Liquor Privatization: Social Impacts

Key Talking Points

1) The PLCB has a conflict of interest—on the one hand controlling and monitoring alcohol, and on the other, advertising and marketing the sale of alcohol.
2) Government control has not made Pennsylvania safer in terms of alcohol-related accidents or deaths, underage or binge drinking, or other social impacts.
3) Academic studies and government data show no difference between states with government-run stores, and states that license private sellers of liquor.

Conflict of Interest

The PLCB continues to use tens of millions of taxpayer dollars every year to market and sell alcohol products as well as advertise alcohol safety in an egregious conflict of interest. Should taxpayers really be forced to support government advertising and promotion of alcohol consumption?

The PLCB spent taxpayer dollars for tone-deaf "dangers of drinking" ads, including one that seemingly blamed women who get raped for their own victimization, but this very same government entity designs and spends our money on advertising campaigns to encourage alcohol consumption. One PLCB Web site says binge drinking leads to impaired decisions and potential rape, the other has a recipe for a cocktail called "Wake-up Whipped," featuring PLCB-selected spirits.

There should be no doubt then that the PLCB enforcement of alcohol regulation and simultaneous promotion of its consumption is an inherent conflict of interest that prevents it from effectively protecting and serving the public.

The date rape scenario ad has been pulled from the PLCB Web site after a massive outcry from women and men across the commonwealth, but the damage has already been done. Like the failed wine kiosk program, the inventory system fiasco, and the massive revenue lost to border bleed, the PLCB has failed to understand the market in which it operates, wasting millions of taxpayer dollars in the process.

Government-branded Wine

In a recent investigative report, the Pittsburgh Tribune-Review uncorked a secretive plot by Board officials that siphoned millions in taxpayer money to research, copyright, brand, advertise and market more than 30 "in-house" government wines and spirits to compete directly with private labels for shelf space and consumers.

These brands unfairly compete against Pennsylvania wineries and other private businesses by using tax dollars and its monopoly powers to push its products.

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Kari Andren of the *Pittsburgh Tribune-Review* explains how the PLCB is using tax dollars to advance its monopoly:

> The LCB spent nearly a half-million dollars last fiscal year, about 10 percent of its advertising budget, to promote five of its own private-label brands - TableLeaf, Dialed In, LA MERIKA, Hayes Valley and Las Parcelas, records show. No money was spent on two other wine brands, Zita and Vinestone, or Copper Sun vodka.
>
> Even though [PLCB CEO] Conti said he was "99 percent sure" no LCB money was spent to promote or develop the brands, ads placed by his agency for its in-house products appeared in high-profile, hard-to-miss locations in newspapers and magazines, on billboards, public transit vehicles in Pittsburgh and Philadelphia, radio shows and the Internet radio service Pandora, as well as in online sponsorships, records show.

The advertising money that Andren details above is in addition to the more than $7-10 million spent copyrighting, branding, marketing and selling the government wine brand, TableLeaf.

The violation of public trust has launched external and internal ethics investigations for numerous violations and disastrous decisions by executive staff that has cost taxpayers millions.

<u>Data on Social Impacts of Alcohol Use</u>

If government control of wine and liquor sales means a safer state, Pennsylvania should be one of the safest in the country. This is not the case. Compared to bordering states and the national average, the commonwealth currently ranks in the middle-of-the-pack or worse in alcohol-related deaths and alcohol-related traffic fatalities.

The Commonwealth Foundation uses the Center for Disease Control's alcohol-*attributable* deaths statistics, which can be found on the CDC's Alcohol-Related Disease Impact portal. Proponents of Pennsylvania's government-run liquor stores use alcohol-*induced* deaths, which is a narrower and less comprehensive look at the statistics.

- Pennsylvania ranks higher than 5 of 6 border states, and near the U.S. average, in alcohol-attributable deaths per 100,000 residents.
- The commonwealth has more alcohol-related traffic fatalities per 100,000 residents than 4 of 6 border states (slightly higher than the U.S. average).
- Pennsylvania ranks higher than 5 of 6 border states in the percentage of traffic fatalities related to alcohol use, at 33 percent, slightly higher than the U.S. average.
- Mothers Against Drunk Driving ranks Pennsylvania 35th in DUI safety, worse than all bordering states but Delaware.
- A survey by the U.S. Department of Health and Human Services ranks Pennsylvania higher than the national average in underage drinking, binge drinking, and underage binge drinking.

