

# **The Erotic Economy**

## **By [Angelina Spencer](#)**

### **Abstract**

Sex sells. And in America there is no business like "show it all business." Economic downturn or not, there is one market that remains strong and sees regular growth year after year. In fact, there are few industries in this country that generate more revenue than the adult industry. In some cities, like Atlanta, all three major sport teams could play to sell out crowds and still not come close to competing with the \$240 million per year economic impact of adult business there. In the United States, the "gentlemen's club" industry earns a respectable \$15 billion share of the \$75 billion dollar global adult entertainment market. Adult films alone in America earn more than \$13 billion for their makers or roughly 25% more than cinema receipts for mainstream films. Add all of this to the club industry and the future seems to be a garter full of promise. The ramshackle coops with chicken wire on the windows and blinking Christmas lights has been replaced with emporiums of elegance that feature displays, both in art and lighting, worthy of Broadway. The once witless dancer without a full set of teeth has retired to make way for the future Ivy League graduate working her way through college by dancing her way through the crowd. Sure, there exist people who readily believe adult entertainment is responsible for plummeting property values and greater crime yet the latest studies prove otherwise. For dancer, club owner and patron the bottom line has never looked so good.

### **Erotic Economy: The Financial Impact of Adult Business in America**

She can whirl around a brass pole wearing five-inch heels and a smile as her garter grows into a healthy bouquet of fresh bills. She makes college boys swoon and middle-aged executives rise from their chairs to place an offering in her lace altar. Her effort pays off to the tune of up to \$1000 per night. She doesn't just graduate Summa cum Laude with the money she earns. She buys her own club.

In another state and place, a "gentlemen's club" CEO takes a slow drag on a cigar and recalls the days he was a high school dropout longing to be wealthy. He shakes his head in amusement as his fingers play on his chin until a smile forms. His bustling company has grown from drop out dreams to the reality of being the first publicly traded "stripping" corporation in America (Gary Rivlin, 2003). He is not the first person to realize that healthy sexuality can translate into "big business".

America is all about making money. And there are few industries that generate more cash than the adult entertainment industry even during hard times. Club owners, dancers, film stars and bookstore merchants have known this for decades. Now it seems that politicians and convention and visitors bureaus are embracing the industry too-or at least giving it a reticent nod. Why? The tax revenue generated by such businesses is a much-needed boon to most communities.

According to the Association of Club Executives, a national trade association comprised of club owners and professionals, the industry boasts 3,829 adult cabarets

nationwide that employ over 500,000 people. The association compiles statistics from various journals and articles that show a single gentlemen's club in a major metropolitan area grosses between \$10-20 million per year. A small club in a rural area (Less than 5000 square feet) can generate over a million dollars while cities in secondary markets such as Cleveland or Pittsburgh boast clubs that gross approximately \$2 million per year.

When people consider a gentlemen's club, most generally think of a seedy "strip joint" brimming with drunken perverts who salivate over scantily clad women. The image of such establishments is often portrayed in media as being "mob" connected fronts for prostitution. Admittedly, when a club falls under federal scrutiny, the headlines do create media frenzy when allegations scream sex, drugs and racketeering. But we've all discovered that every industry has its thorns. We only have to peer into a paper and read headlines about Enron, Martha Stewart, Adelphia Cable or Worldcom to realize this.

The fact is the majority of adult dance clubs, bookstores and filmmakers fail to fall under a "family" connection. Most owners are normal people striving for the same American dream we all try to reach: Financial security. And people are only able to build multi-million dollar industries based on one fundamental principal of economics: Supply and demand.

The city of Atlanta is the best example of a sleepy town doing some of the country's biggest adult business. According to Atlanta Magazine, this city is home to more nude dance clubs than any other in the United States. The metro area boasts over forty that earn a respectable \$80-\$100 million per year, not to mention the over \$20 million dancers make as independent contractors (Rebecca Poyner-Burns, 2000). Even a conservative estimate of the economic impact of such clubs translates to a whopping \$200-\$240 million, which is far above the economic impact of the Braves, Hawks and Falcons combined, according to Georgia state economist Donald Ratajczak.

