

The Geography of Vice

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ABSTRACT: The spatial distribution of vice crimes (prostitution, gambling, and the sale of narcotics) is highly concentrated in most metropolitan areas, even though demand is quite evenly distributed throughout the general population. In the US, such activities are largely confined to black neighborhoods in central cities. We show how this pattern can arise through the interacting location decisions of sellers, buyers, and non-user households. Areas with high demand density (cities) have lower prices and more tightly packed sellers in equilibrium relative to areas with lower demand density (suburbs) under autarky. When trade between city and suburb is possible, competitive pressure from the city lowers suburban prices but also lowers the frequency of sellers. If this pressure becomes sufficiently strong, suburban sales are no longer viable at any price and all transactions move to the city. This sets in motion a movement of households. Higher income households distance themselves from street vice, causing the exposed population to become poorer and disproportionately black. Even mild preferences over neighborhood racial composition can then induce lower income whites to exit, resulting in extreme levels of racial segregation. The user population displaces non-users in central city neighborhoods although even here there is a race effect: some black users with moderate incomes locate near providers while equally affluent white users locate elsewhere.