



September 2016 Newsletter

The Importance of Compliance with Alcohol Regulations

By Pamela S. Erickson

Recently, a national liquor store chain, **Total Wine and More**, decided to ignore Connecticut's minimum price law. They set prices on several items below the required minimum and advertised the new practice. Shortly thereafter, another liquor store announced they would follow suit. Faced with blatant defiance of state law, an investigation was launched and a settlement reached. Total Wine agreed to pay the state \$37,500 and cease advertising and selling below the state minimum.

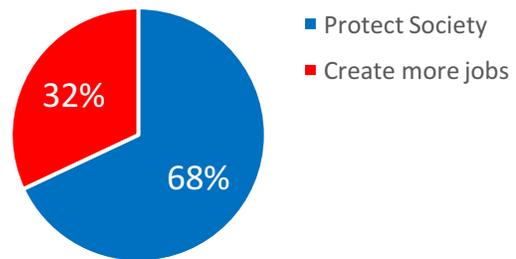
This incident raises two issues: the importance of law compliance and the public health rationale for pricing measures.

It should be clear that individual companies cannot pick and choose the laws they want to follow. Should that occur, our system of liquor control would be weakened and law defiance could become widespread. This situation appeared to be moving in that direction when the second company quickly followed to defy the price law.

This problem was anticipated at the time our regulatory systems were developed. In a major study, called *Toward Liquor Control*, the authors warned us about the difficulty of regulating a product sold for profit in a system dedicated to promoting moderation. They noted, "A greedy liquor traffic looking only for larger profits will circumvent and evade any system of license defenses which ingenuity can erect." (p. 37) They feared "...an endless guerilla warfare between a nation fighting for temperance and a traffic that thrives on excess." (p. 40)

We are a nation of laws and we must depend on a high level of community support and voluntary compliance. While we don't have data indicating the percentage of Connecticut citizens that support this particular law, surveys of the US population find a high level of support for alcohol regulation. In a recent survey conducted by the Center for Alcohol Policy, 68% agreed that is more important to "create alcohol laws that protect society against the harms of alcohol misuse and abuse" than to allow more alcohol sales which may create more jobs. While we must be willing to change laws to accommodate changing conditions, we have processes for that to occur. One company cannot unilaterally change the law.

"Is it more important to create alcohol laws that protect society against the harms of alcohol misuse and abuse or that allow more alcohol to be sold and potentially create more jobs?"



Source: Whitman Insight Strategies & Wilson Perkins Allen Opinion Research, 2015

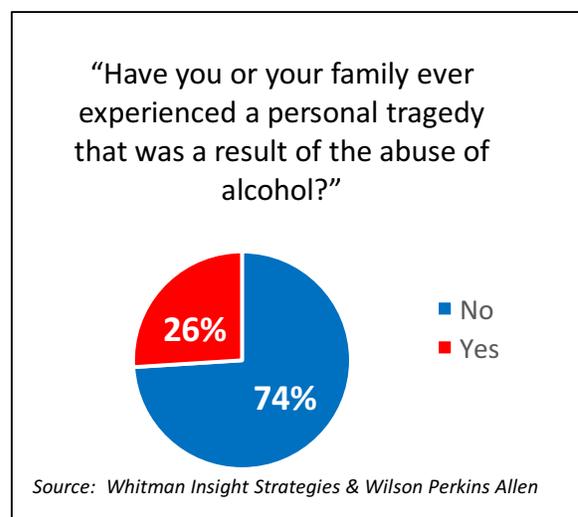
The issue of law compliance can be impacted by a failure to understand the law's purpose. Those who would change the minimum price statute, characterize it as mere price fixing aimed at protecting small in-state operators. To understand this law, one must look at the abuses before Prohibition and the measures embedded in our laws designed to curb aggressive sales practices that promoted excess consumption. **Alcohol regulation is concerned with price because it is the most powerful control over consumption impacting all drinkers including underage youth.** Research has confirmed that principle time and again. A team of researchers from the University of Florida reviewed over 100 separate studies with over 1,000 statistical estimates of price versus consumption. As the research team leader Alexander Wagenaar concluded, "When prices go down, people drink more, and when prices go up, people drink less."

To effectively control consumption and the social problems which follow, multiple measures are necessary. While some naively suggest we should just raise taxes, they ignore the problems with that idea. First, raising taxes doesn't always work to increase retail prices in today's market. In the United Kingdom, a steep increase in tax did not raise the price of alcohol in large supermarkets because they were able to induce the manufacturer to absorb the tax increase and/or they made up the lost revenue on the thousands of other products they sell. Alcohol continues to be a very popular "loss leader" in the UK despite high taxes. Second, raising any tax is so difficult in today's climate that it simply is not available to many communities as a control measure.

The public health rationale for Connecticut's law was recently detailed by Thomas Babor, a renowned expert in alcohol policy at the University of Connecticut and Jonathan Noel, a doctoral candidate in public health. They noted that excessive alcohol use cost the state of Connecticut "more than \$3 billion in 2010 alone in direct health care costs,

lost productivity, criminal justice costs and motor vehicle crashes."

Today, the public is well aware of the devastation heavy drinking entails. In the survey mentioned earlier, 26% said they had experienced a "personal tragedy" as a result of the abuse of alcohol. The devastation that alcohol excess causes is a national disgrace. Over 10,000 alcohol related deaths occur annually on our highways. Approximately, 4,300 youth die each year due to alcohol. Wouldn't we want to do anything in our power to reduce this problem?



Sources:

"Total Wine & More to Stop Selling Alcohol Below State Minimum," NBC Connecticut, September 1, 2016.

"Higher Alcohol Prices Save Lives in CT," Jonathan Noel, Thomas Babor, Hartford Courant, September 2016.

Toward Liquor Control, Raymond B. Fosdick and Albert L. Scott, Center for Alcohol Policy (re-issue 2011)

"Effects of beverage alcohol price and tax levels on drinking: a meta-analysis of 1003 estimates from 112 studies," Alexander C. Wagenaar, Matthew J. Salois & Kelli A. Komro. University of Florida, College of Medicine, Department of Epidemiology and Health Policy Research, Gainesville, FL.

<http://www.centerforalcoholpolicy.org/2015/08/18/national-survey-finds-americans-very-satisfied-with-current-alcohol-laws-and-regulations-3/>

Fact Sheets—Underage Drinking at cdc.gov.