

Talk It Up! Column

How should alcoholic beverages be sold?

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Should our state control system be repealed and allow for privatization of alcohol? There has been much debate over whether alcohol sales should be privatized or not. The argument is that privatization allows for free market sale of commodities, based purely on supply and demand. However, in reality, no such free market exists in the United States. All food, drugs and tobacco products are regulated by the FDA. And really all products for sale are subject to a certain amount of governmental control, like taxes, price controls, or other barriers like licensing.

To start, let's look at how state control of alcohol came about. State control is a regulatory system born out of the post prohibition era, when the federal government gave authority to the states to regulate alcohol. Prior to this, alcohol was pretty much unregulated. Big companies sold their alcohol products through "tied houses," the saloons that were essentially the retail outlets of the day. These tied houses, so-called because they were tied to a single company, would heavily promote drinking alcohol and encourage excess consumption, creating a variety of social problems. Perhaps you remember the old western movies that highly featured saloons full of drinking, prostitution, gambling, and violence (i.e. gun fights). This was not just in the movies. And once it was overcome, people did not want a return to the "saloon era."

The state regulatory system was created in attempt to avoid these problems. A tiered system with three separate sectors was established: the manufacturer, the distributor and the retailer. Each state under state control, as North Carolina is, has varying degrees of regulation. However, not all states established state control, and some states have since elected to dissolve their state regulatory system, such as Washington State and Kentucky. However, a study found that 20% of the voters who were in favor of privatizing now wish they could change their vote, pointing to an increased number of alcohol sale outlets as the reason why. In Kentucky, there are now approximately 21 alcohol outlets per 100,000 people (compared to NC with 4 outlets per 100,000). When Washington State moved to privatize, they had 330 outlets. Six years later that number swelled to over 1600, and is still growing. Having a high number of outlets selling alcohol is associated with higher consumption and other related health and social problems, including increased violence and crime, decreased work productivity, economic decline, and increased risk of alcohol related cancers.

Other than that, why should we care about a business model? Pamela Erickson, with Public Action Management, states the regulatory system "prevents business practices that lead to social problems." It has been well established that lowering the price of alcohol frequently leads to increased consumption. Moreover, a 2013 report in the American Journal of Preventive Medicine (*"Efficacy and the Strength of Evidence of U.S., Alcohol Control Policies"*) showed that 47 different policies reviewed by experts on evidence-based strategies to reduce the negative consequences of drinking (like binge drinking, underage drinking, and driving under the influence of alcohol), found that state alcohol regulation was highly effective.

When it comes to concern about underage drinking, we should pay attention. It is well documented that alcohol changes the developing brain, and effects adults differently than youth. When youth begin drinking before age 15, they are at a five times greater risk of developing alcohol related issues later in life. Among adults who are considered “heavy” drinkers, almost 97% began before age 21. That excessive drinking is responsible for 80,000 deaths per year, 4,300 of which are underage youth. That is more than every single middle and high school student in Orange County Schools!

Unfortunately, the youth brain is also not developed enough to seriously consider these negative future consequences, which is why it’s so important that the adults in their lives do so for them. And it’s not only those who have children who should be concerned. The impact of underage drinking from related consequences such as traffic crashes, high risk sexual activity, injury, property damage, violence, lost wages, and more cost NC taxpayers over \$1.3 BILLION dollars in 2013 alone.

Not only does the state regulatory system help reduce the social problems explored above; it also gives back to the community in a significant way. Local ABC boards, which receive no state funding, are required to reinvest 7% of their profits in their communities, supporting education, and prevention and addiction treatment efforts. Our local Orange County ABC board goes above and beyond this, reinvesting significantly more than that minimum requirement. In 2017, Orange County ABC Board gave back \$244,000! Would we have this community reinvestment if our system were to be privatized?

So where does the push to privatize come from? Often, it’s from big businesses who want a piece of the pie. Anheuser-Busch InBev is buying up craft breweries, which also have retail operations like brew pubs, to bypass the three-tier system and go directly from manufacturing into retail, similar to the “tied houses” of the past. Do we want our local craft breweries to be gobbled up by such giants?

Other products, such as tobacco, medications, even food and drinks, are regulated. Alcohol is no ordinary commodity. Shouldn’t it also be regulated?