I appreciate the opportunity to submit this written testimony on the social impacts of privatizing Pennsylvania’s wine and spirits today. My goal is to complement the verbal testimony offered by law enforcement personnel, social service providers, and advocates by summarizing the findings of the research on social impacts of privatization. In brief, the best available research shows that privatization of Pennsylvania’s wine and spirits stores would likely have negative social impacts; privatization would likely increase excessive drinking, alcohol-related traffic fatalities, and other social and health problems associated with heavy drinking. If these impacts are of concern to lawmakers they should oppose privatization. (All of Keystone Research Center’s research related to the Pennsylvania wine and spirits industry can be accessed at http://keystoneresearch.org/issues-guides/alcohol-privatization.)

The National Public Health Consensus: Do Not Private Retail Liquor Distribution

In April of 2011, a Task Force of national public health experts recommended against further privatization of retail alcohol sales. The Task Force report is the most definitive recent statement on retail alcohol privatization issued by U.S. public health researchers and deserves close examination as Pennsylvania lawmakers consider the Governor’s privatization proposal.

The 2011 statement was issued by The Task Force on Community Preventive Service, established in 1996 by the U.S. Department of Health and Human Services (HHS). The Task Force is an independent, nonfederal, volunteer body of experts in public health and prevention research, practice and policy. It is appointed by the Director of the Centers for Disease Control (CDC) and staffed in part by CDC staff.

The Task Force oversees “systematic reviews” in 18 topic areas, including “Excessive Alcohol Use,” and makes recommendations based on the evidence gathered from its reviews.

The Task Force bases its recommendations on “systematic reviews” of all available research. These reviews are conducted by an interdisciplinary team, in collaboration with federal and nonfederal experts in research, practice and policy. The systematic reviews represent the “gold standard” when it comes to finding research, evaluating its quality and arriving at consensus conclusions based on the best available evidence. Towards the end of each systematic review process, the team produces “summary evidence” tables detailing the studies that meet its quality standards for inclusion.

The Task Force has a rigorous process for identifying the research studies that it considers as part of its systematic review. It only considers studies published in peer-refereed journals and uses explicit criteria for inclusion designed to avoid the cherry picking of studies that come to particular

1 This section of this testimony slightly abbreviates Stephen Herzenberg, National Public Health Task Force Recommends Against Privatization of Retail Alcohol Sales, Keystone Research Center policy brief, online at http://keystoneresearch.org/publications/research/national-public-health-task-force-recommends-against-privatization-retail-alco.
conclusions. In its report on retail alcohol privatization, the Task Force used as primary evidence only studies that evaluated the effects of an actual privatization (or re-monopolization) of retail alcohol distribution. The Task Force found 12 research papers that analyzed 21 privatization “events” (some papers analyzed more than one event).2

These studies analyzed retail alcohol privatizations in seven U.S. states, two Canadian provinces, and two European countries (Finland and Sweden). Studies of these types of “natural experiments” are preferable to studies comparing different jurisdictions at a single point in time (“cross-sectional studies”) or to panel data sets that include many states over time. In such panel data sets, it can be difficult to separate out the impact of any particular factor on alcohol consumption (or health and social indicators) from all other factors.

“Natural experiments” make it easier to separate the impact of privatization from other variables that impact alcohol consumption and which may be difficult to measure consistently across time and place (e.g., religious and other cultural differences, the density of bars or restaurants that serve alcohol on premises). When there is a significant change in the extent of privatization over a short period of time, other variables that impact consumption are unlikely to change a lot and are less likely to confound the analysis.

In 16 of 21 of the highest-quality studies considered by the Task Force, changes in the consumption of the privatized beverage were analyzed in conjunction with concurrent changes in consumption of other beverages that were not privatized, either in the same place (state, province or country) or in a neighboring state or province. Beverages that were not privatized thus served as a control group against which privatized beverages could be compared.

After privatization, consumption of privatized beverages increased “substantially”—the median increase was 48.2%. Meanwhile, consumption of non-privatized beverages increased very little—the median change was a fall of 2%. Thus, overall consumption of alcohol increased a lot.

The Task Force also concluded based on extensive evidence that “when privatization results in substantial increases in alcohol consumption, there are at the same time substantial increases in excessive consumption.” The extensive evidence consists of research documenting across many societies that most people drink a small or moderate amount, while a few people drink a large amount. Since the top 10% of drinkers account for the bulk of consumption, any sizable increase in consumption goes along with increases in excessive consumption.

