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The Economics of Love

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A decade ago I was sent on a media training course in which the opening lecturer began by telling us that human beings really only care about two things – money and sex. Write about those, he said, and people will read your articles. This advice came back to me recently when I started to think about the economics of dating agencies and personal matching.

I am writing this on a Sunday. I have spread out in front of me the Personal Encounters page of one of Britain's leading newspapers. It is striking. There are nearly 400 adverts. They are evenly divided between men's advertisements looking for women and women's adverts seeking men. There are also a few from homosexual men and women.

This is now big business. A little research discovered that it is actually a fairly new newspaper phenomenon. Two of Britain's most prestigious broadsheets started a lonely hearts page in the early 1990s. They were followed a few years later by the country's biggest-selling quality daily and then two left-wing broadsheet newspapers. London's best-known evening paper followed suit 5 years ago. And in 2001 even the most independent-minded broadsheet gave up a struggle to be purely high-brow and began a personal encounters section. Next, Accountancy?

It is not cheap to place an advert, and to respond to one usually takes a telephone call at one pound a minute.

Dating agencies themselves have also flourished and charge a lot. One of these, for instance, sets a flat fee of 5000 pounds. All of them are fairly expensive.

Finally, the internet has opened up a new way to organise dating. If you go to www.match.com you discover an extraordinary number of people looking for partners.

What might an economist have to say about all this?

First, it seems sensible. Markets work.

Second, there is a clear trend. Forget about computers and garden centres. Personal 'matching' -- finding marriage and sexual partners for lonely human beings -- is the boom industry of the future. If I were starting out as a young self-employed person, that is where I would invest.

Third, the underlying reason is of course that human beings place a large weight on having fulfilling personal relationships, so they are willing, in the right circumstances, to part with plenty of income to find a suitable person. That is rational. We know from happiness research that the value of a marriage, when expressed in money terms, is about 60,000 pounds a year, and thus much greater than most people's salaries. If you can find Mr Ideal for a few thousand pounds or less, you come out miles ahead.

Fourth, life has got choppy. Divorce has been a major force behind the rise in matching agencies and lonely hearts columns. In 1961, 350,000 British people got married for the first time, 50,000 remarried, and 30,000 divorced. Last year, 180,000 married for the first time, 120,000 remarried, and 150,000 divorced. What we might call the rate of relationship turnover -- that sounds awfully hardhearted -- has gone up.

In passing, and probably contrary to public opinion, there has apparently been no rise in the rate of marital infidelity. The most reliable evidence comes from the United States, where in properly run confidential surveys about 5% of men and 4% of women say that in the last year they had a sexual affair while married. That number has run flat since records began.

As ever, money and sex are bound up with one another. Personal matching will be the growth industry of the 21st century.

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