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Sex in the Economy

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The imprint of the competition for mates and status can be seen in the past and present shape of our economy.

Each mating season, the bowerbirds of Australia and New Guinea display and strut in front of their elaborately constructed bowers. Male bowerbirds invest significant time and effort to build these structures out of sticks and decorate them with brightly coloured objects. They then use the bower to attract a mate.

Like bowerbirds, we often expend significant effort and resources in the competition for mates and higher status. Despite the average household size falling from 3.6 to 2.6 people, the floor area of the average new Australian dwelling has increased from less than 150 m² to more than 200 m² over the past 40 years. We equip our houses with expensive coffee machines, our clothes reflect the latest trends and, despite its poor handling and petrol-guzzling tendencies, the first release of the Hummer H3 sold out within 3 months.

This competition for mates and status has important economic effects. Buying a more expensive suit, a larger house or a Hummer H3 results in economic activity. First, there is the increased work effort to acquire the resources to make the purchase. Then there is the purchase itself. If we only had the instinct of survival and did not worry about where we sat in the pecking order, our consumption choices and the economic landscape would look very different.

Conspicuous Waste

Whether we are seeking mates, the best car or a larger house than our neighbours', competition for rank is relative. There can only ever be 10% of the population in the top 10% of the population. Cornell University economist Robert Frank suggests that this competition leads to a wasteful "arms race" as each person tries to improve their relative position compared with others.

Frank points to the case of a job interview. "Looking good is an inherently relative concept," says Frank. "If other candidates spend more on suits, you must spend more as well, or else suffer lower odds of getting a callback. The rub is that when everyone spends more on suits, the job goes to the same candidate as before."

Waste is central to this competition. In 1899, the economist Thorstein Veblen, who coined the term "conspicuous consumption", wrote that the wastefulness of conspicuous consumption makes it a good signal as others cannot fake it. Only those with sufficient resources can afford to waste them.

In a 1973 paper, the Israeli biologist Amotz Zahavi proposed that a signal is honest if it handicaps the individual who gives the signal. Similar to Veblen's idea that only someone who has many resources can afford to be wasteful, a handicap can only be borne by those who can survive the handicap. Waste is a handicap because if expenditure is truly wasteful, those resources cannot be used for something else later.

"... social mobility is a slow process, with the traces of high social and economic status surviving for more than 200 years."

It took two decades before Zahavi's idea became broadly accepted among evolutionary biologists, but economists and biologists now see waste as the basis of much signalling, including by humans. Hummers are inherently wasteful ways of getting from A to B, and only someone with resources to waste will get one.

It is this waste that worries Robert Frank. We spend more on suits for job interviews, but it makes no difference to who gets the job. We buy larger houses because "big" has become the new normal. But are we better off as a result of this competition? Should governments be looking at ways to direct these resources to more economically beneficial uses?

Frank notes that there are positive sides to competition. "Competition for rank spurs people to get out of bed in the morning and work hard to get ahead, which has produced enormous increases in wealth during the industrial era." But these benefits might be available even if there are constraints. Frank suggests: "There would still be intense competition for rank if we had a progressive consumption tax, but we wouldn't waste as much of the fruits of our labours on mutually offsetting efforts to move higher on the relative consumption ladder."

While we can see and possibly manipulate the effects of competition for status in the modern economy, the imprints of this competition are also apparent further back into our economic history. Recent research suggests that the way that we choose our mates also affects long-term social and economic mobility.

The Historical Imprint of Sexual Choice

Can the poor of today be among the rich tomorrow? This question of social mobility is often seen as an indicator of the health of a society. Only a society where equality of opportunity allows people to climb up the social ladder can be considered just.

Most economists expect that our societies are socially mobile and that social and economic status is subject to "regression to the mean". This is the process where the children of those with high or low status are closer to the average (or mean) social status in the following generation. Regression to the mean occurs because high status people tend to have been lucky and, on average, their children will not be as lucky in the next generation. The question of interest to economists is how quickly this process of social mobility occurs.

Economic historian Gregory Clark, who has built much of his career by using novel data sources to understand economic history, has recently shed new light on this question. He first came to attention outside his field of economic history with the results of research based on thousands of wills from pre-Industrial England.

Clark reported a strong link between the number of children of the testator and their wealth, and proposed that the greater reproductive success of the rich was a factor underlying the Industrial Revolution. Clark argued that if the traits of the rich, such as prudence and a willingness to work hard, were transmitted from parent to child, the increased reproductive success of the rich would see these traits spread through the population. Clark concluded that a more prudent and hard-working population can act as a driver of economic growth.

More recently, Clark has used the frequency of rare surnames to examine social mobility. By treating those with rare surnames as a large family, it is possible to track the social status of those large families over time and to see how status in one generation is related to status in the next. If the status of the family in one generation has no link to earlier generations, this is evidence of high rates of social mobility. Conversely, if surnames linked with high social status maintain that high status through time, social mobility is likely to be low.

With a group of international collaborators, Clark has examined data from countries including England, the United States, Sweden, India, China and Japan covering periods of hundreds of years. As expected, Clark found regression to the mean. However, he also found that social mobility is a slow process, with the traces of high social and economic status surviving for more than 200 years.

Clark considers that his work finds less social mobility than many other studies because his datasets cover multiple generations, not just one generation. The level of social mobility measured over the long-term is lower because short-term measures are subject to random fluctuations.



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Only those with sufficient resources can afford to waste them, making conspicuous consumption attractive to a potential mate.

To understand why, consider a child of two successful corporate lawyers. While she has many of the qualities of her parents, she is not attracted by the hours and stress of the corporate lifestyle. She follows them in obtaining a law degree, but takes lower-paying employment in the not-for-profit sector. Across one generation, the link in social and economic status is low.

When this daughter has children of her own, those children will resemble their mother, and also their grandparents. Therefore, the children may be more likely to obtain a law or other professional degree than the child of someone else with the same salary as this not-for-profit lawyer. The children are likely to have higher income than their mother, and may be closer in income to their grandparents.

Accordingly, social mobility measured across two generations is lower than that measured across one. Examining only one generation gives an inflated sense of how much social mobility there is in society.

So why is mobility so low in the long-term? This is where the competition for mates comes in. Clark considers that assortative mating is one reason for low social mobility. Assortative mating occurs where people tend to partner with mates who have similar characteristics. They will have similar habits, income and even genes. "In thinking about social mobility I believe that social status is either largely genetically determined, or

operates in a way that is indistinguishable from genetic transmission," Clark says. If underlying traits play a strong role in determining social status, and both parents have similar traits through assortative mating, children will tend to resemble their parents, perpetuating the social status of their family line.

Even with assortative mating there is a slow movement of people with high social and economic status back to the mean. Genes or other vertically transmitted characteristics influence status, but so does environment, which includes luck. Each person in a high status couple will have had, on average, good luck. If their children have neutral luck, they will be of lower status than their parents. This is the regression to the mean that Clark has observed. However, it is a slow regression that occurs over hundreds of years.

Wasteful consumption and low social mobility point to the pervasive effect of the competition for mates and status on the shape of the economy. While wasteful expenditure could be manipulated through economic regulation, the competition for rank will continue and there will still be winners. Given that we will signal to the opposite sex and pair with mates of similar status for as long as we are human, the imprint of this competition is likely to be seen for some time to come.

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