

CHAPTER 6

Summary and Recommendations

Society, through the years, has had a dichotomous preference towards alcoholic beverages – liquor stemming from two fundamental schools of thought : The libertarian (pro-alcohol) view and the Prohibitionist (anti-alcohol) view. The paper has brought out the differences between these approaches, which are also the basis of perceiving stakes in the business of propagation of alcohol.

This study takes a review of the status of liquor prohibition through history in various parts of the world and deduces that countries had imposed prohibition when it was the need of the hour. History, however, showed that illicit brewing, trade and consumption flourished in times of prohibition all over the world. Most countries reverted their policy to that of controlled availability after the recession of the 1930's to give a boost to the economy under pressure from pro-alcohol lobbyists despite the demands of the prohibitionists. Several models of distribution of alcohol with minimized profits were tried, e.g. the 'Gothenburg model' or the 'Dispensary model of disinterested management', which worked for some time, until again the commercial interests took over.

The study also makes an analysis of the policy, or lack of it, in the Indian context, which reveals that the intentions of the fore-fathers of the country and the makers of the Constitution echoed the sentiment and teachings of the Mahatma. But modernists in the Constituent Assembly probably had a stake in propping the libertarian view. Having expounded the ills of alcohol in the society in the debates of the Constituent Assembly, the Indian Constitution let the subject lapse out of the central control and made it a states subject. Also, its prohibition (being an intoxicating substance) was

underrated by relegating it into the Directive Principles (Article 38 : now 47) which were not binding on the states. Consequently, India saw the resurgence of free, albeit regulated, availability of liquor in its state markets (less Gujarat and Mizoram) and money pouring into the state treasuries. What perhaps missed notice was the increasing social costs, elaborated further in the paper. Indian states today continue to apply regulation ranging between prohibition and free availability in their areas of jurisdiction with virtually no central controls on the taxation regime, on individual products.

The dissertation hypothesizes that "*Liquor prohibition is not being adopted in India due to bias towards the stakes of producers, consumers and regulators (Government) of liquor, greatly ignoring the social costs imposed by its ill effects*".

In order to test the hypothesis, the paper tries to delve into the motivators behind the pro and anti alcohol schools of thought. In both these viewpoints and policy decisions of various shades, is the underlying motive of individual stakes to be gained or lost which drives the force behind their manifestations.

The dissertation has identified the drinkers, the producers of liquor (brewers) and the retailers or mediators who make their respective profits in the chain of marketing liquor as the positive stake-holders as far as liquor remains an economic commodity. The government holds a major stake in availability of liquor under its regulation – that of the revenues that it gains from taxation on liquor, as its positive stake, but it also bears the burden of a negative stake – that of the social ills created by abuse of alcohol, borne by the society it governs.

It becomes the responsibility of the government to limit and remedy situations arising out of social ills and entails costs to establish hospitals, rehabilitation centres and deploy enforcement

organizations to check the abuse of alcohol and to assure the innocent citizen of a safe environment. The cost of these liabilities is the negative stake of the government. The intangible negative costs that the society as a whole has to bear are difficult to evaluate. The study describes these in detail.

Monetary quantification of the positive and negative stakes of all stake-holders has been attempted to gauge the effect of the present policy of control on liquor, its taxation and availability. The stakes have been quantified as follows :-

Drinkers. Two approaches (Bottom-up approach and Top-down approach) have been followed for evaluation. *The Bottom-Up approach* calculates the national level stake from the average willingness to pay for liquor ascertained from a survey carried out in units of the army and in suburban areas of Delhi to include moderate drinkers and addicts, considering the quantity of liquor which renders positive utility to the drinker. *The Top-down approach* calculates the cost of liquor consumed short of intoxication from the published figures at national level. An average of the values obtained through these two approaches has been used as the estimated positive stake of the drinkers at national level.

Brewers and Retailers. The Brewers' stake is the net profit from their sales. This has been evaluated from the annual audited reports of the breweries, taking the net profit after tax. The retailers stake has been estimated after taking stock of the sales that accrue at various outlets, but working on the average profit margin of 20% that the retailers obtain on the sales proceeds.

The Government. The government earns its revenue from the taxes and excise duties levied on liquor. The earnings of the central government (Central Excise) and that

of the states through their duties has been extracted from the published reports on the government websites. The total of these earnings has been taken as the positive stake of the government.

Total Positive Stake. The total positive stake is **Rs. 2,03,041.39 Crore.** (7.09% of the GDP : 2006-07).

