From Behavioral Economics to Economics of Identity:

Forging an economic praxeology

Jérôme Ballet & Emmanuel Petit

Understanding human action is an essential task for economics. It is not only a stake relating to the understanding of man as such, but fundamentally a major objective to apprehend the reactions of individuals to economic policies. From this point of view, as pointed out by Kirman (1992, p.119), it is clear that the representative agent deserves a decent burial, as an approach to economic analysis that is not only primitive, but fundamentally erroneous". Far from the homoeconomicus simplest view of human action, using experimental case studies, behavioral economics has now contributed to a broader picture of human action. Behavioral economics is then part of a long tradition of praxeology as described by Gunnar Skirbekk's praxiological anthology: "Praxeology in our sense is a conceptual analysis and reflective discussion of the way human activities are interwoven with their agents and with the things at which they are directed within our everyday world" (1983, p.9). And Skirbekk adding that, in the Nordic tradition, praxeology is based on careful uses of examples invoking detailed descriptions and thought-experiments.

Certainly, behavioral economics is not a homogenous approach, emerging from different strands such as experimental economics, economic psychology and neuroeconomics (Tomer, 2007). For few authors it remains wedded to mainstream economics, being exclusively devoted to incorporating more realistic assumptions into rational decision models of action, or describing various anomalies in rational theory (Fudenberg, 2006; List, 2008). Nevertheless, the emergence of behavioral economics suggests that another path definitively seems to be coming up on the horizon, one which carries a great transformative potential for economics. This new path needs largely to be built with the introduction of new core concepts in economics. Indeed, if results of lot of experiments in behavioral economics suggest a different conception of man than the one proposed through the homoeconomicus, all these results are only pieces that need to be connected to some core concepts in a way to forge a new understanding of human action in economics. Currently, the core concepts are lacking.

We consider identity as a main core concept for a better understanding of human action in economics. Of course, identity is not a concept totally new in economics. Recent developments have largely underlined the importance of identity for economic behavior (Akerlof & Kranton, 2010; Davis, 2003). Nevertheless, identity was not previously linked to the results of behavioral economics. Here, we then propose to build a link between results of behavioral economics and the concept of identity. Firstly, we develop some results in moral psychology regarding pro-social behavior. Particularly with present the contribution of Blasi's model (1893). Secondly, we describe the main results of behavioral economics, concentrating on pro-social behaviors. Thirdly, based on these results, we defend the idea that identity is a main core concept for the understanding of human action in economics. However, identity must be conceived in a much deeper sense than the economic analysis proposes currently. And for that, Blasi's model in moral psychology makes a good contribution.

1. Pro-social behaviors and identity in moral psychology

In moral psychology, since Kohlberg (1969) developmental theory of morality, cognitive approaches, such as social domain theory (Turiel, 2002), have occupied the front of the stage. Cognitive theories consider that with the development of moral reasoning, individual develops moral judgments and are then more and more compelled to behave in coherence with their moral judgments. In contrast to cognitive theories that highlight the understanding of abstract moral principles by individuals, emotional theories have also entered into the debate (Eisenberg, 1986; Hoffman, 2000). Emotional theories underline the role emotions play in acting morally. If both approaches now agree to recognize the links between cognition and emotion, at least since Damasio's book (1994), a main stake of the debate focuses on the primary source of motivation, either cognition or emotion (Gibbs, 2003).

Nevertheless, neither of these approaches is sufficient to understand pro-social behaviors. As Blasi (1980) or Eisenberg & Miller (1987) outlined, cognitive-emotional motives do not guarantee moral behaviors. In each situation, individual may know some multiple motivational sources pushing him to different kinds of action. Moderators seem to interfere with cognitive-emotional motives. Among moderators, identity constitutes a key step. Identity affects motivations to action (Blasi, 1983; Eisenberg, 1986; Colby & Damon, 1992; Monroe, 2001; Gibbs, 2003; Nisan, 2004; among others). In all approaches linking identity to pro-social behaviors, morality is considered motivational only if morality is essential for the one's sense of self, that is, if identity is related to one's sense of obligation or responsibility toward one's moral concern. Among all models linking identity and morality, Blasi's model (Blasi, 1984, 1988, 1993, 1995) is certainly the most elaborated and most persuasive, also unavoidable (Hardy & Carlo, 2005).

Blasi's model is based on three key features (Hardy & Carlo, 2005). First, an action is considered moral only if it is judged necessary for the individual. Then a moral action is done or not only if the individual feels responsible for that action. Moral judgment needs judgment of responsibility. Moral judgment is a necessary condition but not a sufficient one. An individual does not only need to consider whether or not an action is right or not, but must also consider if s/he feels responsible for acting consistently with that action. Second, individual develops more or less a moral identity. For each individual, being moral is more or less a central feature of her/his sense of self. And third, individual has an inclination to behave consistently with her/his sense of self. Self-consistency is a main feature of human development. Based on these three key assumptions, an individual act in a pro-social manner because s/he establishes a moral judgment on an action to be taken, s/he feels responsible of the action, and that action is important to stay consistent with her/his moral identity.

