

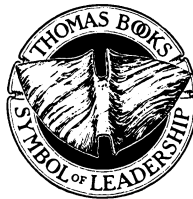
**THE
ECONOMICS
OF PROSTITUTION**

..... THE
ECONOMICS
..... OF PROSTITUTION

By

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This project is dedicated to my father,
who would have liked it, I think.

PREFACE

DOING IT FOR THE MONEY

WHAT is this book about? In answering that, let me say what it is *not* about. It is not really about how much money prostitutes earn (although there is ample evidence here about the range of incomes earned from different kinds of prostitution). It is not really about how much tax revenue is lost each year in the U.S. from unreported prostitution earnings (several billion dollars annually). It is not even a complex study of why people become prostitutes (basically, they do it for the money). This book is about all of these things, but more as well. It has a wider scope than these narrower concerns. The main objective of this book is to discover and analyze the economic and political structures in different communities that tolerate, allow or control prostitution.

This project began as I considered the behavior of prostitutes and the interworkings of markets for their services from the viewpoint of an economist. Other social scientists (notably sociologists and psychologists) have researched prostitution, but few economists have ventured into these murky waters. It seems to me that economic concepts should apply to individuals' reactions to incentives and disincentives, whether they are engaging in legal or illegal enterprises. Supply and demand, opportunity costs, and profit maximization can all be used to think about prostitution, just as any other economic sphere. In this context, I have approached this book with three questions in mind:

1. *Are prostitutes perverted and abnormal or just reacting predictably to the choices they face?* That is to say, do these people have different mental processes from those in the "straight" world or do they just have a different set of alternatives offered to them? Social critic and playwright George Bernard Shaw made the following rather cynical observation on the choices faced by women in Western society. I do not necessarily think that he is right, but I do think that he has an important point of view to consider:

[P]rostitution is caused, not by female depravity and male licentiousness, but simply by underpaying, undervaluing, and overworking women so

shamefully that the poorest of them are forced to resort to prostitution to keep body and soul together. Indeed, all attractive unpropertied women lose money by being infallibly virtuous or contracting marriages that are not more or less venal [mercenary]. If on the large scale we get what we call vice instead of what we call virtue it is simply because we are paying more for it. No normal woman would be a professional prostitute if she could better herself by being respectable, nor marry for money if she could afford to marry for love.

— Preface to *Mrs. Warren's Profession*

2. *Why are there hookers on some street corners and not on others?* This is the fundamental question that this study serves to answer. By thinking about the differences in prostitutes' markets in different cities and in different neighborhoods within a city, I began to piece together an explanation for those differences. Given the laws and enforcement policies in any community, prostitutes have the incentive to exploit lucrative opportunities. There are also disincentives turning prostitutes away from otherwise attractive choices. My explanation for these patterns of behavior is formulated in models of what I call "environments for prostitution," and I think they explain a great deal about how prostitution markets operate in the U.S. today. These models form the core of this book. For each hypothetical situation detailed in one of the models, I have researched a location in the U.S. and reported on how it fits the model. Although the field work was conducted in 1982 and 1983, I think it is still valid, since little about those locations has changed substantially since then.

3. *Are current policies dealing with prostitution doing more harm than good?* Prostitutes and prostitution are here to stay. The police in this country, who must deal with violent offenders, computer criminals, drug traffickers, and a host of other real villains, generally ignore or tolerate prostitutes, except when called upon to exert police presence. This results in either bullying or extortion. Surely there is a saner and more humane way to deal officially with prostitution. It is its illegality that pushes prostitution into the unpleasant and unhealthy underworld of violence and corruption. As with the prohibition of liquor in the 1920s and 1930s, the prohibition of prostitution inflicts more costs on society than benefits. There must be a better way to deal with prostitution than the public policies in effect in the U.S. today. Some of my own conclusions and recommendations are humbly offered in the last chapter of this book.

