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The Free Market in Alcohol

We have reached an impasse around the political economy of alcohol in Australia. Fuelled as it is by neo-liberal attitudes and structures, this free-market system allows problems associated with alcohol to multiply, and we are left with very few effective avenues for dealing with them. As a consequence of a culture that is increasingly consumer-driven, but still underpinned by a pre-industrial relationship to liquor, there is little that states seem willing to do to mitigate alcohol’s worst effects, much less anything more dramatic. Calls to heed public health messages about moderation amount to little more than useless attempts at education, while the scientific evidence about what policies work is ignored or distorted by the alcohol industry and its marketing arms. In the meantime, particular groups like young people and Indigenous communities are targeted by the state as easy marks.

Before I turn to an outline of the argument and evidence regarding the political economy of alcohol and ‘supply-side’ debates, I want to describe some recent media reporting. I will ignore the easy targets of former footballers and current swimmers, and concentrate instead on two more substantial reports about central Newcastle and Queen Street Melbourne.

Media Travels in the Night-time Economy

The ABC’s 7.30 Report on 10 March this year provided a graphic account of the problems for central Newcastle that young people and late night partying pose for its fifteen pubs and clubs that open until 5am on weekends. One councillor claimed that Newcastle had the highest assault rate in New South Wales, and certainly the visuals weren’t pretty. To the background of police cars screaming through the streets, young people were shown vomiting and being chased by police; one young woman was clearly drunk and crying. A resident of the area claimed that ‘Most of the residents … live in the city, they’re fifty-five and over and they won’t come out after dark and they don’t leave their environment because they’re scared … I know people now who drive four blocks to go to the movies because they won’t come out of the cinema late at night for fear of bashings or assaults’.

Two young women claimed that earlier closing times restricted their right to drink, while a publican argued that the answer was not to restrict his ability to trade, but to photograph all patrons, which would effectively ban those who caused trouble. He said ‘If you’re asking me, is a curfew or a restriction of trade the answer, absolutely not. It is wrong, it will not address the issue in any way, shape, or form … If there are people who are the cause of anti-social behaviour we have manners [sic] in which they can be identified and removed from the system. So should the other 20,000 people who visit Newcastle be punished because of the actions of a few?’

At around the same time a similar argument was being put about central Melbourne’s Queen Street, where thirteen bars and clubs jostle for customers within a two-block radius. One venue is licensed to hold 7000 customers. As in Newcastle, the assault rate in central Melbourne has risen quite steeply, a 17.5 per cent rise in twelve months. In this area, the licensed capacity is about 10,000. It is estimated that every weekend 300,000 people visit the CBD at night. Articles in the daily papers describe vivid scenes of uncontrolled drunkenness — generally young people. The answer suggested by authorities is more policing and surveillance of young people by the state and its proxies.

What do these two examples suggest about the political economy of alcohol? They imply that the state is willing to go to great lengths to ensure that the alcohol industry is free to engage in commerce. No serious consideration has been given to limiting the number of venues and retail outlets, and no questions have been raised about marketing. I have even noticed a huge billboard in inner suburban Melbourne advertising the opening of a new ‘men’s’ club in central Melbourne. There has been no discussion about the relationship between topless and pole-dancing clubs and heavy drinking, yet they go hand in glove. It seems that commerce must be allowed to triumph, without regard to the health and social consequences of a libertarian, free-market model.

GRAZYNA ZAJDOW charts the rise of the night-time economy and the alcohol industry’s response to binge drinking.
The Industry Becomes ‘Part of the Solution’

The interests of alcohol companies lie in maximising profits and expanding markets. For the most part this has meant they have opposed restrictions on the production and sale of their product, as well as opposing controls on the marketing of new and existing lines. Over the last twenty years they have successfully lobbied governments to drop regulations that have restricted them in the past. However, calls for responsible corporate behaviour mean that they must pay lip-service to public health and welfare. Increasingly, alcohol industry players have become the major backers in research organisations such as the Portman Group in Britain, the International Center for Alcohol Policies in the United States, the Institute de Recherches Scientifiques sur les Boissons in France, and in Australia, Drinkwise. The specific aim of these research institutions seems to be to ensure that the state does not re-regulate alcohol sales or raise taxes to subdue demand. In each case, industry representatives dominate controlling boards, with a few members from the medical field. The aims of each are suspiciously similar. The Portman Group’s website tells its reader that they ‘believe that an “educate and prevent” approach is more effective than blanket controls in tackling alcohol misuse. Alcohol harm reduction measures should target the minority who misuse alcohol rather than the responsible drinking majority’. The International Center for Alcohol Policies thinks that ‘the vast majority of people who consume beverage alcohol do so responsibly and in order to enhance the quality of their lives’, and is equally anxious to achieve a ‘reasonable balance’ between government, industry and the individual. Meanwhile, Drinkwise, similar in intent and language, looks to the hospitality industry to ‘continue to strengthen and maintain the responsible service of alcohol and look at innovative means to enhance the responsible service of alcohol.’