Of course, there are potentially as many variations in the assessment of the action-context as there are individuals. Blasi (1993, 2004) explain variations between individuals by their identity structure. He distinguishes the contents of one's sense of self and the individual identity maturity which is subjectively rooted in his/her personal experience. When identity matures, the sense of self becomes more internal and personal and less shaped by relationships and other external factors. To summarize, identity structure lies at the junction between moral motivation, either cognitive or emotional, and action. And, as identity structure is dependent on subjective experience, the link between motivation and action is moderated by individual identity. However, Blasi's model does not only highlight the central role of identity as moderator. It also, through the third assumption, stipulates self-consistency. The individual behaves in concordance with his/her identity. Identity is then not only a moderator between motivation and action, it is the node that connects motivation and action.

One of the main results of Blasi's model is that differences in individual behaviors must be understood not through differences in moral capacities (such as moral reasoning or moral emotion) but through differences in moral desires (Blasi, 2004). For this reason, Nucci (2004) describes Blasi's model as an ethical egoism model of morality. Nevertheless, we think Nucci is wrong because this is not the desire to behave in consistency with one's sense of self that constitutes moral motivation. On the contrary, this is because an individual has a moral motivation that s/he acts according to her/his identity. The self-consistency assumption does not lie at the motivation level. It lies at an intermediate level between motivation and action. The desire to be self-consistent does not evacuate moral motivation. It stipulates instead moral motivation is only transformed in moral action according to the individual identity maturity. In this model a main stake is to understand how identity maturity develops.

Of course, Blasi's model is not free from criticism. Hardy and Carlo (2005) emphasize five elements of debate. First, some moral behaviors are automatic and not deliberate. How to integrate this kind of moral behaviors within the assumption of self-consistency? Second, identity maturity is more or less in construction before adulthood. So, how moral actions could be related to identity before this period of life? Third, the process of identity development is not discussed in Blasi's model, whereas it is an important issue for understanding why some individuals strongly link their identity with moral concern and others less. Four, emotion is an important factor in identity development. Then, emotions could lie at the motivational level as well as at the identity level. And much more researches should be on this articulation.

Nevertheless, beyond criticism, the main contribution of Blasi's model was to include in the analysis of pro-social or moral behaviors the individual identity. Understanding relationships between moral motivation and moral action undoubtedly requires, since Blasi's model, to take into account individual identity. If much more empirical researches are needed on moral identity (Hardy & Carlo, 2005) to confirm Blasi's ideas, several empirical studies have already support that the more individuals see moral motivations and values important for their sense of self, the more they are likely to act morally (Aquino & Reed, 2002, Pratt et al, 2003, among others).

2. Pro-social behaviors in behavioral economics

Usually, economists assume that people are rational *and* selfish. Rational individuals maximize their own utility or satisfaction without paying attention to the utility of the others. However, Gintis (2000) reminds us that "in neither the everyday nor the narrower economic sense does rationality imply *self-interest*. It is just as 'rational' for me to prefer to have to enjoy a fine meal as for me to enjoy the meal myself". Behavioral economists probably think that the theory of choice decision is wrong, but rather than abandon the theory altogether, they want to revise it. They propose, consequently, new models of human action, considering that individuals have a richer set of preferences than is traditionally considered. They have recognized, specifically, that people might be able to exhibit social or "other-regarding" preferences in an economic context (Camerer, 2003; Camerer, Loewenstein and Rabin, 2004).

Numerous economic experimental studies have shown that people can be cooperative, confident, reciprocal, fair or even altruistic when they play games in the context of the laboratory or even in the field. For instance, Ketelaar and Au (2003) show that people with the natural tendency to act selfishly are more cooperative when they experience guilt. Sutter and van Winden (2005) point out that anger, irritation or contempt, trigger destruction of income in a negotiation game, revealing a sense of equity. In a recent meta-analysis, Johnson and Mislin (2011) show the robustness of the experimental evidence about trust and reciprocity, also identifying that relatively minor variations in protocol can produce substantial shifts in measured trust behavior.

