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Legislating Under the Influence

By [James Harrigan and Antony Davies](#)

Few legal products tickle the regulatory urge of state lawmakers like alcohol. In the name of protecting minors, raising revenue, or reducing drunk driving, 18 states maintain government monopolies on the sales of beer, wine, or spirits.

While all states regulate the sale and use of alcohol to one degree or another, fully 36 percent have opted for absolute government control, while others have chosen simply to license private vendors. And despite public cries for privatization, they seem determined to maintain that control. In Pennsylvania, for example, 60 percent of voters favor turning the system over to private vendors. In Utah, the most heavily regulated state, 58 percent of voters favor privatization.

This raises the question: why do states have these monopolies in the first place, and why do legislators fight so hard to keep them?

Broadly speaking, advocates for state control cite three arguments. First, state control reduces bad social consequences like DUI fatalities, underage drinking, and the like. Second, state control reduces consumption of alcohol. Finally, the control generates needed revenue for the states in question. None of these justifications, though, withstands scrutiny.

On the first aim, studies have been mixed. Some have shown positive social outcomes; some have shown no effect at all; still others have shown that high levels of state control worsen social outcomes. The Mackinac Center for Public Policy recently launched a [website](#) that shows various social outcome measures for states categorized according to the degree to which they control their alcohol markets. At the very least we can contend that if alcohol controls did improve social outcomes, we would see fewer alcohol related fatalities among states with more controls. We don't.

The second aim seems a bit more ambiguous. If a state's goal is to reduce alcohol consumption, it does not necessarily follow that a state sales monopoly is the most effective means available. Indeed, simply outlawing alcohol altogether is a far more effective solution. Over 500 towns and counties across the United States have done this already.

Further, no evidence supports the assertion that without regulation the private sector would put a liquor store on every corner. Data show that states with heavily controlled alcohol markets actually have nearly 50 percent more off-premise alcohol establishments than do states that leave alcohol sales to the private sector (14.5 vs. 9.9 establishments per 10,000 adults). The heavily controlled states also have more on-premise alcohol establishments than do states without alcohol controls (16.0 vs. 14.1 establishments per

10,000 adults). If limiting the pervasiveness of alcohol is the goal, state run monopolies seem to be the least effective means available.

Finally, if the goal is to raise revenue for the state, then state-run alcohol monopolies are perhaps one of the least cost effective means of bringing in money. Alcohol is, in the end, a niche market. Monopolizing a non-niche necessity such as groceries would be much more lucrative. Thankfully no state seems inclined toward this.

Every argument in favor of state control fails; yet, politicians continue down the same worn path.

Why? The answers to this question are as simple as they are sad. First, many have preconceived notions that no amount of evidence will ever overcome. They are, in this respect, like everyone else. Second, legislators are inclined to legislate. It is what they do. Doing more is often seen as being better than doing less. Finally, and most problematic, their natural impulse is to control. In the most basic sense government exists to control, and anything that brings negative effects (like alcohol) will be firmly in their gaze.

But none of this makes state liquor control a particularly good idea, and the data supports this conclusion clearly. State control does not make us safer, more sober, or richer. Thirty six percent of the U.S. has held this tight grip on alcohol since the repeal of Prohibition in 1933. It is time to admit that there is a better way. The data is quite clear.

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