Privatization of State-Run Alcohol Sales – An Expensive Solution

Privatization of state-run alcohol sales is a shortsighted proposal that comes at the expense of the state's finances and the public's health. Any immediate economic benefits realized from privatization will be offset by increased consumption, reduced state revenues over time, and increased costs due to more harm. In short, the proponents of privatization seek to put their own financial self-interests before that of the public's physical well-being and state's economic stability.

Privatization and Decreasing Alcohol Revenues

- States that control the sale of alcoholic beverages stand to lose significant revenue as a result of privatization. On average, control states generate at least $10.00 more per gallon of alcohol sold compared to license states. States that control only sales of spirits receive nearly $38 more per gallon than license states.[1]
- Over the long term, the sale of state-run alcohol stores will result in declining alcohol revenue for control states. Taxes and license fees in the short run are supposed to offset the revenue lost as a result of privatized alcohol sales. However, the one-time windfall realized from the sale of the state stores will not offset the long term loss of revenue.
- It is rare for states to raise excise tax rates on alcoholic beverages because the alcohol industry powerfully lobbies against any such increases.[2] As effective tax rates on alcohol erode over time, states that privatize alcohol sales will find it difficult to match the revenue they previously realized from state-run stores by raising state alcohol tax rates.
- Because the prices on state-controlled alcohol sales can be increased, and tax rates on privatized sales are rarely adjusted, the prices of alcoholic beverages will fall and effectively function as a subsidy for the alcohol industry.

Privatization and Increasing Societal Costs

- Proponents of privatization argue that it will benefit drinkers by improving the price and availability of alcohol. However, these two factors are directly correlated with increased consumption and the accompanying increased harm and societal costs.
- If the state of Washington privatized its alcohol sales, the volume of liter sales of alcohol could increase as much as 14.7%, which is the average consumption percentage difference between control and license states.[3]
- Increased availability of alcohol is generally associated with increases in consumption. States that license alcohol retailers generally have higher alcohol density, greater physical availability, longer and later hours of sale,[1] all of which are factors that contribute to the increased availability of alcoholic beverages.[4]
- Increased consumption of alcohol is associated with a range of health problems as well as increased rates of traffic injuries and fatalities, crime, domestic violence and child abuse.[5] (See our fact sheet on control states).

Privatization and Less Control Over Alcohol Sales

- State-run store employees are likely to have better oversight and experience with sales, thus reducing the number of sales to minors and intoxicated drinkers.[1]

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- Because the state directly oversees the products that are sold in state-run stores it can quickly remove a product that it considers to be deceptive, dangerous, or has inappropriate packaging or marketing.

- Because state-run stores are state property, states more easily regulate the on-site marketing of alcoholic beverages, including the promotion of products within the stores and display of window or exterior advertising for alcoholic beverage products.[6]

- Once a state privatizes the sale of alcohol within its borders it is extremely unlikely that it will be able to go back to a control system in the future.[1]

Bottom Line: Privatization of state-run alcohol sales is a costly mistake. Any short term economic benefits realized from privatization will be offset by the long term financial and societal costs associated with alcohol over-consumption.

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