		Alcohol Related Deaths		Alcohol Related Traffic Fatalities, 2010					MADD Ranking
State	2011 Population	Total Alcohol Related Deaths (Avg. 2001-05)	Per 100,000 Residents	Number	% of total fatalities	Per 100,000 Residents	Hwy Miles	Per 1,000 State Hwy Miles	DUI-related accidents per capita
Pennsylvania	*12,742,886*	*3,249*	*25.50*	*433*	*33*	*3.40*	*121,780*	*3.56*	*35*
Delaware	907,135	222	24.47	36	36	3.97	6,302	5.71	39
Maryland	5,828,289	1,290	22.13	154	31	2.64	31,461	4.89	26
New Jersey	8,821,155	1,791	20.30	153	27	1.73	38,835	3.94	16
New York	19,465,197	3,876	19.91	364	30	1.87	114,546	3.18	24
Ohio	11,544,951	2,911	25.21	341	32	2.95	123,024	2.77	33
West Virginia	1,855,364	576	31.05	88	28	4.74	38,598	2.28	20
United States	311,591,917	80,374	25.79	10,228	31	3.28	4,050,717	2.52	

Sources: Alcohol Related Deaths: hhttp://apps.nccd.cdc.gov/DACH_ARDI/Default/Default.aspx
Alcohol Related Traffic Fatalities: http://www-nrd.nhtsa.dot.gov/Pubs/811606.pdf
Highway Miles: http://www.fhwa.dot.gov/policyinformation/statistics/2009/hm20.cfm
MADD Rankings: hhttp://www.madd.org/drunk-driving/state-stats/

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- Consider this related fact: In other states, most **underage drinkers aren't going into stores to buy liquor**, according to the same survey data. Almost 90% of underage drinkers get their alcohol from someone else. Less than 5% of underage drinkers bought their own alcohol in a store.

	Alcohol Use in past month Age 12-20	Binge Drinking Age 12-20	Binge Drinking Age 12 +
Pennsylvania	*29%*	*19%*	*24%*
Delaware	30%	21%	25%
Maryland	28%	18%	22%
New Jersey	26%	18%	23%
New York	32%	20%	23%
Ohio	29%	21%	26%
West Virginia	24%	16%	19%
United States	27%	18%	23%

Source: U.S. Department of Health and Human Services, Substance Abuse and Mental Health Statistics, http://www.oas.samhsa.gov/2k8State/AppB.htm

