ous reciprocity but not misguided reciprocity, which is a common feature in the experimental data on human subjects.

Similar anomalies are observed in models of the ultimatum game in which a proposer offers a fraction of her wealth to a responder, who can accept the sum or reject it (in which case both parties receive nothing). Simple models discover Nash solutions with the minimum offer, whereas the data frequently reveal fair offers (e.g., 50%). In this case, augmenting the models to allow for reputation effects can restore fairness to the game solutions.

*The Calculus of Selfishness* offers a valuable review of recent progress in evolutionary approaches to prosocial phenomena. In a world where selfishness has been called the defining human characteristic, we need all the thoughtful help we can get.

**References**


**ECONOMICS**

**Identity Matters**

Robert Sugden

Until quite recently, most economic theories were based on a priori assumptions about the rationality of individuals’ choices. Much of the most prestigious work in economic theory was directed at refining the concept of rationality, developing rational-choice explanations for what had previously been seen simply as reliable empirical regularities, and extending the scope of rational-choice theory to colonize the domains of other social sciences. Now, however, there is a move toward the relaxation of rationality assumptions and the import of explanatory principles from other disciplines. Game theorists are borrowing modeling techniques from theoretical biology, explaining human decisions as the result of trial-and-error learning or of blind processes of selection. Behavioral economists are drawing on the ideas and experimental methods of cognitive psychology and neuroscience. George Akerlof and Rachel Kranton’s *Identity Economics* opens a new front in this transformation of economics by incorporating ideas from sociology and anthropology. Given economists’ traditional suspicion of these disciplines as lacking in theoretical rigor, this is a particularly brave move.

The key concept that Akerlof and Kranton translate this idea into economic language by postulating that individuals gain (or lose) “identity utility” by conforming to (or deviating from) the norms of their identities.

The authors apply the idea of identity to four issues having important economic dimensions: incentives and motivation in the workplace, motivation to learn in schools, gender asymmetries in labor markets, and interactions between race and poverty. Akerlof and Kranton review a wide range of ethnographic studies that demonstrate the importance of identity. Take the case of gender. Many occupations and modes of working are still stereotyped as male or female. A female corporate lawyer who is ambitious and forceful is perceived by her workmates as unfeminine; a male nurse who is sympathetic and caring is perceived as unmasculine. Women who enter male-dominated occupations are systematically harassed by their male co-workers. Akerlof and Kranton argue convincingly that individuals’ desires to maintain their gender identities are crucial for the reproduction of gender asymmetries. They conclude that public policy should aim to shift perceptions of the norms associated with identity. Thus, they give the women’s movement much of the credit for recent reductions in the extent of gender asymmetries in the labor market and highlight the significance of gender-neutral job titles (such as “firefighter” rather than “fireman”). Similarly, they commend African-American leaders who have sought to “change what it means to be black.”

The main analytical work in these studies is sociological and ethnographical. It is by consulting the findings of researchers who have used the methods of these disciplines that Akerlof and Kranton discover which categories are socially recognized, what norms are associated with each identity, and how perceptions of identity can be influenced by policy. So it is surprising that, when urging their fellow economists to adopt new methodologies, the authors’ main emphasis is on representing identity in economic models. They acknowledge that the results of their models are often not particularly surprising, once the sociological ingredients are understood: “What is new... is the assumptions.” But they seem reluctant to propose that economists do the work necessary to find which assumptions are required. Just as behavioral economists have learned to run the sorts of experiments that once were the preserve of psychologists, one might have thought that identity economists would learn to write ethnographies. But perhaps that would be taking bravery too far.

Identity Economics is a popular account of work that will already be familiar to economists who have read the authors’ journal articles. It is admirably short, written in a clear, nontechnical style but without the condescending breeziness of many books aimed at the airport market. Nonspecialist readers will find a lot of insightful and well-informed analysis of how issues of identity have an impact on real economic problems. However, these readers may be bemused by Akerlof and Kranton’s descriptions of their models and discussions of their general modeling strategy. The authors defend this strategy on the grounds that it generates more satisfactory explanations of economic reality than traditional economic theory can supply. But their presentations of the models themselves are so brief and nontechnical that the reader ends up having to take that claim on trust. Presumably, Akerlof and Kranton judged that their readers would be bored by more detailed discussion or would not understand it. But then why are the same readers expected to be interested in, or able to evaluate, the relative merits of different modeling strategies in economics? One sometimes has the sense that arguments that really are addressed to fellow economists are being played out in front of a general audience.

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Identity Economics

How Our Identities Shape Our Work, Wages, and Well-Being

*by* George A. Akerlof and Rachel E. Kranton