1. Introduction

This book has two main interrelated goals. First, it aims to better understand numerous issues related to marriage, sex and family by analysing them from the perspective of economics. Second, it explores further the role of vanity in social and economic behaviour, thereby expanding the frontier of economics and contributing to other social sciences. The book introduces a large number of original ideas, presented in this chapter as a synopsis.

In his classic work, Adam Smith (1759) writes: ‘For to what purpose is all the toil and bustle of this world? … To be observed, to be attended to, to be taken notice of… It is the vanity, not the ease, or the pleasure, which interests us’. Alcott (2004, p. 767) provides a summary of studies by Smith (1759), Veblen (1899) and others in the classical economics literature, and notes that the meaning of ‘vanity’ is best described as follows: ‘Vanity is “the mere desire of superiority over others” by whatever criteria”’. My conception largely follows that definition of ‘vanity’. Simply put, ‘vanity’ means social status plus self-esteem.

A dictionary may give other meanings, and our definition may be somewhat different from any of those. Thus our definition, which is in line with classical economists, may be at some risk of abusing the English word, but I stick to this word for its simplicity and for being in line with the writings of classical economists.

This book applies Veblen’s idea to the study of gender and family issues. In the literature on ‘conspicuous consumption’, vanity arises from the consumption of luxuries such as expensive handbags and brand-name cars. In this book, vanity is achieved by having a ‘high-quality’ spouse and children, such as a beautiful wife, a tall husband and intelligent offspring. This book contributes to both ‘vanity economics’ and the economics of the family. It substantially expands the scope of vanity economics by showing that the vanity sources extend beyond materials such as handbags, cars and houses to the family. It also introduces vanity as an aspect to consider when examining both male–female and inter-generational relationships in the economics of the family.

The numerous chapters in this book approach the vanity economics of marriage, sex and family from various angles. Roughly, the first half of
the book investigates the role of vanity in male–female relationships and marriage, and the second half examines its role in intergenerational relationships and family issues.

Chapter 2 summarizes the economics literature on vanity, and offers explanations for why vanity is often a major pursuit in most cultures and societies. Moreover, in addition to the idea of ‘vanity by possession’ that is widely accepted and studied in the literature, I posit that vanity can also be achieved through affiliation. I call this ‘vanity by affiliation’, which can help us better understand various family issues. For example, most people’s ‘closest affiliates’ are their children and grandchildren. Hence they can fulfil their ‘dreams’ when their children achieve certain education or career development goals.

Chapter 3 briefly surveys some empirical studies on the ‘conspicuous consumption’ of material goods, particularly durable goods. It also presents a ‘consumption ladder’ hypothesis that extends the literature.

Chapter 4 summarizes and extends the literature on the marriage market in traditional and modern societies. In particular, it demonstrates the forces of competition in marriage outcomes.

Chapter 5 analyses why physical appearance is of paramount importance in marriage markets from the perspectives of both evolution and vanity. A certain standard of ‘beauty’ emerged due to its evolutionary advantage and became a part of social norms. Although the evolutionary advantage of the standard of beauty disappeared with the advent of economic development and technological change, it may remain important because of the ‘vanity’ with which it is associated. The chapter also compares the relative importance of personality versus physical appearance. It implies that if vanity is not taken into account, then an individual’s marginal utility from their spouse’s physical appearance is very high at the beginning, but becomes less important than personality over time. However, when vanity is considered, the marginal utility is always very high, and can always dominate personality in importance.

Chapter 6 analyses the role of female virginity in marriage and male–female relationships. In ancient times, to the extent to which people valued the survival of their genes, there was a real value to female virginity in the marriage market. In modern societies, female virginity may continue to be very important because, from the perspective of a husband, whether his wife is a virgin or not may matter greatly to his vanity. The exact value of this ‘vanity of possession’ depends on a ‘self-fulfilling prophecy’, which explains why it is highly valuable in some societies and of little value in others. In addition, the application of economic theory, game theory and vanity economics in the chapter helps
to better explain several factors that are often difficult to understand, such as the market for female virginity, acquaintance rape and the seclusion of women.

