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December 28, 2010

Speaker Joe Hackney
NC House of Representatives
16 W. Jones Street, Room 2304
Raleigh, NC 27601-1096

Re: Privatization of Liquor Sales in North Carolina

Dear Mr. Speaker:

As the executive director and lobbyist for the Christian Action League of North Carolina, I am writing to respectfully request that you oppose any effort to privatize the current ABC system for the sale or distribution of liquor. As you know, the Governor has been public in her consideration of privatization. Therefore, we join the chorus of voices, among them the North Carolina Association of ABC Boards, the North Carolina League of Municipalities, the North Carolina Association of County Commissioners and the North Carolina Association of Chiefs of Police, who oppose privatization.

The Christian Action League is a public-policy organization that grew out of the prohibition era. Born as an interdenominational association of Christian churches from across North Carolina, its original purpose was to address issues of alcohol policy. Its purpose today is not to bring back prohibition, but to assist policy makers, as well as the public, with advice and information concerning the best way to protect the public's health by preventing or reducing the abuse of alcohol.

The Christian Action League today addresses a host of legislative social concerns, but for more than 75 years North Carolina citizens and lawmakers have esteemed the League as an authority on alcohol control.

Privatization is typically lauded or promoted by two groups: (1) those who believe that the government can achieve greater revenue streams by privatizing, or, (2) those who use alcohol regulation as a bully pulpit calling for smaller government. The first approach proves to be unsuccessful in the long-term, and the second approach fails to provide the citizenry with the most effective protections from alcohol abuses.

When the 21st Amendment repealed Prohibition in 1933, control of the sale and distribution of alcoholic beverages was passed to the states. The central principles of post-prohibition alcohol control systems by nearly all state legislatures were first laid out in a report sponsored by John D. Rockefeller, Jr. in the same year. A long-time advisor of Rockefeller, Raymond Fosdick, was the primary author of the report titled *Toward Liquor Control*.

Toward Liquor Control had taken most of its conclusions from recommendations made by an alcohol policy group called the Committee of Fifty. This was an anti-prohibitionist group that reported at length concerning the corruption and lawlessness that resulted from prohibition. Its conclusions and the Rockefeller report were deeply concerned about obedience to the rule of law. Both argued that alcohol regulation in the best interest of the public would require a system that was flexible and could be monitored and adjusted. Moreover, if possible, government ought to take over the sale of alcoholic beverages.

The specific plan of control suggested and favored by the Rockefeller Report was that states create a public monopoly. Although the report provided an alternative plan for state's unwilling to establish government-run liquor stores (a licensure system), it argued that the "profit motive" would encourage private dealers to sell more liquor, unduly affect political influence and tax policies, and to violate the law. Rockefeller argued,

"Only as the profit motive is eliminated is there any hope of controlling the liquor traffic in the interest of a decent society. To approach the problem from any other angle is only to tinker with it and to ensure failure."

In 1934 a model law based on the guidelines of *Toward Liquor Control* was widely circulated to lawmakers throughout the country. The monopoly approach was adopted almost verbatim by 15 states. North Carolina today is one of 18 states that embraced a monopoly plan. Utah, which is a "control state" like North Carolina has described the benefits of a monopoly system, saying:

"The purpose of control is to make liquor available to those adults who choose to drink responsibly - but not to promote the sale of liquor. By keeping liquor out of the private marketplace, no economic incentives are created to maximize sales, open more liquor stores or sell to underage persons. Instead, all policy incentives to promote moderation and to enforce existing liquor laws are enhanced."

Through the decades a myriad of scientific studies have been done that demonstrate that monopoly systems of alcohol control are superior to licensure systems. The Marin Institute, an alcohol industry watchdog group based in San Rafael, California, released a study in September of this year, *Control State Politics: Big Alcohol's Attempts to Dismantle Regulation State by State* that lists the following major findings:

- State control of alcohol sales benefits the public's health. Control state residents consume less spirits and less alcohol in general than in license states. Also, control states collect more than three times as much revenue per gallon of alcohol sold as spirits.
- Transferring control from the state to private businesses will lead to increased alcohol density, alcohol consumption, and alcohol-related harm while depriving the state of millions of dollars in annual revenue.
- Privatization is linked with dramatic increases in outlet density and resulting levels of alcohol-related harm. For example, higher outlet density is strongly associated with suicide, assault, and other violence.
- Control states have significantly lower rates of youth drinking and binge drinking, as well as lower rates of alcohol-impaired driving deaths, than license states.
- Instead of considering the privatization of alcohol sales, states should ensure future economic and public health benefits by not only maintaining but strengthening their control of alcohol sales.

These findings by The Marin Institute are consistent with numerous other studies.

No system of alcohol regulation is without its inefficiencies, corruptions, or failures. But as the Committee of Fifty advised many years ago, alcohol regulation was never designed to stop all alcohol oriented problems, but to provide the best system for order and decency. How easy it is to forget that such an effective policy of alcohol control came about not as a result of either free market forces or anti-alcohol sentiment, but because it had been carefully studied and deemed the most practical and superior means for protecting the public's interest. This remains the case today.

North Carolina's current system of alcohol control effectively strikes a critical balance, making this state 48th in per capita consumption levels of spirits and 3rd in the nation in the amount of revenue garnered per gallon. By contrast, South Carolina, which is a privatized state, ranks 25th in per capita consumption levels of spirits and 39th in the nation in the amount of revenues garnered. Another privatized neighbor, Tennessee is ranked close to North Carolina in consumption at 42nd but in revenue places as low as 23rd, demonstrating how difficult it is to strike that balance of simultaneously keeping consumption low and revenue high in a privatized system.

In the winter edition of the North Carolina Family Policy Council's magazine, *Family Matters*, I co-authored an article on privatization with the Christian Action League's correspondent and research analyst, L.A. Williams. It goes into greater detail, with sources cited, on many of the same points that have been made in this letter. Let me encourage you to read the article.

Thank you for your consideration in this matter. I urge you to reject the unfounded assertion that our state can do as good or better in protecting the interest of North Carolina's most valuable asset, its people, by privatizing liquor sales.

God Bless,

A handwritten signature in black ink, appearing to read 'Mark H. Creech', with a stylized flourish at the end.

Rev. Mark H. Creech
Executive Director