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Taken to the Cleaners?

Nobody can explain why laundries charge less for men's shirts than for women's.

By Steven E. Landsburg
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My dry cleaner charges \$1.65 to clean and press a man's shirt and \$5.25 for a woman's blouse. What's going on here?

The laws of arithmetic allow only two possibilities. Women's clothing must be associated either with higher costs or with higher profit margins for the dry cleaner. Unfortunately, neither theory seems terribly plausible.

Let's start with the "higher cost" theory. In its most naive form, this theory predicts that if I move the buttons on my dress shirts from the right side to the left, the cost of laundering them will more than triple. That one's not going to fly. So, to give the theory a fair chance, we have to look for more significant differences between men's and women's clothing.

Well, like what? You could argue that women's clothing is typically made of more delicate fabrics than men's. But if that's the relevant factor, why don't dry cleaners just quote different prices for different fabrics? (For some materials, such as silk, they typically *do* quote separate prices. The question is why this practice does not completely displace that of distinguishing between men's clothes and women's.)

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An alternative version of the theory is that women's clothes are costlier to process because women demand higher quality work. I can't disprove that version, but I have no real evidence to support it, either. So, in a search for better alternatives, I called three different dry cleaners and asked for *their* explanations. The first said that men's shirts are machine pressed, while women's are hand pressed. That left me wondering why they don't simply quote different prices for different kinds of pressing. The second said that women's shirts require specialized treatment because they are typically doused with perfume. That left me wondering why men who use after-shave are not chronically dissatisfied with their dry cleaners. The third said that this was their pricing policy, and if I didn't like it, I was free to shop elsewhere.

In the absence of a clear, convincing story about gender-specific costs, let's see what kind of story we can tell about gender-specific profit margins. In other words, let's ask whether my dry cleaner is exploiting female customers through higher markups.

To make sense of that theory, you have to ask why dry cleaners would *want* to discriminate specifically against women, as opposed to, say, men. That strategy makes sense only if men are more price-sensitive than women and hence more likely to walk away in the face of a high markup. But why should men be more price-sensitive? You could argue that men are less diligent about cleanliness and so more likely to respond to high prices by wearing unlaundered shirts. But as long as

we're dealing in stereotypes, you could argue equally well that women are more willing to do their own laundry--in which case *women* would be more likely to walk away from a high price, and it would make more sense to discriminate against men.

So it isn't clear which gender is the more natural candidate for getting soaked at the cleaners. But there's a more fundamental reason to doubt that *either* gender can be victimized by price discrimination, and here it is: There are over half a dozen dry cleaners within easy walking distance of my house. If they're all earning higher profits on women's blouses than on men's shirts, why hasn't any of them decided to specialize in women's blouses?

Let me make that more concrete. Suppose the going prices are \$1.65 for a man's shirt and \$5.25 for a woman's blouse, even though (under the theory we're currently entertaining) they are equally expensive for the cleaner to handle. Then if I were a dry cleaner, I would announce a uniform price of \$5 for all shirts and blouses--thereby attracting all the women's business and none of the men's. Because nobody has adopted that obvious strategy, we should suspect that despite appearances, the profit margin on women's clothing can't be much higher than on men's.

In fact, the process wouldn't stop there. As soon as I announced a uniform price of \$5, my neighbor would announce a price of \$4.75. Ongoing competition for the (temporarily) more lucrative women's business would quickly eliminate any profit differential.

That argument rests on the fact that dry cleaners are highly competitive. If Microsoft ran the entire dry cleaning industry, it might very well choose to discriminate against women (or men, depending on market conditions). But in the world we live in--or at least in the neighborhood *I* live in--there are so many interchangeable dry cleaners that none of them should be able to get away with exploiting anyone.

One of my colleagues' wives insists I've got this wrong--she says she's so loyal to her own dry cleaner that no discounter can lure away her business. If most customers are as devoted as she is, then each

dry cleaner is like a mini-Microsoft, with its own captive customer base. In that case, price discrimination can survive. But I am instinctively skeptical that many customers are as fanatically loyal as my colleague's wife.

The theory that only a monopolist can price discriminate is standard textbook fare, and it's borne out by a lot of observations. Movie theaters have a certain amount of monopoly power (on a given night, a given moviegoer is likely to have a strong preference for a particular movie at a particular theater), and they price discriminate by offering discounts to senior citizens (which is equivalent to discriminating *against* everybody under the age of 65). Airlines have even more monopoly power--once you know where and when you want to fly, you are likely to have an extremely limited choice of airlines--and they heavily discriminate against business travelers by charging more for midweek flights than for weekend flights (when most travel is for leisure).

By contrast, in the most competitive industries, there is no price discrimination. As I am fond of pointing out to my students, you've never heard of a wheat farmer who offers senior citizen discounts. Likewise for gas stations, which are ubiquitous and sell to everyone at a single price.



Well, at least that's what I *used* to tell my students. But

I might have to make a small change in my lesson plan. The gas station nearest our campus has just announced a policy of senior citizen discounts on Wednesday afternoons. Is this price discrimination in favor of seniors, or does it reflect a genuinely lower cost of serving them?

If you push me hard enough, I can probably concoct some kind of story about lower costs. Maybe seniors tend to drive cars with bigger gas tanks, so they buy 20 gallons at a time instead of 10, thereby saving on

the cost of processing credit cards. (A significant part of that cost is the time spent waiting for the card to be approved, during which the pump is unavailable.) But if this cost saving is significant, why has only one local gas station recognized it? And why is it significant only on Wednesdays?

I have suggested to my colleagues that none of us should be permitted to present ourselves to the world as economists until we figure out what this gas station is up to. Nobody has risen to the challenge. A few have suggested that perhaps the gas station owner is just a little quirky. Maybe that's right. But it would be far harder to believe that the entire dry cleaning industry is just a little quirky. Either there is enough monopoly power to sustain price discrimination, or there is some reason why women's clothes are incredibly expensive to clean and press. But I have no idea which.

Steven E. Landsburg is the author, most recently, of [Fair Play: What Your Child Can Teach You About Economics, Values, and the Meaning of Life](#). You can e-mail him at armchair@troi.cc.rochester.edu.


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