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THERE are many people to thank for helping me with this project. Its genesis began with conversations with Larry Redlinger. Margo St. James provided the needed push to get me on the way. Beth Thompson researched land use in Boston. And Mary and Eric Jorgensen, John Moss, and Kathy Harnden all gave a hand. Valuable assistance came from various police officers, notably Gary Nelson, Debby Becker, Steve Delany, and Donald Milliken. Portions were carefully read and criticized by Maureen Armour and Anthony Champagne. Typing was done by Florence Cohen, Ruth Cole, and Evelyn Stutts, but the whole project would never have been finished without Cynthia Keheley's magic touch. Above all, to friend and colleague Harry Mika go my greatest thanks for pulling it all together for me.

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CHAPTER 1

INTRODUCTION

Prostitution as a Social Pastime

IN MANY WAYS prostitution is like other human interactions. It has a long history in various cultures and societies and survives despite changes in laws, attitudes about sex, and women's liberation. Like other illicit pastimes that have nourished prosperous industries (such as gambling and drugs), prostitution has settled into the American culture as surely as television and bubble gum. And yet, prostitution is not really like television or bubble gum. All three products are bought and sold by willing, even eager, parties who choose to engage in transactions, but somehow the production and sale of prostitution services is in a class by itself.

In the first place, the product being bought and sold is something not mentioned in polite conversation: sexual intimacy outside the arena of love and commitment. This type of exchange exceeds the limits of casual promiscuous sex, which also involves sexual intimacies outside the arena of love and commitment. Promiscuous individuals engage in casual sex for the mutual pleasure of each party to the transaction. As Kingsley Davis distinguishes:

In commercial prostitution both parties use sex for an end not socially functional, the one for pleasure, the other for money . . . On both sides the relationship is merely a means to a private end, a contractual rather than a personal association.

(Davis, 1937:748)

In the second place, prostitution transactions are illegal. Illegality in the market includes both the supply side and the demand side, so that both parties in the exchange are risking arrest and penalty for their parts in the transaction. Further, because of illegality, there are other risks to

the buyer and seller besides arrest. Illegality forces the market to be clandestine, often with little information available to consumers or to sellers. Information about each party (potential violence, honesty, and health) might allow the other party to make better judgments than are possible without that information. Illegality also hinders those who have dealt with violent, dishonest, or unhealthy persons (on either side of the exchange) from seeking or finding recourse for their grievances. The largest risk to both sides in prostitution transactions may not come from the police or the legal system but from each other.

The prostitution industry, then, is not like the television or bubble gum industry. Television and chewing gum are matters of everyday polite conversation, and neither is illegal. But there are still similarities, since there are people who willingly buy and people who willingly sell in all of these markets. The fact of the illegality makes some of the characteristics of the prostitution industry a bit different, but it does not negate the laws of supply and demand nor does it make people immune to incentives and disincentives. As long as some people demand prostitution services and are willing to pay for them, there will be someone else who will emerge and supply that demand. Buyers and sellers have managed to find each other for a long time and will continue to do so for a long time hence.

The larger question of what psychological trait would induce some people to exchange their sexual favors for money is not really a problem that I shall try to untangle here. I leave that to psychologists and sociologists better trained to deal with the origins of such behavior. On the optimistic side, the attraction may be that prostitution “offers a considerable range of vocational advantages, including flexible hours of work, contact with diverse kinds of persons, a heightened sense of activity, and the opportunity to make substantial sums of money” (Geis, n.d.:208). However, on the more pessimistic side, “for those women whose involvement is the most tawdry, prostitution represents a dirty and dangerous enterprise. There are beatings, ugly copulations, little financial reward” (Geis, n.d.:208). Despite the negative aspects, men and women still enter prostitution today. Perhaps they ignore the bad aspects and are guided only by the positive rewards, because they almost always enter the market willingly.

