

KIERKEGAARD

A kiss: 'Sometimes it is clicking, sometimes hissing, sometimes ...'

ESSAY

Sex, lies, economics

BY WILLIAM WATSON

If you think at all about the economics of love this Valentine's week, you'll probably think about the market for chocolate or roses or greeting cards — the industrial implications of romantic love and the material demands it creates. Organizers of the Carnival in Rio reportedly handed out 20 million free condoms last week. "Give me a thousand more latex futures at \$43!"

But when we economists think about love, as we sometimes do, we usually have something else in mind.

Quick now, answer honestly! An 18-wheeler crosses the median and bears down on you. Do you swerve right and take the hit yourself? Or do you swerve left and put your passenger in graver peril?

Ilya Beylin, a graduate student at the University of Chicago, analysed data from the *Fatality Analysis Reporting System Encyclopedia* on the several hundred thousand fatal car accidents that took place in the United States between 1975 and 2006. He found that in accidents in which either the driver or front passenger died, the driver was four times more likely to die — 4.11 times to be exact — if the passenger was his or her spouse.

What could account for such behaviour? Well, it could be love or "love," as it's referred to in economics articles. And 4.11 could be a measure of love, a driver's willingness to sacrifice himself for his or her beloved. Of course, as Mr. Beylin points out, it's only a measure for couples who got themselves into fatal accidents. Maybe if you really love her, the number would be even higher than 4.11. But because you do love her, you don't take her out where there are 18-wheelers. In fact, maybe you don't take her out at all. Maybe you stay at home and, well, you know, drive each other's cars.

Another young economist, Hugo Mialon of Emory University in Atlanta, has a racy but fascinating paper called "The Economics of Ecstasy." In it he works through a plausible "game-theoretical" analysis of — prepare yourself — when and why people fake orgasms. The model isn't simple; one page features a dozen lines of mathematical derivations. If you think mathematizing love is too crass for words, think again. Mr. Mialon, who did his undergraduate work at McGill, quotes Marguerite Duras ("It was the men I deceived the most that I loved the most") among others, and proposes the reasonably sophisticated view that love is not mere altruism, but a mixture of altruism and possessiveness. People's faking behaviour will be different, his theorems suggest, according to how possessive of one another they are. And they will be more possessive and more altruistic when they are in love.

We economists do have a reputation for believing all motivations come down to commercial considerations. (If money can't buy you love, is love really worth having?) In reality, we're perfectly open to the idea that human beings have all sorts of motivations. But we want to see love's influence in the data. Does it make people behave differently than mere self-interest?

Pursuing this challenge, Mr. Mialon takes the theorems he derives from his model — "women are more likely to fake if they are in love than if they are not in love," or "younger and older women are even more likely to fake than middle-aged women if they are in love than if they are not in love" — and turns to the data: 16,000 Internet testimonials from men and women aged 14 to 74 in the Orgasm Survey of 2000 (who knew that existed?). He finds

"I have considered gathering material for a book, entitled *Contribution to the Theory of a Kiss*, dedicated to all tender lovers. It is remarkable, besides that no work on this subject exists.... If one wants to try classifying the kiss, one can conceive of several principles of classification. They can be classified according to sound. Unfortunately here language is not adequate to my observations. I don't believe all the languages

in the world have an adequate supply of onomatopoeias to cover the distinctions I have come to recognize. Sometimes it is clicking, sometimes hissing, sometimes smacking, sometimes popping, sometimes rumbling, sometimes resonant, sometimes hollow, sometimes like calico and so on. *From The Seducer's Diary in Either/Or by Soren Kierkegaard. Copyright © 1987 by Howard Hong, Princeton University Press.*

THE LOVE & SEX ISSUE



that several theorems do turn out to be consistent with the data. For instance: "Possessiveness and altruism each have a significantly positive effect on women's probability of faking. Women who are possessive of their partners are 10% more likely to fake than women who are not ... Women who care extremely for their partner's sexual pleasure are 11% more likely to fake than women who care very much for their partner's sexual pleasure."

This thing called "love" evidently does change behaviour.

To be sure, economists also study the more humdrum, industrial aspects of what we now call "the sex trade." Steven Levitt of *Freakonomics* fame has just published new work on the economics of prostitution in several Chicago neighbourhoods. He and his colleague Sudhir Alladi Venkatesh paid 159 prostitutes \$150 a week to participate in the study and hired trackers, often former prostitutes, to fill out "event tracking sheets" right after the "events" were performed, with details of acts, prices charged, the customer's demographic data and so on.

Chicago prostitutes, they found, average about \$27 an hour and work about 13 hours a week during which they average 10 sex acts, for an income of about \$20,000 a year — not much given the dangers and degradation of the job, but a lot better than the \$7 an hour they average in the daycare, babysitting, hair styling, lawn care and so on that is their typical employment alternative.

