



## October 2018 Newsletter

### Multiple Policies Needed to Balance Alcohol Prices by Pamela S. Erickson

According to the latest Global Status Report on Alcohol and Health by the World Health Organization, "Price policies are the most cost-effective WHO best buy for reducing the burden of harmful alcohol use." Recently, the WHO released their "Safer" Alcohol Campaign which recommends raising the price of alcohol through excise taxes and pricing policies. Experience in the UK has made it clear that you need several tools to strike the right balance. In the US, our regulatory system is aimed at prices that are not too high or too low. Too high induces bootlegging (or selling in internet black market sites) and too low induces excessive drinking.

So, what are all these policies and what are they designed to do? Here is a summary:

**No sale below cost:** This is the loss leader idea commonly used in supermarkets these days to entice shoppers to their store. But cut-rate prices appeal to heavy drinkers many of whom are underage.

**No free alcohol:** Again, this is a way to attract customers with freebies or "buy one, get one free" and encourages overconsumption.



**No volume discounts:** These may be advertised or given with coupons. In either case, buying more usually results in drinking more.

**Same price to all and price posting:** Many states require that wholesalers sell all products at the same price to all retail customers. This evens the playing field and discourages discounted pricing since everyone pays the same wholesale price. Some states also require that prices be posted and held for a period of time to ensure that changes aren't made within a short period of time for favored customers. If a wholesaler could change the price right after posting, it could negate the impact of the requirement for everyone to pay the same price.

**Excise Tax:** Raising taxes is done for two reasons. First, if the increase is passed on to the consumer, it raises the overall price. This doesn't always happen in today's markets because alcohol is now sold in supermarkets and other places with thousands of other products. These large stores can increase the price on many other products and leave alcohol cheap in order to draw in consumers. Second, a tax increase produces revenue for the public, who shoulder the lion's share of the cost of alcohol harm. According to the Centers for Disease Control and Prevention, the cost of excessive drinking was \$249 billion annually from 2006-2010 and governments were able to pay for only 40.4% of that cost.

**Minimum price or mark-up:** Only a few states have anything like a minimum price, but it is common in Canada. Scotland recently adopted this measure because tax increases failed to

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curb the cheap alcohol favored by problem drinkers. Ireland is in the last stages of adopting a similar measure. In the United Kingdom, the alcohol market is dominated by several large supermarket chains. When the tax on alcohol was increased several years ago, it was not passed on to the consumer. In many cases, the grocers required the supplier to pay for it.

**Control-state pricing:** The 17 states and several local governments that own all or part of the alcohol business do control price. Generally, those states have somewhat higher prices and do not permit some practices that might encourage high volume consumption.

**Happy Hour Laws:** Several states have regulations for bars, restaurants and taverns that prohibit drink specials designed to encourage excessive consumption. These include: all you can drink for a set price, drinking games, women drink free, and two for the price of one.

Unfortunately, we are losing many of these pricing policies. Too often judges and law makers succumb to the argument that these price laws are antiquated and just interfere with the free market. In a ruling against several price policies in a case filed by the Costco Corporation, Judge Marsha Pechman suggested that raising taxes would be a better way to promote state goals than methods which interfere with commerce.

It should be remembered that any social problem usually needs multiple methods across multiple sectors to curtail problems. This was the message in the landmark report, "Reducing

Underage Drinking, A Collective Responsibility." The authors noted that no single strategy or group would likely be effective and they urged all of us from all sectors of life to address the problem. This strategy has been successful as the drinking rate of young people has been greatly reduced.

It is important to educate lawmakers and judges about the importance of multiple price policies and that we need more than one method to help prevent excessive and underage drinking.

**Sources:**

Global status report on alcohol and health 2018. Geneva: World Health Organization; 2018.

[http://www.who.int/substance\\_abuse/safer/launch/en/](http://www.who.int/substance_abuse/safer/launch/en/)

WHO Launches "Safer" Alcohol Campaign, The Fix, By Kelly Burch, October 12, 2018

"Reducing Underage Drinking, A Collective Responsibility," Institute of Medicine, National Research Council, The National Academies Press, Washington, D.C., 2003.

<https://www.nap.edu/resource/10729/ReducingUnderageDrinking.pdf>