



1. Thus, some conservative analysts hypothesize a causal connection between poor social performance of a group of people and their “culture.” That disadvantaged people harbor “dysfunctional” notions about identity has been offered as an explanation of a group’s

project elaborate personal accounts onto cognitively manageable categories of self-description. We think of an agent's identity as the mechanism she uses to convert complex personal history into a more simplified account of herself. A group's "collective identity" is any self-representational mode of this sort which has been adopted in common by (most of) the agents in that group. We formalize the problem of selective self-representation, and use the resulting framework to study the efficiency implications of the identity "choices" people make. This, we believe, is one way that economic analysis can contribute to the study of identity-related issues. **My point here is to stress that there is no necessary conflict between taking behavioralism seriously and writing down rigorous mathematical models of social behavior.**

4. More specifically (what follows is just a bit technical – for which I make no apology), Fang and I considered a two-stage game in which identity choices are made in the first stage, and agents engage — more or less remuneratively — in an infinitely repeated income-risk-sharing game in the second stage. Given this framework, we say that a collective identity has been adopted when, in sub-game perfect equilibrium, individuals make the same first stage identity choices. We show under this set



maintaining less stable relationships –then, following Mullainathan and Shafir, we might say: “Well, to the extent that the data bear out such generalizations about differences between the poor and others in such patterns of behavior, an important source of difference is poverty itself. This overarching scarcity alters cognitive processes among poor folk and affects their decision-making in certain environments and at certain tasks in such a way that their capacity to function is fundamentally undermined. The poor, who may seem alien, are really just like the rest of us – except that what they lack is money.

4. This suggests an important alteration of the way we think about social policy: Don't be so

7. Yet another point is this: If the ill effects of scarcity are largely a matter of how people think, then can we talk people out of it? That is, can one envision a therapeutic intervention the point of which is to disabuse people of distorted practices into which

1. Once we begin to emphasize as crucial the role of social influences, as is done throughout this report, a fundamental conceptual issue has to do with the incentives people have to positively sort into all manner of social networks –residential neighborhoods, schools, peer groups, households (via assortative mating), “imagined communities,” etc. Roland Benabou laid this out in an important paper published in the QJE over 20 years ago: his basic point is that if the marginal willingness to pay for association with higher (potential) income types is positively correlated with income, then the better-off can and will outbid the less well-off for the

3. The popular opposition between equality of opportunity (good) and equality of results (bad) may not be coherent. Thus, equal educational opportunity is not well-measured by looking at school spending if communities differ dramatically in those home resources which complement school inputs. In such a situation, equality of effective opportunity would mean spending more on the schooling of youngsters who are disadvantaged at home. This, in turn, suggests that one needs to measure outcomes, not inputs, in order to assess the true extent of equality of opportunity – and the difference between unequal life outcomes and unequal life chances becomes, as a practical matter, difficult to sustain. (Anecdote: I can recall a fierce zero-sum search among middle class parents for the best 1st grade teacher out of a group of three evidently highly qualified alternatives in a public grammar school in Brookline!)
4. This way of thinking leads inevitably to a **political** conclusion: among other things, durable inequality in any society is a product of its impoverished ideas about autonomy, community, and solidarity—and not only a result of the structure of its economy. Thus, for example, if one truly laments disparities in lifetime opportunities in the US, then one may want to advocate for tearing down the barriers that suburban, middle-class communities have assiduously erected around their high-quality primary and secondary public schools, even as poor kids languish in big-city districts a stone's throw away; i.e., conventional education policy may fail to equalize life chances for all youngsters, to the extent that doing so requires neutralizing advantages accruing to the children of accomplished parents because of the development and socialization that takes place at home. (Believe me, it is a fundamental political fact that parents – in the US or anywhere else for that matter – won't surrender their children's privileges without a fight.)

Thank you. GL