Identity Theories and Rational Choice Theories

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Outline

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Theory and Hypotheses

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Summary and Discussion
Research Questions

Identity theories are often discussed as alternatives or additions to rational choice based explanations

- Monroe argues that helping Jews in Second World War was not based on rational calculation of cost and benefit but on having a certain identity.

- Akerlof states that e.g. certain forms of labor market behavior of men and women have to explained with reference to identity

- In social psychological research of consumer behavior, which is usually based on theoretical perspectives like the theory of planned behavior, adding an “identity variable” increases explained variance strongly (Rise/Sheeran 2010).
We study two questions with respect to this discussion about identity and behavior:

(1) Is it possible to explain the statistical impact of the “identity variable” by other variables, which follow from rational choice theory or theories based on rational choice ideas, like the theory of planned behavior?

(2) Are there conditions for the impact of the “identity variable”? Is it more important in certain types of situations?

We analyze these two questions empirically on the basis of a study on fair trade consumption. We consider fair trade consumption to be a form of altruistic behavior, because consumers pay a higher price compared to ordinary goods without receiving further economic utility in exchange.


Theory and Hypotheses

(1) What is Identity?

Identity can be defined as the self-concept of a person, the image a person has of herself. We consider especially cases of personal identifications with social groups, where persons identify as belonging to a certain category of people (females, ecologists, ethical consumers).

In consumer research it is often operationalized with statements like: “I consider myself to be a green consumer” or “I am a person, that is very much concerned with ecological issues”.

(2) Strong Approaches

Deep seated dispositions, that form one’s identity, structure important forms of behavior spontaneously (“But what else could I do?”) without calculation of costs and benefits.
Therefore, important decisions are not choices, but only a kind of recognition and confirmation of identity.

Identity and its confirmation are more basic than adherence to values and norms.

Identities are only important in cases where issues strike our basic sense of identity, in other, more everyday, cases people follow a rational calculus of costs and benefits.

→ **H₁**: The impact of identity on fair consumer choices cannot be explained by moral norms or values.

→ **H₂**: Only people without a fair trade identity follow a rational calculus of cost and benefit.
(3) Linkage between Identity and Norms/Values

Persons belong to certain social categories and identify to a certain degree with such categories.

Linked to such categorical identities are certain norms and values.

Thus, identity structures behavior via norms and values.

→ $H_3$: The impact of identity should be explained by moral norms and values.
(4) Signaling Approach

Expressing a certain identity in a certain form of behavior (voting, ethical consumption) is not based on that identity as such or values linked to this identity: it is an investment in a reputation to be an honest and trustworthy person.

We have a self-interest in not being perceived as narrowly self-interested person.

Therefore, the impact of stated identities should depend on the public visibility of certain forms of behavior and on the existence of relevant social networks.

→ $H_4$: Only for persons with a social network consisting of fair trade supporters should the impact of identity on fair trade choices be visible.
(5) Wide RC-Model

In a wide RC-Model all forms of preferences are acceptable and add additively to the overall utility of a certain choice.

→ $H_5$: Independent of different conditions identity has an additive impact on fair trade consumption.
Data and Methods

Data:
- Standardized mail survey in Zurich, Switzerland in 2011
- Stratified random sample of registered residents
- Adjusted response rate = 42%

Methods:
- Linear regression models (OLS) with general purchase frequency as DV
- All models include socio-demographic variables and control variables (not shown): nationality, gender, age, education, household equivalence income, division of grocery shopping
- Multiple Imputation: 10 imputations, n = 2346
Measurement

- **Dependent variable: FT purchase**
  Frequency of purchasing FT groceries in general (6-point Likert scale)
  Ranging from “never or once a year” to “more than once a week”

- **Identity**
  Average of 4 indicators (5-point Likert scale)
  Sample items:
  - “Buying FT products is a part of my self-image”
  - “I’m a consumer who reflects on the consequences of his purchases for society”
  Cronbach’s Alpha = 0.86
SEU Difference

Average of 2 SEU values, computed as:

\[ SEU_{attribute} = U_{attribute}(Pr_{FT} - Pr_{Conventional}) \]

Attributes: (i) Product quality and (ii) taste
Cronbach’s Alpha = 0.66
Measurement

➢ Personal Norm

Average of 3 indicators (5-point Likert scale)

Sample item: “I get a bad conscience if I buy conventional products instead of FT products”

Cronbach’s Alpha = 0.78

➢ Values

Three value types of the Schwartz PVQ-21 value typology

Average of indicators, centered around the respondent’s mean (ipsative scores)

(i) Universalism (3 indicators), Cronbach’s Alpha = 0.57
(ii) Benevolence (2 indicators), Cronbach’s Alpha = 0.57
(iii) Self-direction (2 indicators), Cronbach’s Alpha = 0.67
Social Network

Single item measure (5-point Likert scale)

Item: “Think of the people whose opinion matters most to you, such as family members, friends or colleagues. Do/would these people approve if you bought FT products?”

(1) Disapprove strongly (3) not care about it (5) approve strongly
## Linear Regression Models

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
<th>Model 6</th>
<th>Model 7</th>
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<td>0.099**</td>
<td>0.100**</td>
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<td>Identity</td>
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<td>0.834***</td>
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<td>SEU x Identity</td>
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<td>Personal Norm</td>
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<td>0.081†</td>
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<td>Universalism</td>
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<td>Benevolence</td>
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Unst. regression coefficients with s.e. in parantheses, † p<0.1, *p<0.05, **p<0.01, ***p<0.001
Model 1 shows that persons choose fair trade products based on SEU.

In model 2 the identity term is added. It is not only statistically significant, but increases explained variance tremendously.

In model 3 hypothesis 2 is tested. There is no statistically significant interaction between identity and the SEU term (representing a calculus of cost and benefit). Thus hypothesis 2 has to be rejected. Both the impact of identity and of the rational calculus of cost and benefit are independent of each other.

In model 4 and 5 we test hypotheses 1 and 3. Both the inclusion of moral norms and of moral values reduces the impact of identity on fair trade consumption somewhat. But the bulk of the effect remains, even after controlling for norms and values. H₁ and H₃ have to be rejected.
In model 6 the signalling hypothesis $H_4$ is tested. The effect of identity shows no interaction with the social network. Hypothesis 4 has to be rejected.

In model we study the wide rational choice model. It works best. However, the explained variance is not bigger than in model 2. Thus hypothesis 5 cannot be rejected.
Discussion and Conclusion

• We studied the impact of identity on behavior with respect to the example of fair trade consumption, a form of altruistic behavior.

• The effect of identity cannot be „explained away“ by controlling for variables based on rational choice approaches.

• The impact of identity does not show any interaction with other variables like SEU (calculus of benefits and costs) or social networks.

• Identity seems to have an additive impact on the decision to choose fair trade products.

• Furthermore, the inclusion of moral norms, moral values and social networks does not change the overall explanatory power of the model. Identity seems to be by far the most important soft incentive in the utility function.
Thank you very much for your attention!