

UNDERSTANDING FALLING IN LOVE:
AN ECONOMIC ANALYSIS
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Folk wisdom tells us that “the best things in life are free.” Naturally you do not have to pay money to see a beautiful sunrise, and as the Beatles say, “Money can't buy me love.” If we think about this in economic terms, however, it soon becomes clear that the best things in life are NOT actually free, since everything has opportunity costs. The opportunity cost of an action is the highest valued alternative that a person must forgo when they choose that action. For example, if you spend \$15 on a pair of sunglasses, the opportunity cost of the purchase is the best alternative product you could have bought with that money, perhaps a Beatles CD or a hardcover novel.

Now, when we apply the economic concept of opportunity costs to “free” things, such as falling in love, it quickly becomes apparent that they can be very expensive. Let us suppose (for the sake of simplicity) that you are a straight man, and you meet a straight woman and begin dating her. You may not have paid any money for your love and the happiness that you feel when you are with her, but consider the other things that you might have done with the time you spent dating her. You might have worked longer hours and earned more money, and it is quite possible that the thoughts of her running through your head distracted you and made you less productive during your working hours. This is in fact a reason behind establishing single-sex schools, the theory being that the sexes will be more productive segregated than integrated. Whether or not this applies to the marketplace at large, it is certain that the cost of dating is at least as great as the value of the salary you could have received during that time. Dating someone entails clear economic costs, even if you ignore the cost of buying drinks or other dating materials.

Another example of an opportunity cost comes into play if you marry the woman in question. Unless you are a Mormon, marriage means that you are giving up your opportunity of marrying any of the other women to whom you are attracted. Indeed, even if you do not marry her, even if you are just casually dating, the time that you spend hanging out with her is time you could have spent meeting and dating other people. This opportunity cost is somewhat more nebulous than the cost of the potential salary you could have made, however. You have no means of knowing whether you could have met a girl more suited to your personality, unless she is really not your type, in which case you will most likely stop dating her, correctly recognizing that you have better things to do with your time. The dating scene is a gamble, a game of chance. Much like playing the stock market or starting your own business, there is a significant risk involved, and similarly there can be significant rewards for taking that risk. In order to understand this better, let us consider the economic costs and benefits facing a typical firm.

In the long run, we would expect the economic costs and revenues of a firm to equal out, since if the rewards for working in this business were significantly greater than those in any other business, we would expect more firms to enter the market until demand drops to a level where this business is no longer a “better deal.” However, because business is unpredictable in the real world, and revenues are not consistent, a firm will not do business unless it expects rewards that are substantial enough to offset the risk that the business will not do as well as hoped. Such rewards are known as economic profit. Now

when we apply this concept to love, we can see that this is also true in relationships.

Many relationships, no matter how initially promising, ultimately end in breakups or divorces, due to hidden incompatibilities or unpredictable changes in one or both of the partners over time. However, people still continue dating and marrying, since “true love” can have incredible rewards, helping to end the feeling of solitude and alienation as you discover your “soulmate.” Of course, just as in business there are some people who prefer to work for somebody else and earn a nice, stable salary, instead of risking the vagaries of the market, there are some people who do not want to accept the risks of falling in and out of love, despite the potential returns. This was (and is) the idea behind arranged marriages in many cultures. If your spouse is selected ahead of time for wealth and social acceptability, then those qualities at least are assured, and the marriage will most likely be successful on that basis. You also do not have to waste time searching for a partner during your most productive years. You may not have the benefit of true, mind-altering, metaphysical love, but it was good enough for many people and is still practiced today in some parts of the world. In our capitalistic society, however, it seems to be the general consensus that love is worth the risk, and arranged marriages have fallen out of fashion.

Love is, of course, generally considered to be a good thing, despite its associated risks and costs, and it has this reputation for very good reasons. It often ultimately results in the propagation of the species, which is important since we are the only species on the planet Earth that studies economics. It is also folk wisdom that “two can live as cheaply as one”¹ and that is actually a more efficient use of resources when two people share the costs of living, especially when they share a number of interests and characteristics, as spouses often do. Certainly this old saw is not literally true, since two people eat roughly twice as much as one, but it is surely true that it is as easy for a person to do grocery shopping for one person as for two people, if not easier since two people can consume food faster and therefore one can buy groceries in larger bulk quantities. The costs and benefits of love are far too numerous and complicated to describe in this limited essay; after all, it has kept many creative and productive songwriters such as the Beatles occupied for centuries. However, it can clearly be seen that love and economics are not mutually exclusive, and considering love in economic terms can lead to many interesting and novel conclusions.

¹ For an interesting discussion of this topic, see Principles of Microeconomics, Eugene Silberberg, p.423 I used some of his concepts in my discussion here.