Chapter 7 is about premarital sex, cohabitation and marriage in the age of sexual liberation. It analyses three necessary conditions for widespread premarital sex. It then investigates the underlying forces in the social transition from a culture that emphasizes virginity to a culture of sexual liberation, and suggests the following three factors. First, a substantial decline in fertility and increase in marriage age during demographic transitions provide a material basis for sexual liberation. Second, today’s media often belittle premarital female virginity and glorify sexual promiscuity. This considerably changes the culture, as people now often obtain a great deal of vanity from actively engaging in sexual activities and little vanity from having a virgin bride. Third, many women compete for ‘high-quality’ men in dating and romance.

Moreover, this chapter analyses people’s intention to marry in the age of sexual revolution. While marriage limits a man’s sexual freedom, it provides him with the vanity of possessing a family – a wife and children. Thus, even a man with a tendency to be sexually promiscuous may be induced to marry. Some men may be willing to trade promiscuity for vanity. However, in some societies, only a ‘desirable’ (e.g. good-looking) spouse can introduce an individual (positive) vanity, while an ‘undesirable’ spouse introduces an individual negative vanity. In this case, many people may choose to be single, and we may observe a large fraction of men and women in a society choosing not to get married.

Chapter 8 is about prostitution and commercial sex. It first discusses the demand factors, and shows that when income inequality is very large, commercial sex may take various forms. For example, in the 1990s, many Hong Kong men had one wife in Hong Kong and another wife across the border in Mainland China at the same time. Most Hong Kong men who kept a ‘No. 2 wife’ in China visited these women at weekends only. Thus, despite not receiving any sexual services on weekdays, they needed to pay these women for the time they spent waiting for them to return. This chapter explains that a ‘No. 2 wife’ provides a man with a strong sense of vanity of possession, from which he obtains much more vanity than from having sex with prostitutes.

It then discusses the supply factor of the sex industry. In particular, it presents a game-theoretical analysis, showing that there often exist multiple self-fulfilling equilibria. In one equilibrium many women engage in prostitution, whereas in the other they do not. There are two main reasons for multiple equilibria to emerge. First, interpersonal
comparisons often considerably magnify vanity from material consumption. For example, if a woman sees that all her friends and colleagues have iPhones, she may feel embarrassed if she does not have one. Second, a woman feels ashamed to work as a prostitute if there are few prostitutes in her community. However, such a stigma (or negative vanity) greatly decreases if many of her friends work as prostitutes. Chapter 8 shows that, under some circumstances, many women will work as prostitutes, yet all of them would be better off if they made a commitment so that no one did so. Moreover, the chapter considers ‘compensated dating’, a practice somewhere between dating and prostitution. A theoretical analysis of ‘compensated dating’ is presented based on a logic that is similar to the theory of the ‘compensating wage differential’ principle in labour economics.

Chapter 9 analyses extramarital affairs. It first addresses why extramarital affairs are so devastating to marital relationships from both an evolutionary perspective and a new angle of vanity: the vanity of possessing a spouse. In Veblen’s theory of conspicuous consumption, vanity is manifested in the possession of material goods such as delicate handbags and luxurious cars. In this book, a person’s vanity is reflected by the possession of their spouse. Thus an individual would feel that this sense of possession had been seriously damaged or even ruined if their spouse engaged in extramarital affairs. The chapter then uses game theory to analyse an individual’s strategic response when their spouse engages in an extramarital affair. A woman could threaten her husband with divorce, but the threat might not always be credible. This chapter shows that, under some circumstances, the only strategic equilibrium is that a man engages in low-level extramarital affairs and his wife tolerates such affairs.

