

Perspectives on Privatization / Alcohol De-Regulation

The American Experience with Privatization

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Following Repeal of Prohibition in the United States, California adopted a private licensing system for regulating alcohol sales in the state. The system quickly became dominated by private business concerns, exercising extraordinary influence over the California legislature. During the next six decades, licenses proliferated and alcohol became one of the most accessible consumer goods in the state. Alcohol for off-sale purchase is now available in grocery stores, convenience stores, gas stations, traditional liquor stores, drug stores, discount houses, wine boutiques, and department stores, among others. On-sale retail outlets are equally diverse and common. Alcohol licenses are most likely to be located in poor, inner-city communities, where it is not uncommon to find liquor stores/minimarts on all four corners of intersections.

California's sixty year experiment with privatized alcohol sales provides five important lessons relevant to the debate occurring in Ontario regarding privatizing the LCBO:

1. Privatization is associated with increases in violence and other public health and safety problems, particularly among young people.
2. Privatization contributes to neighborhood blight and economic decay, particularly in low income communities.
3. Privatization creates a powerful vested interest seeking to maximize profits from alcohol sales. The political power of the private alcohol industry will increase over time.
4. Privatization will lead to enormous regulatory and enforcement problems. As the extent and severity of those problems increase, the political will to address them will wane.
5. The adverse effects of privatization are extremely difficult to reverse.

California's experience demonstrates the weaknesses of a privatized alcohol retail sales system. Alcohol poses extraordinary risks to the public health and safety of communities, states and provinces. Ontario should carefully consider the lessons learned in California before adopting the radical and highly questionable policy of privatizing the LCBO.

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