The Task Force acknowledged that only three of its “highest quality” studies—two of privatization and one study of “re-monopolization”—directly assessed the health effects of privatization and other alcohol-related harms (i.e., motor vehicle fatalities). Two of these studies had methodological limitations; the third did find decreases in alcohol-related hospitalizations when Sweden re-monopolized alcohol distribution, but the findings were not statistically significant.3 Although the

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2 The tables summarizing the studies used as primary evidence in analyzing the impact of retail alcohol sales privatization are at http://www.thecommunityguide.org/alcohol/supportingmaterials/index.html (click on “Privatization of Retail Alcohol Sales,” in the sub-section entitled “Summary Evidence Tables”).

3 Since the Task Force finished its literature review, a new analysis has found that, during British Columbia’s privatization of liquor stores from 2003 to 2008, there was an increase in alcohol-related deaths of 3.25% for each 20%
natural experiment studies have not focused much on health effects and other alcohol-related harms, the larger body of cross-sectional and panel studies do show direct effects of privatized retail alcohol distribution on public health, binge drinking, DUI citations, traffic fatalities, etc. The Task Force lists 16 such cross-sectional or panel studies that met its quality criteria to be included as “secondary evidence.” In most of the studies used as secondary evidence, the effect of private alcohol distribution was to increase health and other social problems. Most of the studies which showed statistically significant effects also indicated that privatization increases health or other social problems.

The Task Force concluded its “Finding and Rationale Statement” by writing: “The maintenance of government control of off-premise sale of alcoholic beverages is one of many effective strategies to prevent or reduce excessive consumption which is one of the leading causes of preventable death and disability.” For those who want additional detail, a peer-reviewed article summarizing the research that led the Task Force to its conclusion was published in the American Journal of Preventive Medicine in April 2012.

Professor Karen Glanz, who heads Penn’s Center for Health Behavior Research, was one of the members of the Task Force. Earlier this year, she observed that "retail alcohol privatization increases the risk of excess consumption of alcohol and its associated consequences. A large body of research has also found negative social impacts from privatization of alcohol distribution."

**Keystone Research 2012 Study of Alcohol-Related Traffic Fatalities**

A 2012 Keystone Research Center study, *The Road Less Traveled* (online at http://keystoneresearch.org/publications/research/road-less-traveled) found that control states have lower alcohol-related fatalities rates for adults than either states that do not regulate or lightly regulate alcohol sales. As detailed in our brief, we undertook this research to examine more closely reports by self-described “free market” think tanks (the Commonwealth Foundation and George Mason’s Mercatus Center) that claimed no relationship between control states and alcohol-related traffic fatalities. We learned that these studies had left important control variables out of their analysis—the average miles driven in a state and the income in a state. Average miles are an important control because the further people drive the more likely they are to have an accident and a fatality. Income matters because more affluent states tend to have newer cares, which are safer.

Once we included the two additional control variables, in the analysis, we found that states that more heavily control the sale and distribution of alcohol (such as Pennsylvania) do have lower alcohol-related fatality rates for adults than either states that do not regulate or only lightly regulate alcohol sales. Among children under age 15, fatality rates were also lower in states that exert the most control over the distribution and sale of alcohol. Our analysis of alcohol-related traffic fatalities is consistent with the preponderance of “secondary” evidence reviewed by the Task Force showing negative social impacts from privatization. Based on our analysis of the traffic fatality data, the impact of privatization on alcohol-related traffic fatalities is modest in percentage terms:

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4 Go to http://www.thecommunityguide.org/alcohol/supportingmaterials/ISprivatization.html for a full list of the 16 cross-sectional or panel studies included as “secondary evidence.”
that is, control vs. license status explains only a small part of the variation in alcohol-related fatalities. The difference in fatalities between heavy control and license states is, however, statistically significant. The difference is also meaningful in human terms. For a state with the characteristics of Pennsylvania, for example, our preliminary estimates reveal that moving from the current “heavy control” situation to privatized distribution would increase alcohol-related fatalities annually by 58 deaths.

**Forthcoming Research by Dr. Roland Zullo**

In forthcoming analysis, Dr. Roland Zullo, a research scientist at the University of Michigan, is examining the impact of state ownership of retail 23 different crime categories. His preliminary finding is that state ownership of retail alcohol distribution is associated with statistically significant reductions in crimes that have been linked to alcohol consumption, including domestic abuse, assault, and fraud. The same is true at a lower level of statistical significance (the 10% rather than 5% level) for vehicle theft and vandalism.

As with KRC’s 2012 study, Dr. Zullo’s research corroborates the finding and the recommendations of the Task Force for Community Prevention two years ago: privatization will increase negative social impacts, increasing excessive consumption of alcohol and traffic fatalities, alcohol-related violent crime, and alcohol-related public health problems. Lawmakers concerned about these social problems should oppose privatization.