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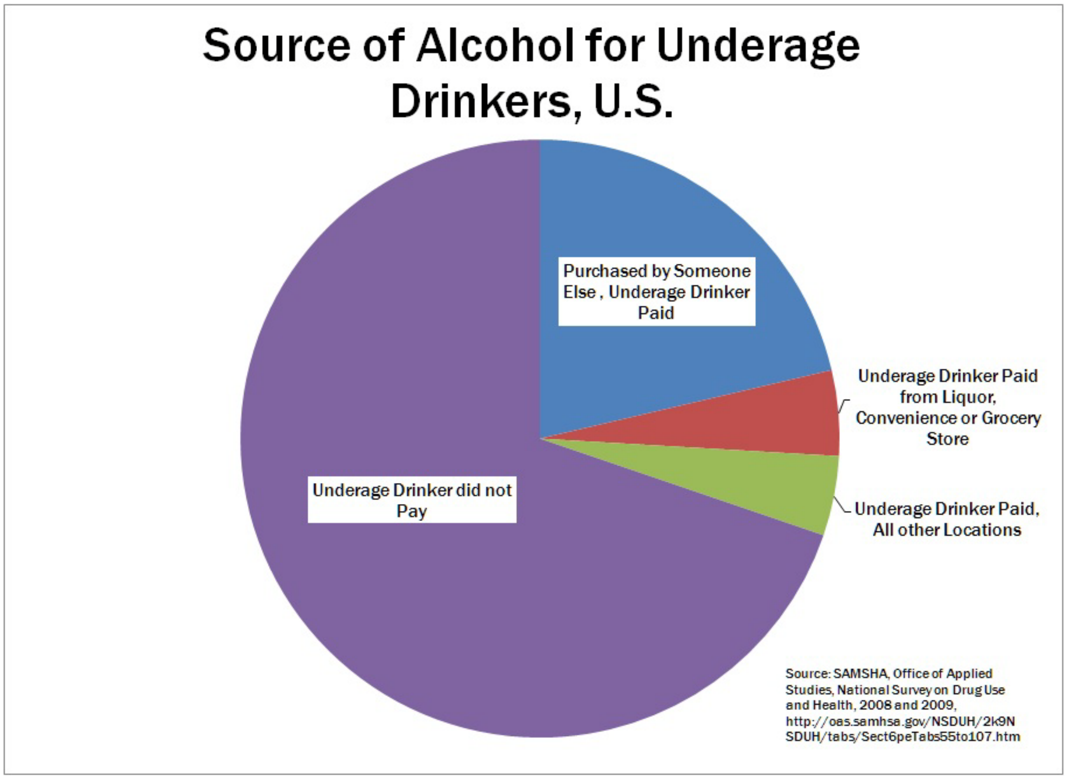
Indeed, looking at consumption patterns in Pennsylvania—almost *75%* of the alcohol consumed in Pennsylvania (which includes beer, along with wine and spirits consumed at restaurants and bars) **isn't sold at PLCB stores**—shows why underage drinking isn't tied to government monopolies over liquor stores.



Red Herring of the "CDC" Report

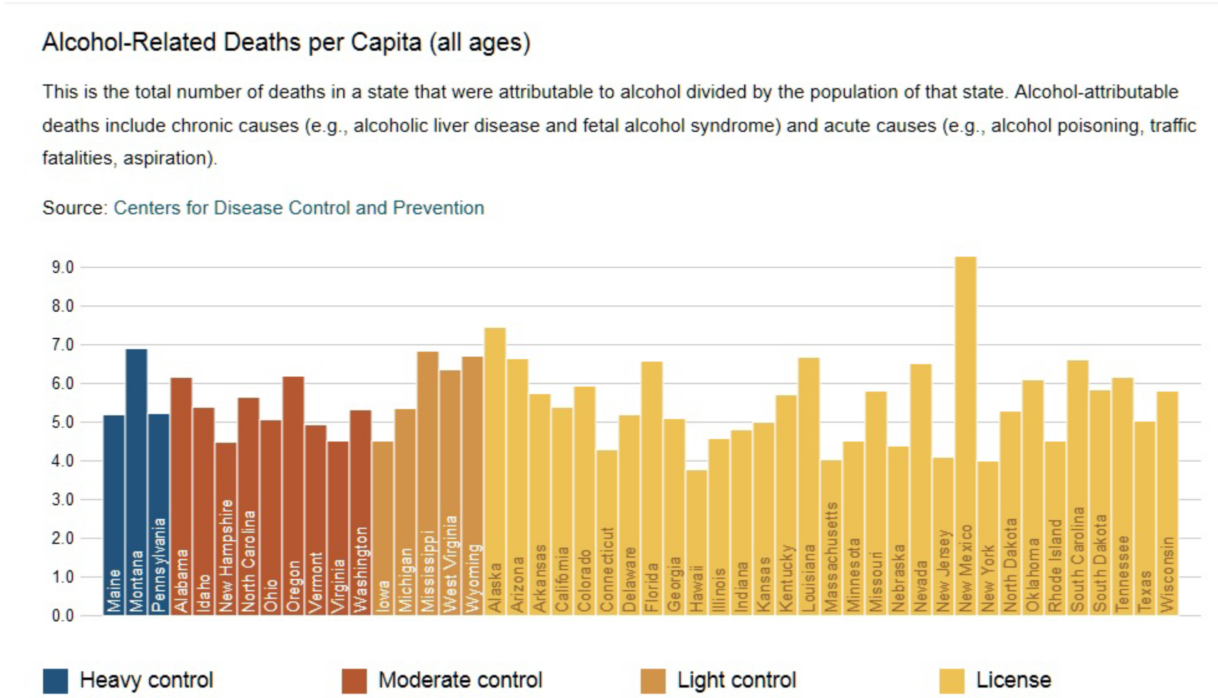
Often the Center for Disease Control's independent "Task Force" study is used as a red herring against privatization. But here are the facts: First, the Task Force does not represent the CDC's official position. Second, the Task Force reviewed 21 studies with more than 30-year-old sales data, some of which found increased consumption following privatization; others found no change or decreases.