Each of these research organisations is interested in ‘good’, ‘evidence-based’ scientific research, and wishes to teach the population the benefits of moderate alcohol consumption. They also share the desire to minimise state interference by persuading individuals of their own responsibilities to themselves and to others, and that of their own responsibility for drunkenness. Drinkwise is particularly interesting since it explicitly states that it wants to engineer research towards immediate harms and not to total consumption and chronic disease. This is code for maintaining low taxes and limiting licensing regulations on the marketing and sale of alcohol. Each of the statements of purpose concentrate their attention on particular groups, like young people and binge drinkers.

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alcohol. These were: the use of taxation to raise the price of alcohol, state alcohol monopolies for retail sales (or, if not politically possible, the licensing of retailers), limiting the availability through on-and-off premises sales, lowering the density of retail outlets (both on-and-off premises) in all areas, random alcohol breath testing for car drivers, limiting the use of alcohol by novice drivers and interventions for problem drinkers. In other words, the WHO report argues for interventions at both a population level and an individual one. No evidence was found to support the idea that education by itself changed the drinking habits of the target population, though it was conceded that it did no harm. In spite of this, organisations like Drinkwise continue to call for greater education of young people and their parents.

The WHO report found that the most successful strategies and policies for limiting alcohol-related problems are population-level ones, and those that rely on the state intervening in the commerce of alcohol. That is not to say policies to help individuals or groups with alcohol problems were not considered: any intervention helps to reduce problems. But the most cost-effective and useful were the broad brush ones. Industry groups employ the
language of the post-industrial, individualised, post-social world when they argue that 'a one-size fits all program will not work'. Yet it is population-wide policies such as taxation and limiting availability that have been found to be most effective for limiting the drinking of heavy users and binge drinking in young people.

In terms of availability, a number of natural experiments in the Soviet Union and some Scandinavian countries provide evidence for the public health position. The most famous of these is the two-year experiment in the Soviet Union in which the state's support for the production, sale and consumption of alcohol was withdrawn in 1985. The state, both tsarist and communist, had historically profited handsomely from alcohol production and was generally prominent in promoting the cultural story of the heavy drinking Russian. Former First Secretary of the Communist Party, Mikhail Gorbachev, was persuaded by a number of people, including his doctor daughter, that the state needed to pull back this support, which was done by raising prices and limiting sales. The outcome was mixed since moonshine took the place of legitimately produced vodka; however, there were falls of about 30 per cent in traffic accidents, absenteeism from work declined, and there was a large drop in violent crime and violent incidents, including domestic violence. Ten per cent of the population stopped drinking altogether, while 30 per cent cut down their intake. Unfortunately, the fall in revenue was also substantial, so by 1987 Gorbachev was persuaded to drop all the new measures and revert to state support for the clear liquid.

Less dramatic experimental situations were the result of strikes in the wine and liquor monopolies of Finland, Sweden and Norway in the 1960s and '70s. The outcomes were fascinating. Overall, the consumption of alcohol dropped but, unlike the Soviet Union, its place was not taken by moonshine — at least not in Sweden and Norway. The groups whose drinking decreased the most were the heavy and frequent drinkers; there were general decreases in accidents of all sorts; alcohol-related crimes dropped substantially and the number of people being treated for alcoholism dropped as well.

The pressure to open up markets undermined all these national situations. Modern Russia has almost no controls on alcohol, and as a condition of EU membership, the Scandinavian countries were forced to open up their monopolies to competition and to lower alcohol taxes. Finland saw a 25 per cent drop in alcohol taxes and a 17 per cent rise in liver cirrhosis rates in pretty short measure. This seems quite a price to pay for economic liberalisation and harmonisation.

In both the Soviet and the Scandinavian examples, the states had monopolies in either the production or distribution of alcohol, or both. It is unlikely that such a situation could easily be engineered in a free market context like Australia, but the evidence clearly shows why the industry and its representatives want to make sure that such natural experiments cannot happen here.

