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**Group Identity**

Abstract: Beliefs and behavior are profoundly shaped by *identity*. However, we lack a clear theoretical picture of (i) how identity groups form and (ii) how people are influenced by their identities. This paper develops a model of group identity based upon the idea that, at least to some extent, we have the ability to *choose* identity groups and the primary driver of this choice is our desire for *esteem*. The model explains a wide variety of stylized facts, such as the finding of “minimal group studies” that people have a tendency to identify with groups to which they are randomly assigned.

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