Social Costs. The costs to be borne by the government for dealing with the effects of alcohol abuse and the costs incurred by the individual which are depriving the expenditure of an equal amount on more constructive assets for the society are the social costs, which are the negative stake of the government. The amount spent by drinkers on liquor has been found through a survey as absolute amounts as well as a percentage of the individual income (50.84%) and total family income (17.69%) and cross checked with a wider study in India which had evaluated the costs as Rs. 29,885.80 per individual per month. This figure has been extrapolated to the population of drinkers and is taken as the negative stake of the government **Rs. 1,85,287.00 Crore** (6.47% of the GDP : 2006-07).

Comparison of Stakes. The comparison of the total positive stakes on the one side and the negative stakes on the other showed that the present policy of controlled availability of liquor through the system of tax and price control yields the positive stakes to be greater than the negative stakes by a margin of **Rs. 17,754.39 Crore.** This margin will reduce if the intangible costs to the sufferers are added to the negative stakes, and may even tilt the balance towards the negative stakes. The observation, however, proves one part of the hypothesis that the present policy of not imposing prohibition favours the producers, retailers and consumers of alcohol in India.

Cross Check on Liability of the Government Towards the Sufferers of Abuse of Alcohol (Meeting the Social Costs).

The negative costs of the society are a liability to the government which allows alcohol to be available in the society. Hence, it owes the public, measures to mitigate these. A comparison of the allocations made by the Centre and the states towards the budgets for Public Health, Family Welfare and social Services (as a measure of their empathy towards social costs) has been made with the value of the negative stakes. This has been found to be **Rs. 65,248.44 Crore**, which falls short of the requirement by **Rs. 1,20,038.56 Crore**. This proves the second part of the hypothesis that the present policy is being followed by greatly ignoring the social costs and the cries of the sufferers.

An assessment of the trend in policy making shows that policy making in the states has taken the path of public choice motivated by sporadic agitations by women's groups, religious groups, insurgents (to display their caring for the local society) and NGOs. Policy changes have followed the tipping point and critical mass models all over. In order to arrive at a more acceptable policy framework, a review of the policy options before the government has been taken in the paper, to include complete prohibition, using tax and price control as a tool to regulate availability and social ills of alcohol, and suggestions towards increasing the corporate liability of the brewers in the form of an industry corpus, contributory fines and high taxation, collectively termed as 'polluters pay concept' applied to the liquor industry. An exploration of the high quantity – low cost option on the price elasticity curve of the liquor market has been considered a viable option based on a detailed market appreciation to be done by the government.

Recommendations

The dissertation recommends the following :-

1. Complete prohibition on liquor is best avoided unless the state develops the ability of complete enforcement, weeding out corruption, rapid disposal of legal cases and prohibitory fines and punishments on liquor abuse.
2. The government needs to build an exhaustive data base for the prediction of liquor markets in the country, based on which a calculated option of control by low taxation and high availability of liquor could be tried. This will ensure that the government does not depend on the industry for its version of statistics, but does an independent policy formulation. A good policy would be the one that maximizes the government's earnings while minimizing the social costs.
3. The government needs to make dedicated allocations for meeting the social costs in tangible terms. While allocations for pro-active awareness campaigns on the ills of alcohol and responsible drinking (in fact abstinence, if possible to be put across convincingly) must go on with the support of funded NGOs and society groups, the government has to create facilities to deal with the patients of physical injury, psychological trauma and poverty due to alcohol and run them efficiently. An estimate of the social costs, therefore needs to be made very accurately. Perhaps, an effort to wane away the drinker population from higher alcohol content drinks to lower ones like wines may help. This will also promote the budding wine industry in the country and edge out CL which is the root of many problems.
4. Enforcement needs to be improved in its spatial presence, ability and will to curb malpractices like illicit brewing, adulteration of liquor and smuggling across states (against the

policies of the states). Incentives to the enforcement staff and measures to ensure that corruption does not dilute their dutifulness are required to be implemented.

While action at the level of state agencies is desirable, evidence suggests that given the positive stakes of the government, it is important that civil society becomes active. Often, a society gets what it deserves. Right minded people, therefore need to get together and pursue their urge to create a society free of the ills of alcohol. Awareness is the key to this remedy. Education amongst the backward classes and fear of booking under the law in the affluent classes must prevail, if the society is to see itself rid of the ills of the substance.

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Babor T.F. (Total words, less initial pages, foot-notes and bibliography : 28,566)

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