity is associated with different social categories and how people in these categories should behave.
- Simple game-theoretic model showing how identity can affect individual interactions.
- Gender discrimination in the workplace and the household division of labor.

First, identity can explain behavior that appears detrimental.

Second, identity underlies a new type of externality.

Third, identity reveals a new way that preferences can be changed.

Fourth, because identity is fundamental to behavior, choice of identity may be the most important “economic” decision people make.

Utility Function with Identity

- - C : Social Categories
 - c_j : Person j 's assignment of people to these categories
 - P : Prescription (appropriate behaviour)

- Utility function

$$U_j = U_j(a_j, a_{-j}, I_j)$$

- Identity

$$I_j = I_j(a_j, a_{-j}; c_j, \textit{epsilon}_j, P)$$

Examples of Identity-Related Behavior

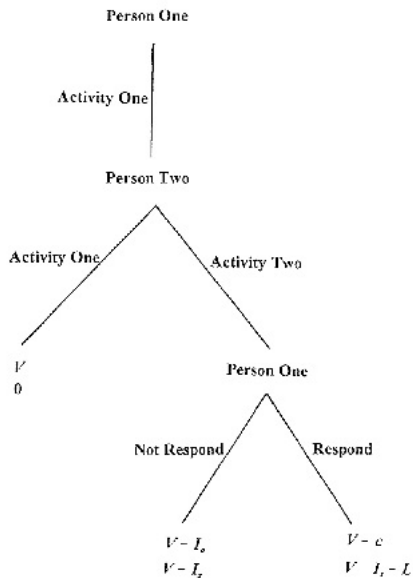
- 1 People have identity-related payoffs from their own action.
 - Self-Mutilation
 - Gender and Occupation
 - Alumni Giving
- 2 People have identity-related payoffs from others' actions.
 - Gender and Occupation
 - Manhood and insult
- 3 To some extent people choose their identity.
- 4 The creation and manipulation of social categories C and prescriptions P .
 - Advertising
 - Professional and Graduate schools
 - Political identity

A Prototype Model

A prototype model of economic interaction in a world where identity is based on social difference:

- Standard economic motivations for behavior
 - Activity One and Activity Two
 - A population of individuals each of whom has a taste for either Activity One or Two
 - If a person chooses the activity that does match her taste earns utility V . Otherwise, zero.
- Identity-based preferences
 - Two social categories, Green and Red.
 - All persons think of themselves and others as Green
 - Behavioral prescriptions: a Green should engage in Activity One

A Prototype Model



Equilibrium Outcomes and Comparative Statistics

- Person One deters Person Two from engaging in Activity Two, when $c < I_o$ and $I_s < V < I_s + L$.
- Person One responds but does not deter Person Two from engaging in Activity Two, when $c < I_o$ and $I_s + L < V$.
- Person One does not respond, and Person Two engages in Activity Two, when $c > I_o$ and $I_s < V$
- Person Two does not engage in Activity Two regardless of Person One's response, when $I_s > V$

- 1 An identity theory of gender in the workplace expands the economic analysis of occupational segregation.
 - As recently as 1970, 2/3 of the US' female or male labor force had to switch jobs to achieve occupational parity.
 - measure of occupational segregation.
 - from 1970 to 1990, this figure declined to 53 percent due to the change in societal notions of male and female.
- 2 Lower female labor force participation
 - Distaste of men for working with women
 - Loss in male identity
 - Lower desire of women for labor force participation
 - Their identity as homemakers

The Model

- Two social categories: Men and Women with prescription of appropriate activities for each.
- Firms hire labor, the task is a "man's job"
- Women lose identity I_s by doing it, Male coworkers suffer a loss I_O
- Men relieve their anxiety by taking action against women coworkers
- To avoid productivity loss, firms change gender job association at a cost, and create "women's job".
 - Example: Transform elementary school teaching into a women's job.
- Gender-Job association persists

- The model easily extends to the decision to participate in the labor force
 - If women's identity is enhanced by work inside the home, they will have lower labor force attachment than men.
 - Historically, female labor force participation rates, have been lower and more cyclically variable.

Implications for Labor Market Outcomes

- This identity model explains employment patterns arising from associations between gender and type of work.
 - Women will dominate jobs whose requirements match construed female attributes and inferior social status
 - Example: Secretaries, Elementary school teachers, Nurses
 - Women do not enter male professions because of gender associations. Male professions have required similar levels of education to female professions and could have been amenable to part-time work.
 - Rhetoric surrounding job shifts, recruiting women in World War II

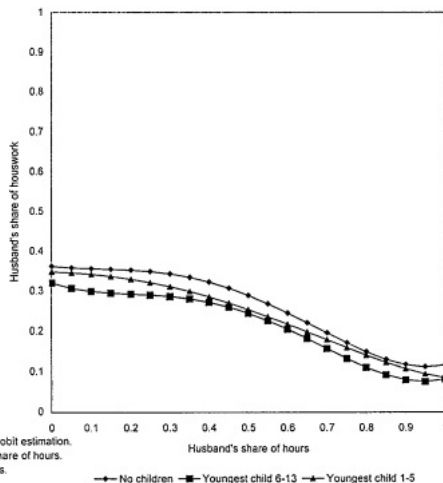
Effects of the Women's Movement

- The model gives a theoretical structure for how the women's movement have impacted the labor market.
- The movement's goals included reshaping societal notions of femininity and removing gender associations from tasks, both in the home and in the workplace.
- In the model, such changes would decrease women's gains in identity from homemaking, and decrease the identity loss I_s of women working in traditionally men's jobs, as well as the accompanying externalities I_o .

Identity and Economics of the Household

- When a wife works more hours outside the home, she still undertakes a larger share of the housework. Hochschild's 1990 study *The Second Shift* reveals the details of such asymmetries.
- Existing theories do not predict this asymmetry. Identity considerations can explain the high shares of housework of wives who undertake a large share of outside work hours.

Identity and Economics of the Household



Identity affects economic behavior in our models through four avenues.

- Identity changes the payoffs from one's own actions: I_s
- Identity changes the payoffs of others' actions: I_o
- The choice, or lack thereof, of different identities affects an individual's economic behavior
- The social categories and behavioral prescriptions can be changed, affecting identity-based preferences.