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ALCOHOL MONOPOLIES AND ALCOHOL CONTROL

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Abstract

Aspects of the history and current position of alcohol monopolies, particularly in English-speaking and Nordic countries, are considered. Two major issues for their relation to alcohol control measures are posed: (1) that, in contrast with their beginnings, monopolies today are little involved in on-premises consumption, where there is probably the greatest opportunity for effective control or intervention; (2) that the general ideological constraints on differentiated controls of availability leave relatively little scope for specific prevention gains from the alcohol monopoly mechanism.

In recent years, the history, functioning and effects of governmental alcohol monopolies have drawn some research attention (see, for example, Room, 1984; 1985a; 1985b; 1987; Kortteinen, 1989; Holder and Wagenaar, 1990; Wagenaar and Holder, 1991). For many years, these institutional legacies of the later half of the 19th and earlier half of the 20th centuries had been nearly invisible in the research literature. The renewed attention comes at an ironic moment. In an era in which privatization is often seen as a good in itself, the monopolies are under attack in many capitalist or mixed-economy countries. Meanwhile, the alcohol monopolies of eastern Europe are being dismantled in step with the privatization of other state monopolies.

The present paper draws on the recent work on alcohol monopolies, summarizing some of what we have learned about their history and functioning, and about their potential effectiveness as an instrument for the prevention of alcohol-related problems.

(1) State monopolies of production and distribution of goods have a very long history, and have been adopted for many purposes. Whatever the political or economic complexion of the modern state, monopolization of some goods is part of the essence of its existence. This is notably true of at least some of the means of violence. We take it for granted, and do not normally question, for instance, that the U.S. citizen's "right to bear arms" does not extend to a right to own an atomic bomb or to surround one's home with a battery of functioning cannon. While modern states vary in

the degree to which they monopolize the distribution of dangerous commodities, no state is completely *laissez-faire* about all commodities.

(2) In the longer sweep of history, fiscal interests have probably been the strongest reason for state monopolies of everyday or luxury consumer goods. As 17th-century Venice demonstrated with its tobacco monopoly (Austin, 1978:11), such a system can be an efficient way of gathering the maximum of state revenue from strategically chosen consumer goods. Important determinants of the choice from the state's fiscal perspective are that the supply of the commodity should be controllable and that the commodity should be widely and habitually used (so that the revenue base is broad and the demand is relatively inelastic). Along with food flavorings and preservatives -- salt, spices and sugar -- psychoactive drugs (tea, coffee, opium, chocolate, tobacco, alcohol) have been conspicuous choices as such commodities. Partly because the supply of an imported or manufactured commodity can be more effectively controlled over a larger area, and partly because the fiscal benefits are so marked, fiscally-oriented monopolies have tended to become a prerogative of the state rather than of local government. Several European *anciens régimes* -- notably, Russia, Poland and Sweden -- at some time had a form of alcohol monopoly, usually over spirits.

(3) The idea of a governmental monopoly at least partly motivated by public order or public health concerns first arose in Falun, Sweden in 1859, and the idea spread to the English-speaking world and elsewhere in the late 19th century as the "Gothenburg system". Prior to the First World War, it showed up in diverse forms and places: in the "dispensary system" in the American South, in the Community Hotel in Renmark, South Australia, and in the "municipal beer halls" in British southern Africa (Room, 1984; 1987). It was no accident that these monopolies were usually at a local government level: that is the level of government which has to deal most directly with public order and public health problems. These 19th century local monopolies were primarily of on-premises drinking places -- which is where most of the drinking was going on.

(4) In English-speaking countries, at least, the idea of an alcohol monopoly emerged in the context of discussions of prohibition, and as an alternative to prohibition. The idea was, therefore, usually opposed by the temperance movement. Proposals for government alcohol monopolies were the first expression of a self-conscious "alcohol control" strategy, where governments took on the task of managing the alcohol market to limit the damages from drinking. As prohibition aims moved from "local option" towards prohibition at a state or national level (partly because prohibition was inherently hard to enforce at a local level), counterproposals for "alcohol control" tended also to move away from local government levels.

(5) The monopoly idea also became a way for farming interests to get the state's help in smoothing out and organizing the market for their fruit products, with the state becoming the wholesaler of fruit liquors and brandies (and in the process securing control over production). This model, pioneered in the Swiss federal alcohol law of 1885 (Cahannes, 1981), spread in the decades that followed to France and Germany. The public order and public health aspects of such wholesale monopoly mechanisms tend to be very limited (see Fahrenkrug in Kortteinen, 1989).

(6) By 1920, at least in the English-speaking and Nordic countries, it was assumed that the alternative to prohibition was an explicit "alcohol control" structure, with the main lines of the structure set at a state rather than local level. Two alternatives were seen for "alcohol control": a state monopoly system or a license system (Room, 1987). Almost all monopoly systems also included a state license element, for aspects of alcohol production or marketing (particularly for beer) that were not monopolized by the state. Monopoly systems were particularly likely to be

adopted where there had been a period of prohibition (in part, perhaps, because there were fewer vested private interests). In the Nordic countries, production as well as distribution was monopolized; North American monopolies cover only distribution. All provincial and state monopolies in North America monopolize the wholesale level, at least for spirits; in several U.S. "monopoly states" (Wyoming, Mississippi, Oregon, Michigan, Iowa) the retail level is wholly or mostly privatized. Besides these states, some states and provinces have demonopolized retail wine sales.