Behavioral economists use traditional experimental games (such as the so-called “prisoner dilemma” game or the public good game) and new specific experimental frameworks such as the ultimatum game (Güth, Schmittberger and Schwarze, 1982), the dictator game (Forsythe, Horowitz, Savin and Sefton, 1994), the investment game (Berg, Dickhaut and McCabe, 1995), and so on. Initially, when experimentalists found that some experimental results were not consistent with the predictions of the standard economic model, they discussed the presence of behavioral “anomalies” (Camerer and Thaler, 1995) and suggested that participants might be confused and made errors. With the accumulation of experimental evidence, economists have gradually abandoned the idea that the pursuit of self-interest is the only motivation for individual decision-making. They have therefore attempted to understand how and why pro-social types of behavior emerge in an experimental setting. In particular, they have tried to understand how social norms or “social preferences” are built, (1) stressing the important role of emotions and affects, (2) revealing the crucial impact of the context in which decisions are made, and finally (3) highlighting specific determinant aspects of personality.

One simple way to illustrate the huge contribution of this rich and abundant literature is to focus on a specific pro social behavior such as altruism. In economics, the dictator game (DG) is considered as a widely used and simple minimalist environment for investigating altruism (Forsythe, Horowitz, Savin and Sefton, 1994)[1]. According to the game theory approach, the DG has got a very simple theoretical solution: a rational dictator who cares only about maximizing selfish payoffs should give nothing to the receiver. However, a lot of experimental peace of evidence shows that dictators usually give a mean amount of between 20% and 30% of the endowment (Camerer, 2003). Often, a majority of dictators give a positive amount to recipients. Because strategy is not a concern in the DG, economists usually conclude that giving is the consequence of prosocial types of behavior, which include pure altruistic preferences, a “warm glow” of decision making (Andreoni, 1990), or a concern for the equality of the resulting allocation (Fehr and Schmidt, 1999; Bolton and Ockenfels). Bolton and Ockenfels (2000) assume that individuals have symmetric dislike for inequality. Fehr and Schmidt (1999) introduce the notion of self-centered inequality aversion, in which the agent dislikes all inequality but cares more about this when at a relative payoff disadvantage.

However, recent experimental studies reveal that the picture might more complex than that, revealing the importance of affects, context and personality. For instance, it has also been argued that giving in dictator games might arise from a desire of subjects to appear to be acting in a socially appropriate way because their individual behavior is observed by others (Koch and Normann, 2008).

[1] In this game, one participant, who is called the “dictator”, is given an amount of real money (for instance, 10 dollars) that he has to divide however he likes with an anonymous participant, who is called the “receiver” or the “recipient”. Then, the receiver who knows the dictator’s instructions must accept whatever division the dictator makes, even if the dictator gives nothing.

The equal sharing norm being widespread, fairness might be driven by a desire for social esteem in relation to this norm. It is thus possible that many dictators are motivated to give what they think receivers expect them to give. In particular, Haley and Fessler (2005) and Rigdon, Ishii, Watabe and Kitayama (2009) highlight the power of expectations by means of a trivial trick: the presence of a stylized eyespot on the screen or even of three dots in a "watching-eyes" configuration (signifying presumably "you are being watched") is sufficient to increase significantly the level of donations. These findings imply that donations in the standard dictator game don't necessary reflect a real taste for fairness or altruism but rather a real "concern for appearance". Several other studies sustain the idea that shame is capable of promoting altruistic behavior in DG. Branas-Garzas (2007) adds a piece of information provided to the dictators ("note that the recipient relies on you") which remind subjects that their position in the game is advantageous but unfair. The purpose of the sentence is to call the subject's attention to a particular moral rule, thereby creating a shameful context which motivates successfully and intensively altruistic behavior. In their experiment, Dana, Cain, Dawes (2006) also show that dictators are more selfish in a private condition, where the receiver has no longer any information about how his payoff is determined, than in a public condition, where the receiver obtains this information. Neilson (2009) thus formally demonstrates that a context-dependent model, in which any utility function depends not only on the final allocation but also on characteristics of the choice problem faced, can usefully characterize "reluctance", the property that dividers would prefer to avoid the opportunity to give, and also shame, the property that dividers would prefer to hide the fact that a choice is made.

To sum up, as highlighted by Guala and Mittone (2011), these findings suggest that the dictator game is a useful design experimental context in order to identify the way moral or social norms shape individuals' altruistic behavior. They show in particular that individuals have a plurality of motivations (selfishness, altruism, equity, reciprocity) which arise in relation to the contexts in which decision-making takes place and which also depend on their personality.