Many of the arguments against privatization aren't about social harms—for which the evidence shows no link with government control—but increased "consumption" following privatization. Consumption could increase dramatically if every adult drinker had one more glass of wine each month, but this does not create a policy problem. And as long as "consumption" is measured in terms of sales, we expect to see an increase.

The Task Force's synopsis ignores the fact that *none of the studies show liquor store privatization has an effect on underage drinking or DUI fatalities.*

In fact, the former chair of the American Medical Association, Dr. Raymond Scalettar, penned a letter, "There was little proof in privatization op-ed," in the Harrisburg *Patriot-News* criticizing the CDC task force conclusion for this same reason. He concludes, "Alcohol consumption habits tend to be culturally driven and macro-level control policies have little to do with drinking patterns."

Government statistics show no difference between states with government-run alcohol monopolies and those licensing private retailers. Using government data, a website from the Mackinac Center allows users to compare a myriad of social outcomes for states that control their alcohol sales to states that don't.



Studies on Privatization on Alcohol Safety

A review of the existing literature reveals there's no clear consensus on the social impact of privatization**.** For example, a 2003 study of alcohol outlet density and DUI fatalities in California over an eight year period found that increased outlet density was associated either with no change in DUI fatalities or a decrease in DUI fatalities, depending on how one defines "density."[1]

A 2003 study of outlet density among students at eight public universities found a *positive relationship* between outlet density and self-reported drinking problems.[2] A 2005 study of alcohol privatization in Alberta over the period 1950 through 2000 found *no relationship* between privatization and DUI fatalities.[3] A 2006 study looking at privatization across all states for a single year found a *positive relationship* between privatization and DUI fatalities.[4] These and other studies provide conflicting stories as to the relationship between privatization and social outcomes.

This holds true with the studies referenced by opponents of private liquor sales as well. Many associate higher outlet density to increased social harms. A literature review by Dr. Antony Davies of Duquesne University covers a number of these studies. Often these studies begin from the general consensus that privatization equals more outlets which thereby results in more harm, but there is no causality to make that claim. For example, the density of retail outlets could be caused by the propensity of the populace

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[1] McCarthy, P., 2003. Alcohol-related crashes and alcohol availability in grass-roots communities. *Applied Economics*, 35: 1331-1338.

[2] Weitzman, E.R., A.Folkman, K.L. Folkman, and H. Wechsler, 2003. The relationship of alcohol outlet density to heavy and frequent drinking and drinking-related problems among college students at eight universities. *Health and Place*, 9: 1-6.

[3] Trolldal, B., 2005. An investigation of the effect of privatization of retail sales of alcohol on consumption and traffic accidents in Alberta, Canada. *Addiction*, 100: 662-671.

[4] Miller, T., C. Snowden, J. Brickmayer, and D. Hendrie, 2006. Retail alcohol monopolies, underage drinking, and youth impaired driving deaths. *Accident Analysis and Prevention*, 38: 1162-1167.

to consume alcohol, not the other way around. Overall, the findings concerning density and consumption are mixed, at best.

A study by Dr. Antony Davies and John Pulito of Duquesne University, commissioned by the Commonwealth Foundation, showed that the level of state control over alcohol sales has **no link** to underage drinking, binge drinking, and DUI fatalities**.** A follow-up study by Davies and Pulito examined 49 states over 21 years using sophisticated analytic techniques and finds that states with private alcohol markets have lower alcohol-related fatality rates.

Davies has published several papers on this topic in a variety of peer-reviewed venues, all of which show the same lack of effect of state controls. The most recent was published by the Mackinac Center.

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