Chapter 10 discusses homosexuality. First, to make sense of homosexuality in the context of evolution, it provides a new theory by suggesting a ‘principal–agent’ relationship between a living being and their genes. The aim of each gene (the ‘principal’) is to maximize the probability of its own survival. However, such a goal is not achieved by the ‘gene’ itself. Instead, it is directly achieved by a living being (the ‘agent’) such as a human. The gene induces a living being to achieve its goal of survival through a number of biological desires, particularly for food and sex. Homosexuality may be the product of intelligence in the evolutionary process, which results in a principal–agent problem between genes and humans. In particular, because some sexual acts (e.g. oral sex) can be performed by two persons of either the same or different sexes, homosexual activities may occur among a fraction of the human population. This chapter shows that vanity may be an important factor
Chapter 11 discusses classical population theory, and analyses the empirical relevance of its key assumptions in historical and modern times.

Chapter 12 presents Gary Becker’s theory of population in which parents obtain happiness from the quantity and quality of their children. Moreover, it shows that vanity economics can help us better understand the underlying assumption of Becker’s theories. It addresses why people are motivated to have children in modern societies. The new answer provided by this book is the vanity of possessing one’s own children. If everyone believes that a society assigns a high social status to couples who have children, then, similar to the analyses of the previous chapters, it can be shown that this belief is self-fulfilling. On such a belief, those who do not have children have low social status, which motivates them to have children despite the high cost and hard work involved.

The chapter then addresses why parents care about the quality of their children. Some critics comment that the issue cannot be well explained from the perspective of evolution, as better-educated children tend to have fewer grandchildren. The chapter provides an alternative answer: if having children itself is a form of vanity for parents, the ‘quality’ of their children is naturally also a form of vanity.

Chapter 13 discusses the cost of raising and educating children in modern times. People often complain that children are expensive, but the chapter points out that the expense may largely stem from parents’ vanity and their competition in increasing expenditure on the quality of their children.

Chapter 14 analyses several aspects of child labour: its determinants, impacts on children’s education and welfare, and impact on fertility. Because child labour yields earnings, parents may send their children to work to increase their household income, which can be used to increase consumption and finance the children’s education. For example, parents may arrange for some children to work so that other children can receive better education, which generates more vanity for the parents than the outcome that the children play at home but undergo few years of schooling due to the high cost of education. Moreover, working children may fully agree to such an unequal arrangement, as they consider their siblings their ‘vanity affiliates’. This argument is well supported by the ‘working daughters of Hong Kong’ example from the 1960s and 1970s.

When children’s earnings are sufficiently high relative to their cost, raising them is cheap but sending them to school is expensive. Thus
parents may consider the quantity of their children a ‘necessity’ and the quality of their children a ‘luxury’ due to their ‘price difference’. People demand more ‘luxury’ and less ‘necessity’ as they become richer, and fertility decreases and children’s educational attainment increases as parental incomes rise. This new theory enriches the study of the interaction between the quantity and quality of children.

Chapter 15 examines children’s contributions in traditional societies. In ancient times, people depended mainly on their children for support in their old age. It is argued that an ‘implicit contract’ exists in which parents invest in their children and in return obtain material support from them in their old age. This chapter shows that vanity can play an important role in enforcing this implicit contract. For example, in ancient China, filial piety was regarded as the most important virtue. A member who had the reputation of not being filially pious towards his parents was often ostracized by the society and could not be appointed as a government official. In other words, filial piety itself is a major source of vanity in some societies.

The chapter also examines the benefit of having children when the rule of law is not well established. When there is little legal protection, a household’s income and welfare are determined not only by its members’ productive capacity but also their abilities in combat and ability to protect the interests of the household. In such a setting, a household with fewer male members is likely to be exploited and bullied by other households. In contrast, a household with more grown-up sons is likely to be ‘respected’ by other households. Therefore the fertility rate tends to be higher in a society with a less well-established rule of law.