3. Preferences, identity and human action in economics

The development of moral psychology, as the results of behavioral economics, suggests that the homoeconomicus is a morally immature man, and probably without identity. In fact, the homoeconomicus is the archetype of the impartial, independent, clear-sighted, emotionless 'hero' that the contemporary psychologists refer to ironically when evoking the Vulcan, 'Mr. Spock', in the popular sixties television series 'Star Trek' (Charland, 1998). Davis (2003) has proposed a good criticism of the concept of man in mainstream economics. According to him, mainstream economics has rejected a conception of the man based on his private psychology because private psychology is by nature inaccessible to the observer. And as clearly pointed out by Marshall (1890), motives are always an inner dimension of decision that economist cannot observe whereas behaviors are observable. In the same vein, Hick (1956, p.6) confirms that the economic theory "makes no claim, no pretence, to be able to see inside their [individuals] heads". With the revealed preference axiom (Samuelson, 1938), mainstream economics develops a tautological theory where behaviors are explained by behaviors (Sen, 1973). This is all the more problematic as very different motives could lead to the same kind of behavior (Ballet & Barillot, 2006). In fact with mainstream economics, the very issue of motives is rejected. More recent attempts to bring back psychology in economic theory, notably attempts based on game theory, are merely about rationality rather than human psychology

(Davis, 2003). Lot of endeavors to take into account moral motives in economics, are in fact a kind of neutralization of moral motivations through a cost-benefit analysis, such as Becker's theory of culpability (1996) (see Ballet & Barillot, 2006). In such a theoretical context, it seems difficult to enhance the conception of man in economics.

Nevertheless, recently, economics introduced the identity issue. This new insight in economics remains largely based on external factors that shape identity. Akerlof and Kranton's (2010) works constitute a good example of this kind of development in economics. Unlike the Blasi's model in psychology that emphasizes internal factors, e.g. maturity, economics then treats identity as a constraint on choices. Individuals have only an alternative choice between conformity to social roles, what the others expect on the individual behavior, and non conformity with costs the individuals have to take into account. This reasoning is perfectly in accordance with the homoeconomicus. Identity is not a deep personal feature of the individual; it is only a cost-benefit choice. Such reasoning has no advantage over the heterodox approach of the embedded individual (Davis, 2003). Paradoxically, focusing less on the individual than the mainstream economics, the socially embedded individual in heterodox economics is more fruitful for our understanding of the individual identity. However, focusing on the embedding context, heterodox economics lets aside the individual choice, or more precisely reduces the choice to the alternative between accepting or rejecting the role and identity characteristics expected by others (Luchini & Teschl, 2005).

From Blasi's model, a main feature must be taken into account in economics for building a more convincing individual identity model: the issue of the desire to be self-consistent.

On this issue, Blasi (2004) underlines that individual differences in moral desires explain differences in moral behaviors. Moral desires are in this model linked to the desire to be self-consistent, e.g. to be coherent with one's sense of self. In economics, the distinction between first order and second order preferences refers to that issue. Jeffrey (1974) highlights the issue when he states that an individual may prefer to smoke rather than not to smoke, but s/he also may prefer to prefer not to smoke rather than preferring to smoke. S/he has second order preferences that contradict first order preferences, for instance because s/he knows smoking is bad for her/his health. Since this distinction, a lot of attempts have been done in economics to integrate second order preferences (see Sen, 1977; Bolle, 1983; Hirschman, 1985; Arnsperger, 1998; George, 1998 ; Nehring, 2006 ; Stanovich, 2008; among others). Sen (1977) proposed certainly the first endeavor in economics to tackle the issue of multiple motivations with preferences over preferences, or meta-ranking. The technique of preferences over preferences, or of ranking of ranking, is a way of integrating into the analysis different types of individual motivations, each of which carries out a ranking of feasible actions. The action, chosen in the end by the agent, depends first of all on the rankings made on the base of each of her/his preferences, but also on the actual ranking of motivations, which can illustrate the individual moral behavior. However, Sen's proposal permits to introduce moral motivation, a first element of Blasi's model, but let aside the link with the desire to be self-consistent.

Nozick (1993) underlines the potential resulting conflict between first order and second order preferences, like in the case preferring to smoke but preferring to prefer not to smoke, is a case of lack of rational integration in the preferences structure. The mismatch between first order and second order preferences may be attributed to the two velocities of the thinking (sytem 1 and system 2) (Kahneman, 2011). However, Velleman (1992) suggests that a motive for rational integration itself solves the issue. This motive is the motive to behave in your name, as it adds a motivational force to other motives. For Velleman (1992) this motive corresponds to the function of agency. Velleman's point of view is similar to Blasi's one when Blasi (2004) states identity maturity reflects an increasing sense of agency, leading individuals to appropriate certain aspects of themselves and rejecting others. The desire to be self-consistent is more and more developed with identity maturity, forging the individual agency.

Understanding human action in economics supposes then to tackle seriously the issue of identity, not only as conformity with social roles, but at the opposite mainly through agency, conceived as a maturity in one sense of self.

Conclusion

Human action is faintly linked to identity in economics. Certainly, economics has integrated moral motives now, in particular with the debate on second order preferences. However, much must be done to protrude the debate and to solve the issue of rational integration. Moral psychology, and notably Blasi's model, could contribute to progress in economic analysis. To be self-consistent is a motive of action that adds motivational force to others kinds of motives. Identity should not be conceived only as conformity with social role, it should be conceived as the essential feature of individuals, leading to human action.

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