Atlanta Magazine claims the city has formed a silent alliance with adult entertainment and some council members say the adult clubs are more of an asset to the city than an annoyance. More people work in adult entertainment in Atlanta than one of their largest employers: Coca-cola. And people spend more money on adult entertainment products and services than any other form of entertainment.

In fact, many Americans are spending more cash at "strip clubs" than for Broadway productions, regional theater and classical orchestra-combined (Jerry Davich, 2003). Forbes Magazine recently stated that adult entertainment businesses could expect to see their market capitalization triple over the next 5-7 years.

This kind of economic clout has not gone unnoticed. Washington Park, outside of St. Louis, recently approved permits for six adult show clubs. The town had been struggling financially. "We're a poverty-stricken village. we need the revenue," explained council member Charlie Byrd. The clubs are expected to bring in over \$300,000 per year (Michael Shaw, April 2003). Many cities have done the same. Arlington, Texas pads its yearly budget with approximately \$155,000 from adult entertainment and Las Vegas receives millions per year. This extra income for municipalities translates to better roads, more police and fire services and improved school systems.

Senator Roman Prezioso (D-Marion, WV) claims, "West Virginia is the most liberal state in the union when it comes to exotic dancing." Indeed the northern part of the state often rakes in revenue from Ohioans, Kentuckians and Pennsylvanians who long to spend both time and money in a gentlemen's club (Robert J. Beyers, 2003). Regardless of moral arguments, a quick check of license plates in Mercer County, which boasts six clubs, proves out-of-staters are lured by the entertainment. "I live in Southern Ohio where a group called the Citizens for Community Values basically runs the area like the Taliban," claims club patron Jason. "There are no good strip clubs in Ohio and I like the entertainment so I come to West Virginia and have a blast spending my money here. Hell, I may move here!"

Seven exotic dance clubs can be found around Topeka, Kansas. Depending on your life philosophy, the clubs are playgrounds of harmless fun or dens of moral decay, but one thing is certain: Topeka is so big on gentlemen's clubs that exotic dancing is the city's calling card according to the Topeka Capital Journal. The extra revenue the clubs kick back to the city in taxes keeps the municipality running smoothly and enhances parks and travel.

Most opponents of adult cabarets cite studies that show higher crime rates and plummeting property values as proof to stop the spread of such entertainment. In fact, the Citizens for Community Values posts some of the studies on its website. A validity check of their Cleveland study, however, was not really a study at all but the opinion of one police officer that attended an anti-porn prayer rally. And the Indianapolis study they cite actually shows LESS crime and HIGHER property values than the control areas used in the study. The problems with many of these studies, says Dr. Daniel Linz, professor at the University of California, Santa Barbara, is that they would not pass scientific scrutiny and are outdated. Yet the general public maintains their perception of adult clubs as seedy skin palaces based on the findings of such so called studies.

Duke University and the University of North Carolina Chapel Hill, as well as Fulton County Georgia and the state of Indiana recently conducted peer reviewed scientific studies where the data shows up to 70% LESS crime takes place around adult entertainment establishments and HIGHER property values exist (Daniel Linz, 2004). Additionally, the property casualty magazine, "Insurance Journal" encourages agents to consider underwriting gentlemen's clubs because they are better risks than regular bars and restaurants (Insurance Journal, 2000). According to the magazine, ".the industry shows no sign of slowing and with more than 2500 clubs across the US, some insurers are finding it a profitable niche."

Adult entertainment typically caters to upscale business professionals aged 25-65 (Insurance Journal). The atmosphere of such clubs is comparable to a country club replete with limousine service, five-star dining, smoking rooms, champagne and conference centers. In fact, Las Vegas is home to two emporiums, Sapphire and Treasure which both boast \$30 million price tags (Rivlin).