(7) North American alcohol monopolies have evolved considerably since the Second World War, away from a control mentality and towards a marketing mentality (Room, 1987). In spite of their efforts to be responsive to their customers, there have been growing efforts to privatize them, and U.S. monopolies in particular feel under siege. Their main protection has been their enormous profitability for the state.

(8) Although conventionally-trained U.S. economists find it hard to believe, U.S. state alcohol monopolies can be argued to operate more efficiently than their licensed-industry alternatives (see Simon, 1966; Whalen, 1967; Zardkoohi and Sheer, 1984). Alcohol sales in the monopoly states contribute proportionally much more revenue to their state treasuries. The wages of liquor-store employees are considerably higher in monopoly states than in the non-unionized stores of the license states. And yet the price of a bottle of liquor to the consumer is consistently somewhat lower in monopoly states than in license states. This economic miracle partly reflects the monopoly states' economies of scale and their monopsony position with respect to the producers and importers; it partly reflects the high profits and limited price competition of the licensed industries (after all, the fact of licensing creates a partial private monopoly); and perhaps it partly reflects that the monopolies feel a political need to be responsive to the voters as consumers. But it also reflects that the state stores tend to operate with fewer stores per capita and for shorter hours. From a conventional economist's perspective, this means that some extra costs are being borne by the consumer. From a public health perspective, of course, it may be seen instead as conferring benefits: in limiting consumption in general, and in eliminating impulse purchases at times when the problems per litre may be higher. Recent time-series analyses showed that purchases did in fact rise when the state privatized the retail sales of wine bottles in Iowa and West Virginia (Wagenaar and Holder, 1991) and spirits bottles in Iowa (Holder and Wagenaar, 1990).

(9) Government commodity monopolies are in general threatened by negotiations to eliminate trade barriers through trade agreements and common markets (on the European Common Market's threat to the Nordic alcohol monopolies, see Tigerstedt, 1991). There is no question that government monopolies have often discriminated against imported products in their pricing policies (such preferences for local products also show up, of course, in other governmental actions). But breaking the monopoly often involves neutralizing control structures which impact on public health interests. In the wake of successful U.S. pressure to break government tobacco monopolies in Taiwan, South Korea and Japan, U.S. tobacco companies have come into the market with greatly intensified promotional strategies. As can perhaps be seen also in the export efforts of the Nordic alcohol production monopolies, public health interests are particularly likely to be subordinated to fiscal interests when foreign trade (and other people's health) is at stake.

(10) Although, as we have seen, public health-oriented alcohol monopolies were originally primarily focused on drinking on the premises in bars or restaurants, the emphasis is now almost wholly on sales by the bottle (and thus usually off-premises). It is true that in most industrial

countries there has been a shift in consumption away from on-premises and toward off-premises consumption (Mäkelä et al., 1981). But the shift in the focus of the monopolies over the last century is much more dramatic than the shifts in drinking behavior. Besides such places as military canteens, to my knowledge the only government-run on-premises outlets in North America and the Nordic countries are some municipally-run taverns in Minnesota and Alko's involvement in restaurants in Finland. There are also community-run hotels (taverns) in a number of areas in New Zealand (Stewart and Casswell, 1987), and a municipal hotel in Renmark, South Australia (Room, 1988). As we have noted, there is also a tendency in the U.S. monopolies to withdraw to the wholesale level, and thus avoid contact with retail customers altogether.

From the point of view of public health and order interests, the priorities would lie in exactly the opposite direction. From this perspective, a monopoly at the wholesale level is almost entirely irrelevant. There are far greater opportunities to influence the drinking occasion and minimize any harm with on-premises consumption than with off-premises consumption. In a bottle-shop, the possible targets of "server intervention" are limited to those who are obviously intoxicated before they even open the bottle. With a bar or restaurant, there is not only the possibility of intervening before each new drink, but also the opportunity to influence the nature and consequences of the drinking occasion through the decor, music, seating arrangements, and other elements of the ambiance.

Why has the state tended to withdraw from the most promising avenues for alcohol control? One reason may be fiscal. The retail level is not the main locus for the state's revenues. In fact, the Minnesota municipal bars and bottle shops, at the mercy of private wholesalers, often have trouble breaking even (Carlson, 1986). And civil servants, many of whom are organized in unions, are relatively expensive employees. Besides, employment is necessarily much greater per unit of sales in on-premises than in off-premises sales, and much greater in retail sales than in wholesale operations. From a managerial perspective, withdrawing from customer contacts can only make the balance sheet of the monopoly look better. The fiscal incentives are thus just the reverse of the public health interests. It is the very intensity of the labor input in a bar or restaurant which makes these places such a promising venue for server intervention. And presumably better-paid, more long-term employees will be better agents of social control than the young, poorly-paid casual workers found in many U.S. bars, restaurants and liquor stores (for an unusual counterinstance, see London, 1991).