Chapter 16 considers some gender issues. It first addresses why a gender bias exists against girls in some cultures and societies, and finds that due to the problems of domestic violence and wife-beating, parents find that they obtain a higher status from their sons than from their daughters. This is particularly the case when they live with their children after their children are married. If a person has only daughters, they feel bad (negative vanity) when the daughters are abused and bullied by their spouses after marriage. Foreseeing this, people prefer to have male children. This chapter also shows a narrowing gender gap in wages in most developed countries due to the structural change from a manufacturing-oriented economy to a service-oriented economy. Consequently, women are generally bullied by their husbands less often as their ‘bargaining power’ rises, which may in turn reduce the gender bias.

Chapter 17 first identifies that ‘superstars’ find their way into many occupations in modern societies. Although real superstars represent only a tiny fraction of the population, the contemporary world has become a
society in which winners take all. Based on this, and in line with Veblen’s theory, this chapter puts forward a new concept, ‘conspicuous career’, which means that people may also achieve a high social status or vanity from a successful career. Therefore many people, especially better-educated individuals, tend to work hard for success. Moreover, the nature of ‘work’ has changed over time. Working is often pleasant in many occupations and may result in ‘workaholism’. An immediate implication of overworking is that people have to compromise their most time-intensive activity at home: that of bearing and raising children.

Chapter 18 examines the value of time in consumption. With the rise of hedonism in modern societies, many people are busy at work and hectic in life, as the enjoyment of life often takes a great deal of time. This chapter presents two new arguments. First, the consumption of ‘quantity’ (or variety) is time intensive. Second, the consumption of ‘quality’ is money intensive. It then presents a theory that extends the study of the interaction between the quantity and quality of children. When people are poor, they are ‘time abundant’ and constrained only by their financial resources. Thus the fertility rate tends to increase as their incomes rise. When incomes increase, people become increasingly ‘money abundant’ and ‘time scarce’. In this case, an increase in incomes results in three outcomes: (i) people consume more varieties of higher-quality material goods; (ii) many enjoy more ‘conspicuous leisure’; and (iii) people have fewer children but try to improve the ‘quality’ of their children. This thus provides another explanation of demographic transition.

Chapter 19 analyses a ‘population problem’. It argues that, from the perspective of social welfare, richer and better-educated parents often have too few children and poorer and less-educated parents may have too many children. In particular, because many well-educated people devote themselves to the constant pursuit of ‘conspicuous careers’ and enjoy the ever-expanding varieties of goods and services and ‘conspicuous leisure’, they often have little time and energy for family life and raising children. However, if better-educated parents had more children, the proportion of skilled individuals in the next generation would be higher, which would increase social welfare. The chapter also discusses various policies that mitigate the population problem.

Chapter 20 contributes to the study of divorce. As illustrated by most people’s lack of enthusiasm in sperm or egg donations, people value a ‘complete’ family. In many societies, an individual achieves high social esteem if they have a spouse and children. If a person divorces, they lose the social status of possessing a spouse before they remarry. Meanwhile, they obtain much less of a social status from the children, as the family is
now broken. However, divorce sometimes does occur. This chapter analyses the general causes of divorce from the perspective of vanity economics.

Chapter 21 shows that divorce is mainly a by-product of economic development. Indeed, the main causes of divorce are ‘infidelity’, ‘physical abuse’, ‘emotional abuse’ and ‘incompatible personalities’, factors that have been a part of husband–wife relationships throughout human history. However, divorce is only a problem of contemporary times, which implies that it is caused by economic growth. Meanwhile, divorce increases with a decrease of social stigma (i.e. negative vanity), which results from social development. Moreover, this chapter demonstrates the intriguing interactions between divorce, fertility and women’s labour market participation. For example, the consideration of a possible divorce lowers fertility, which in turn increases the probability of divorce, which further reduces fertility and so on.