"You need a minimum of \$2-3 million to even open a decent club," explains VCG holding company president Michael Ocello whose company owns almost 20 clubs worldwide. He trains ladies in current affairs, dress and wine tasting to boost his profit margins as well as the woman's earning potential. "A lady from a rural community and limited background can come to work for me and someday leave our establishments with some sophistication and networking under her garter. It isn't a

negative exchange, that's for sure." Indeed. After speaking with ladies who work for Ocello, they rave. "Working for this company has helped me both personally and professionally," claims Gina.

So where are the clubs located that make the most money? "The six largest markets for strip clubs also happen to be the largest convention markets in the U.S.," said Don Waitt, Publisher of Exotic Dancer Magazine. "That would be Dallas, Houston, Atlanta, Miami-Fort Luaderdale, Orlando, Las Vegas and Los Angeles."

Many Convention and Visitors Bureaus staunchly deny Waitt's correlation. Yet one has to surf no further than a tourism website or a local magazine to find the connection.

"There's no question there's a connection," says economist Ratajczak. He states that Atlanta wins convention business precisely because of the adult entertainment it offers. Many agree with him. Dancers and patrons at the Pink Pony claim that people save money all year so they can spend it in Atlanta clubs when they arrive for their convention. "I've been told by meeting planners that decisions are made on the basis of what city has the best adult entertainment," said Harvey Newman, professor of Urban Studies at Georgia State University.

The city of Dallas also has a national reputation for hosting the most beautiful and lucrative gentlemen's clubs. State figures report that the highest grossing Texas club was an adult venue called "Babydolls", which averages \$500,000 in monthly revenues. Adult clubs in Texas traditionally top the state comptroller's list of highest grossing sellers of alcoholic beverages. According to the Texas Bar & Restaurant report 8 of the 25 top selling establishments are gentlemen's clubs.

"Professional men and women want to get out of a car or plane. They want to eat a good meal. They want to hear music they like and watch pretty ladies dance," claims MAL Entertainment owner David "Slim" Baucom, who owns 17 clubs in the Carolinas.

But many companies say they frown on the expense account being used at a gentlemen's club and have strict policies in place that prohibit the practice. Still, the receipts at clubs show otherwise.

"Sales and Marketing Management Magazine" reported that 49% of sales managers and salespeople have entertained clients at topless clubs and few had ethical problems about doing so for one reason: it helps increase sales and profits. Moreover, the report claims gentlemen's clubs have revamped themselves as upscale alternatives to sporting events or golf outings (PR Newswire, 2001).

"The only thing I'm concerned with is that my employees produce much more than they expense," said Lori Devore, owner of Devore Technologies, a multi-million dollar technology firm that does business with some of the largest companies in the world. "Frankly I couldn't care less where my employees go or how they spend their lunch if they produce. If time spent at a gentlemen's club serves as a catharsis for my employees, good. If someone abuses the expense account it doesn't matter if they spent that money on lap dances or a day spa. they're in trouble."

Eric Schlosser, author of "Reefer Madness: Sex, Drugs and Cheap Labor in the American Black Market" estimates that as much as 10% of the nation's economy is found in adult entertainment.

Most of us would like to believe that adult entertainment only exists for the perverts among us. Many of us lift a collective nose at gentlemen's clubs or bookstores and sniff that the numbers certainly can't be generated by mainstream America. Some of us lift our noses and follow the scent all the way to the bank by opening an adult business. Whether you choose to look across the street or look in the mirror, we are spending great sums of money on what most of us term "cheap thrills". Perhaps then, this means we are nothing more than normal humans expressing healthy sexuality in a safe environment like a gentlemen's club.

The moral and political debates about adult entertainment will continue to rage as the erotic economy rises. But it all seems moot. The land of money and honey is a powerful resource few are willing to give up despite how loud they shout to the contrary. With every hip sway someone is taking opportunity to new levels and living the unconventional dream. Ultimately, the bottom-line rules. It's as American as puritanical hypocrisy.

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