

Arelook into alcohol policy

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The Indian government lifted the Covid-related ban on sales of alcohol on May 4th, primarily as a way to rescue tax-coffers of the state. Fearing future bans, consumers also flocked to restore their alcohol supplies, tossing away all social distancing norms enroute. The behaviour surrounding the ban and the lift, has swung the spotlight back on the tussle between individual liberty and social good that shapes India's alcohol policy. Poor social outcomes like poverty, unemployment, and domestic violence are known to co-exist with alcohol dependence, not surprisingly, India has toyed with prohibition since independence. While prohibition as a policy promises better social outcomes, it no doubt hurts individual liberty and compromises states' economic goals.

In India, individual states get to make the alcohol policy and keep the tax-proceeds for themselves. Excise duty on alcohol ranked among top three contributors and accounted for around 10-15 per cent of own tax revenue for a majority of Indian states. When the lockdown ban on alcohol sales was lifted, while several communities and women groups condemned the lift, many rejoiced including state exchequers. One thing became clearer, lockdown or not-- an alcohol policy that balances social and economic goals is difficult to resolve.

It is easy to discuss non-solutions first, prohibition being the foremost. A complete ban can prove fatal for addicts, as alcohol unlike several other drugs cannot be quit cold-turkey. For habitual and casual consumers too prohibition can backfire as they seek to increase efficiency of consumption by shifting demand to liquors with high alcohol content. Prohibition can have another dangerous side-effect-- of breeding illegitimate liquor manufacturers without any monitoring, quality control, or certification, further jeopardising public health.

If prohibition is undesirable, the taxing even less so. Raising taxes on alcohol does little to dissuade consumption as alcohol is relatively price inelastic. Short-term Covid-19 taxes in Delhi (70%) and Karnataka

(17%) are indicative, a 2012 WHO study on alcohol consumption in India confirms the same. Even worse, the study finds that an increase in tax can induce increased spending on alcohol, many times ignoring food and other essentials.

In Covid-19 times, a harm minimization approach is better than a puritanical one. For example e-queues, home deliveries, and deaddiction support are good short-term solutions. In the long run though, we ought to come up with policies that nudge individuals and the states to make better choices. Removal of all volume related discounts on alcohol purchase like buyx and get y free or price discounts for large packs, can create friction in purchase and help hinder consumption. People may still drink in large quantities, but not because they can save a few bucks. For rural consumers, a part of the allowance (Direct Benefit Transfers) can be allocated to essential rations, so as to reduce the fungibility of money, which may otherwise be diverted towards alcohol. Along with these policies, sustained support towards deaddiction programs helps off-board the willing.

While deaddiction efforts need support, the initiation into alcohol and continuation need the opposite. Alcohol is programmed with a high net promoter score, surrogate advertising or sales promotions are something this industry can do without. Coming to the states' unhealthy obsession with alcohol in search of tax revenues, this dependence is not hard to break, but will need the centre to intervene. A well-publicized 2010 Lancet study finds that alcohol induces more social harm scoring above narcotics like heroin and cocaine. Based on such scientific support, akin to tobacco, a centralized policy on alcohol sales, promotion, and advertising policy is very much in order. Further, the centre should look to set limits for each state's share of tax revenue from sin goods. Such limits will not only help states look beyond alcohol, but also reduce the temptation to seek revenues from other sin goods such as gambling.

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