Perhaps there is also another reason for the state's withdrawal. The state wants its hands to look as clean as possible. Any trouble there may be begins only after the bottle is opened. It is the retail level, and particularly bars and restaurants, that bears the burden of association with troubles due to drinking. The Tsarist state thus bore a particular burden for its association with the sordid on-premises drinking in the *kabak*s. At the end of Prohibition in the U.S., "the old-time saloon" became the scapegoat for any evils involved in pre-Prohibition drinking. Recognizing this link between alcohol problems and the retail level, the U.S. beverage producers accepted without much complaint the "tied-house laws" that kept them insulated from retail operations (see Room, 1973).

These qualms about the state's being involved in a dirty trade have always been the Achilles' heel of "state management of the liquor trade". In the U.S., at least, people are uneasy if the contradictions of state involvement are too nakedly displayed: as an Iowa legislator put it in 1982, "it strikes me as hypocritical to have Iowa all up-tight about drunk drivers and also sell the stuff" (Room, 1987). For a state monopoly agency to take the potentially most effective role in alcohol problems prevention, then, it has to override this unease. For public health activists, used to involving the state in condom giveaways, needle exchanges, and other undignified activities, this will be a familiar issue.

(11) Swift's story of Gulliver in Lilliput tells of a powerful giant who is held down, in a land of miniature people, by the many threads with which they have bound him. In the modern consumer-oriented state, monopolies as a public health mechanism -- in fact, alcohol controls in general -- are as constrained as Gulliver in Lilliput, hemmed in by a variety of competing values. We live in societies where marketplace equality is taken for granted: the access of all adults to any legal commodity should be equal, limited only by their financial means. We tend to consider it a violation of civil liberties if customers are refused service because they belong to a particular social category (e.g., women) or because they are not well-dressed. Exceptions to this premise are rare: service can be refused if the customer behaves unacceptably in the immediate situation (e.g., is obstreporously drunk); and some potentially dangerous commodities are dispensed through special channels and only with an individual certificate of need (e.g., prescription drugs). In our era, alcoholic beverages have been "normalized" to the extent that they are available on demand to any adult.

Things are very different in many traditional societies. In the first place, in a village society, access to manufactured alcohol is often limited by limited cash resources and by limited transportation; and access to home-made alcohol is often limited by the availability of raw materials, by the limited shelf-life of traditional fermented beverages, and by the willingness of the makers. Beyond this, access to alcohol in traditional societies is often controlled by social norms which limit most drinking by particular categories of age, sex and other social divisions -- in many societies, heavy drinking is a prerogative of the powerful (Roizen, 1986).

There used to be equivalents for these kinds of differentiated control measures in some societies like ours. There is still an unenforced law on the books in many American states that provides for posting lists of "habitual drunkards" who must be refused service. Around 1900, a respectable woman would never have entered a North American saloon. And, of course, the Swedish "motbok" system rationed access to alcohol on the basis of the individual purchaser's characteristics (giving greater rations to men and to the better off) (see Frånberg, 1987; Järvinen, 1991).

We used to think that rationing and other "buyer surveillance" systems were quite ineffective, since the ways in which they didn't work were quite visible. In a changed social climate, where there was increasing pressure to apply the norm of consumer equality to alcohol, this apparent ineffectiveness became an argument for sweeping them away. Recent studies, however, have taught us that rationing in Sweden and elsewhere seems to have had a strong effect on heavy drinkers (Norström, 1987; Schechter, 1986; Wald and Moskalewicz, 1984). The only problem is that it is politically inconceivable nearly everywhere now to impose a rationing scheme.

Given that it is no longer seen as acceptable to formally limit any particular adult's access to alcohol, what we have had left, at the margin of political acceptability in modern times, are manipulations of availability that in principle affect everyone. Price is one available lever, although it is more often pulled for fiscal than for public health reasons. Changing the opening and closing hours, and limiting the number of outlets, are other potential limits on availability. But while everyone is affected by these measures, some are affected more than others. The rich are affected less by price and other changes in availability than the poor. Those with the resources and forethought to buy ahead, and those who can slip out from their work for long enough to get to the liquor store, have the advantage if liquor stores open only on weekdays during business hours. Thus the limited range of availability measures that remain are certainly not equal in their effects. It may be because of their unequal effects, in fact, that they "work" to the extent they do.

Given this constriction in the range of availability measures which are politically conceivable, what difference can the alcohol monopoly mechanism make? For off-premises sales, probably the main difference is that restricting the role of private interests makes it easier to hold down the number of outlets and hours of sale. State civil service employees are probably also less likely to sell to minors and the obviously intoxicated. Unless availability is very restricted, the public health gains from these factors are likely to be modest. Gains from government management of on-premises consumption might be more promising -- but, as we have noted, this is an arena from which the state has mostly exited.

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