Another matter that we shall not dwell on here is why other people wish to purchase the services of a prostitute. Let us just say that there are people who want to hire prostitutes and are willing to spend money

and often a great deal of trouble to do so. Whatever the motive behind the buyer's demand for prostitution, it seems that

the ultimate reason for patronizing a prostitute can be, quite simply, *because* she is a prostitute. Not merely because she is more likely to give him sexual satisfaction, but because the transaction is openly commercial. The very reason which repels some is precisely that which appeals to others. The customer has paid for the prostitute's services, a bargain has been struck; now he feels relaxed, under no further obligation.

(Evans, 1979:20)

The Extent of Prostitution in the United States Today

It has been estimated that there are as many as half a million prostitutes working in the United States today. Of that half a million, some are full-time workers and others are part-time; some are men, but most are women. If, on the average, these prostitutes took in \$40,000 a year in revenues, then their combined gross incomes would be \$20 billion a year (Simon and Witte, 1982:262). For the sake of comparison of the magnitude of that amount, \$20 billion is approximately how much Americans spend on shoes each year.

The \$20 billion that prostitutes generate each year does not all go into their own bank accounts, however, since a large percentage of them have pimps or managers who take a sizable share of that revenue. Simon and Witte estimate that approximately \$14.4 billion of that income is not reported to the Internal Revenue Service and therefore goes untaxed. The portion of the total that is reported comes from licensed brothels in Nevada and the legal part of the massage parlor and escort service business (Simon and Witte, 1982:249, 262). If this \$14.4 billion were to be taxed at an average rate of 20 percent, there is \$2.9 billion in foregone tax receipts.

Previous Studies on Prostitution

Recent social studies analyzing prostitution have come mostly from sociology. There is also some scattered work in anthropology, geography, economics, and political science. The researchers have sought to find out why prostitutes do what they do, how they perceive what their role in society is, and what is it that prostitutes actually do. Why and how people become prostitutes has been a topic of case studies and more general works. The study by Heyl (1980) is the case history of a madam,

who traces her beginnings and struggles throughout a career of prostitution, through changing societal mores and legal constraints. Similarly, two books of memoirs of French prostitutes (Cordeler, 1976; Jaget, 1980), give first-person narratives of women becoming and being prostitutes. James and Meyerding (1977) explore the relationship between prostitution and early sexual experiences. Bryan (1965) examined how women are taught to be prostitutes by others more experienced, while studies of pimps and prostitutes (Hall, 1972; James, 1973; Milner and Milner, 1979) investigated the intricate relationship between the working woman and the supported pimp.

The role of prostitution in society and how prostitutes see themselves is further unraveled by Bryan (1966) and Jackman and others (1964). In general, the prostitutes studied see themselves as business women straightforwardly selling sex to men who are easy to exploit. Although some prostitutes felt some empathy for their customers, and some even felt that they performed a valuable service to men whom they considered somewhat pitiable, most prostitutes felt little emotion or sexual attraction for them. Winick (1963) fills in the other side of the story by interviewing clients about their perceptions of prostitutes and of themselves. He found that clients basically use prostitutes to fulfill some sense of fantasy and adventure, although the individual reasons for patronizing prostitutes seem to be quite complex and varied.

There are a variety of overviews of prostitution and discussions of what prostitutes do and how they behave. The most comprehensive overview is Winick and Kinsey's work (1972), which involves analysis and description of types of prostitution in the United States now and in the recent past. Two other rather extensive works, both which argue for decriminalization are by Decker (1979) and Benjamin and Masters (1964). Similar in concept but not as exhaustive is a paper by Esselstyn (1968) and articles by Bode (1978) and Vorenberg and Vorenberg (1977). More in a narrative style is Sheehy's *Hustling* (1971), a series of episodes of prostitutes' experiences which was used as the basis of a made-for-television movie about street prostitution. James has used interview and observation to study how prostitutes talk (1972) and why and how they move from one city to another to cope with the constraints of the profession (1975).

The special relationships between drug use and prostitution is explored by Paul Goldstein (1979) and by Rosenbaum (1982). Basically both agree that drugs are not the primary reason for most people to en-