Children are their parents’ closest ‘vanity affiliates’ and thus their major concern. Chapter 22 describes various channels through which family background affects children’s education. First, to the extent that educational expenditures matter to student outcomes, a richer family tends to spend more on education and hence sees a higher level of educational attainment in their children. Second, intelligence may be genetically hereditary, which implies that better-educated parents tend to produce more intelligent children. Third, study effort is an important determinant of educational attainment. Moreover, effort and intelligence are often positively correlated. More intelligent children tend to find vanity in their studies, as they are often praised by teachers and envied by classmates. Consequently, they spend more time and effort on their studies, further enhancing their academic performance. In contrast, less intelligent children may find negative vanity in their schoolwork, and hence spend less effort on their studies and more on activities such as sports and socializing.

Chapter 23 investigates the effects of parental behaviour on children’s ‘quality’. In particular, it shows that an important incentive to participate in religious activities is to create an environment that is conducive to children’s cognitive and emotional development. Under some reasonable conditions, it is shown that religious attendance rises with education for those whose educational attainment is below a certain level. However, this positive relationship may turn negative for those whose educational attainment is above that certain level. This result helps to explain an important stylized fact about education and religion in the USA.

Parental behaviour may affect children in many respects, and religion is not the only way to influence them. Evidence shows that, whereas
fathers are more likely to participate in service-type organizations, church attendance and intergenerational family ties, non-fathers are likely to go to a bar or engage in other pleasure pursuits. Thus fatherhood may substantially change a man’s lifestyle and induce him to develop good habits that both teach his children by example and increase his productivity. Thus the chapter provides a new explanation for the ‘male marriage premium puzzle’.

Chapter 24 examines intergenerational relationships and financial transfers from both vanity economics and evolution theory. In the economics literature, it is commonly assumed that parents and children are linked by intergenerational altruism, meaning specifically that children’s happiness is a part of their parents’ happiness. Based on this assumption, parents are interpreted as giving money to their children because such an intergenerational transfer can increase their children’s happiness. However, this implication is inconsistent with observed evidence, such as that of primogeniture in ancient times.

The chapter argues that parents and children are linked through their common concern for grandchildren. Given that grandparents do not beget grandchildren directly and that their life horizons are limited, concern for the survival of the gene and/or the perpetuation of social status (or vanity) into future generations induces grandparents to transfer some of their wealth to their children to induce them to have and raise grandchildren in order to maintain the social/economic status of the family line. This new explanation better accounts for the observed evidence. Moreover, it suggests that primogeniture and polyandry, which appear to be totally irrelevant, can in fact be well explained by the same theory.

Chapter 25 shows that vanity economics can help explain a number of important puzzles related to consumption, particularly from the perspective of intergenerational transfers. First, why do the rich in a country save more, but richer countries may have lower saving rates? Second, why do people consume significantly less immediately after they retire? Third, why do those who expect a higher income growth save more than those who expect a lower income growth?

Chapter 26 examines the relationship between vanity and social interactions. While vanity may exist even in the absence of explicit social forces, interpersonal comparisons amplify vanity substantially. The chapter shows that to increase their happiness, people may act in accordance with vanity in their choices of friends and social circles.

Chapter 27 investigates the relationship between vanity and the patterns of migration in relation to family. If an individual engages in a degrading job, they will have a strong incentive to work abroad to avoid the stigma (negative vanity) the job brings to family and self. However, if
an individual has a successful career, they will be tempted to return to their home town to enjoy their ‘conspicuous career’ in the midst of family members and close neighbours. Moreover, an individual may choose ‘seasonal migration’ by working in a rich country for part of the year and returning to the home country to enjoy ‘conspicuous consumption’ with their family.

Chapter 28 is an epilogue addressing the issues from a more general and philosophical perspective. It demonstrates the wide applicability of ‘vanity economics’. Further, it argues that vanity may serve as another ‘invisible hand’ that induces people to work hard and raise and educate children, ultimately improving social welfare.