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CHANGING IDENTITY: THE EMERGENCE OF SOCIAL GROUPS

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Changing Identity: The Emergence of Social Groups

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Abstract

Homo Economicus has progressed from an atomistic and self-interested individual in standard economics to a socially embedded agent in modern economics who is endowed with a particular social identity or with specific preferences for the latter. While this vision makes the economic agent more realistic, its representation by adding variables in an agent's utility function poses problems. The distinction between the agent's own preferences and those that society imposes on the agent becomes both blurred, and difficult to make. In order to separate these two facets of preferences, we explore the idea of an agent's personal identity of which his social identity is one aspect. To consider personal identity means endowing the economic agent with the capacity to change, in particular, in the social space. This greatly complicates the problem of making welfare judgements since it is difficult to define a welfare improvement in the future. We next present a model in which the evolution of peoples' identities is stochastic. This can explain the appearance of individuals who seem to defy social convention. Our model shows how personal identity changes. We can find a social equilibrium only if personal identity matters little. But this suggests, paradoxically, that for individuals to have well-established identities, society must be one which is not in equilibrium, but one which will continue to change and in which both the social groups and the individuals are constantly being modified.

Keywords: Economic agent, social preference, social identity,
personal identity, concept of change, social equilibrium

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