Prostitutes who work with pimps charge more — an average \$16 per trick more — and net more, even after giving their pimp a quarter of what they earn. You might think they're paying for protection, since they suffer fewer acts of violence at the hands of customers. In reality, the pimps make up for it with violence of their own. Working with a pimp does save girls the hassles of street-walking or making their own bookings.

Pricing follows patterns one would expect. More intimate or intricate acts cost more. Prices are lower on Mondays, when business is slowest (it's most brisk on Fridays). There's a shocking amount of unprotected sex — 80% of all acts — and only a small discount for use of a condom. Repeat customers pay less and so do black customers — \$8 to \$9 less per trick — a strange example of price discrimination by race. And the odds of selling services to a cop or giving them away as goodwill are actually greater than the odds of being arrested by one. Using Chicago's Web-posted crime data (<http://chicago.everyblock.com/crime/>) Mr. Levitt and Mr. Venkatesh calculate that there's an average of 453 tricks per prostitution arrest.

Their most intriguing result is the Fourth of July effect. Because of various Independence Day street festivals there's a 60% increase in demand that week, which brings about a 30% increase in price, which in turn attracts new suppliers to the market — both out-of-towners and women for whom the regular price isn't sufficient inducement but the higher holiday price will do.

Mr. Levitt and Mr. Venkatesh didn't do any sampling during February, so they don't actually know if Valentine's Day is good or bad for business. But whether prices are up because business is booming or down because everyone's home eating chocolate, you're almost certainly better off finding another way to celebrate.

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Intimate investing

BY HOLLIE SHAW

Looking to spice up your portfolio? These companies are not afraid to wade into the realm of sex and romance.

Slide your way to riches Sales of personal lubricants jumped 4.9% to \$117.5-million in food, drug and most mass retail stores for the year ended Aug. 12, according to Information Resources Inc., and a recent study published in the *New England Journal of Medicine* said

aging Baby Boomers may be contributing to the uptick.

That might make



health-care conglomerate Johnson & Johnson (JNJ/NYSE) an attractive investment. The maker of KY Jelly posted a 9% boost in earnings in the fourth quarter, excluding restructuring items and beating analyst estimates, to US\$2.5-billion, or US\$88¢ per share, and sales jumped 16% to US\$16-billion. As an added bonus, the company also makes Listerine mouthwash for those contemplating a lip-lock, or Tylenol for those who need to eradicate a mood-killing headache.

Play the stock market Playboy Enterprises Inc. (PLA/NYSE) is still going strong after debuting its lad mag in 1953: In the United States alone, its paid circulation of 2.6 million is larger than that of *Esquire*, *GQ* and *Men's Journal* combined. Nowadays, Playboy publishes its magazine in 24 countries; operates a Web site and several TV networks and distributes its own programming; operates a casino and nightclub complex in Las Vegas, and licenses its trademark internationally for a wide range of products and services. Net income for the third quarter hit US\$2.6-million, or US\$8¢ per share, compared with US\$1.1-million (US3¢) a year earlier.

Slip into a more comfortable stock In the mood for lingerie? Victoria's Secret and La Senza are owned by Limited Brands (LTD/NYSE), which also owns the retail chains Bath & Body Works, White Barn Candle Co. and Henri Bendel. But fashion retail is a difficult sector in tight economic times. Earnings per share for the third quarter sank to US\$12.1-million, or US3¢, compared with US\$23.5-million (US6¢) last year. Victoria's Secret and La Senza segment sales increased 9% to US\$1.08-billion, but sales at stores open for more than a year, a key industry metric, decreased 4%, while operating income in the segment declined 40%.

Protect your nest egg One way to give your investment portfolio a bit of armour may be to own a stake in Church & Dwight Co. (CHD/NYSE) which owns Trojan condoms, the North American market-share leader in prophylactics. The consumer-products giant reported a 33% increase in fourth-quarter profit this week to US\$31.7-million, or US\$46¢ a share, from US\$23.9-million (US36¢). It is forecasting a 2008 earnings per-share increase of 13%. Church & Dwight also makes First Response pregnancy tests.

A blind-date investment? If you are willing to gamble on a moving target, you might like IAC/InterActiveCorp. (IACI/Nasdaq), owner of the dating sites Match.com, Chemistry.com, uDate.com and a reported suitor of Jewish dating service jDate.com. While many of IAC's online properties are flourishing, others, such as Lending Tree, are foundering. The Internet conglomerate reported an unexpected fourth-quarter loss of US\$369.9-million, or US\$1.31 a share, compared with profit of US\$15.3-million (US5¢) a year ago, after taking a big charge for the online mortgage unit. Revenue rose 8.1% to US\$1.86-billion.

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