The Economics of the Night-time Economy

Where the industry groups are on very firm ground is that they know the modern state will do whatever it can to avoid undermining the economic basis of many former rust-belt cities.

Around the developed world, cities have been transforming themselves from the residues and detritus of the long-finished industrial revolution to the shining, loud and invigorated post-industrial cities of the post-modern world. To a large extent this has happened on the back of what has been called the night-time economy. It can been seen in Britain in cities like Manchester, in the United States in former rust-belt cities like Baltimore, and in Australia in places as far afield as Newcastle, Melbourne, Geelong and Fremantle. For the most part, the state has provided the regulatory environment, while the funding has come overwhelmingly from the private sector. To call the environment regulatory is, however, a misnomer, because it has generally been a de-regulatory one. And the revival enabled has been based around alcohol. However much the civic fathers and mothers might argue otherwise, the revival of industrial cities has depended to a large extent upon producing an area where people (mostly young) can drink at all times of the day and night. Gambling, too, is intricately connected to 24-hour drinking. The most interesting academic literature on the night-time economy has come from Great Britain. Work by sociologists and anthropologists indicate that British authorities have steadfastly refused to admit what research clearly shows: that the night-time economy is reliant on large groups of young people drinking large amounts of alcohol as a response to marketing and advertising pressures.

The state's close regulation of the sale and distribution of alcohol has retreated in this context and, instead self-regulation through marketing and advertising, private regulation of violence by bouncers rather than police has become the norm, as well as a rise in state and private surveillance via closed-circuit cameras. Great Britain now has the highest number of CCTVs in the world, introduced as a response to young people's violence in areas of high alcohol consumption. The response of the publican in Newcastle on the 7.30 Report to problems in his city was an adamant rejection of limited opening hours; photographing troublesome patrons and distributing the photographs to other hotels and bars was his solution. Part of the response, particularly from bar owners, to the problems in Queen Street Melbourne was a call for greater CCTV surveillance, and a rooting out of individual troublemakers. The usual calls for greater training for bar staff and crowd controllers were also made. None of these have ever been shown to be effective in the long term, even if they do produce short-term, media friendly benefits.

The market has been far quicker to respond to changing fashions and it has done this by anticipating where (drug) rave culture was going, and finding good business opportunities. Successful rave clubs have turned into successful chains of drinking dance clubs. Local communities have been shut out of the process of licensing because business has been able to lobby governments to consider narrowly defined economics as more important than social well-being.

The revival of cities through the twin addictions of alcohol and gambling in places like Melbourne and Manchester has proceeded via a certain ideological rhetoric. It sounds particularly familiar. The 2003 liberalisation of English licensing laws was couched in language directed to the cosmopolitan middle classes.
Changing licensing laws was going to stop the binge-drinking of young Anglophones by introducing Continental-type drinking. Somehow 24-hour licensing was going to stop 24-hour drinking. The response of a local, reported by Dave Haslam in his 1999 book *Manchester, England: the Story of the Pop Cult City* makes the point: ‘It’s certainly very continental out there, but less like Paris, more like the Somme’.

The rhetoric of deregulators in Britain was very similar to that attached to the liberalisation of licensing in Victoria in the late 1980s. In response to the latest problems in Queen Street, the architect of the changes, John Nieuwenhuysen, said that the aim had been to produce a sophisticated small-bar culture: ‘I was looking to promote a more European, civilised style, but we seem to have been swept away by a wave of binge drinking’.

**Adventures in the Supply Side**

A political economy of alcohol must begin by asking what relationship exists between supply and demand.

What drives supply? Part of the answer is, obviously, demand — and for all companies in a capitalist system, the drive is to expand. This can be done in a number of ways. Prices can be driven up to increase profits. However, the demand for alcohol is elastic. If the price goes up, a proportion of the consumers drop out or cut down consumption. An alternative strategy is to open up new markets and new sections of existing markets. For large multi-national corporations like Diageo (which has about 18 per cent of the world market in spirits), this often means expanding into third-world markets, particularly in Asia. Unlike wine, which has a supply chain tied into grape-growing countries, spirits can be produced in many places and with many different raw materials. It is in the spirits end of the market that the expansion has been so dramatically driven up.

In countries like Australia this means expanding alcohol consumption into groups that have not been drinkers traditionally, such as women and young people. Worldwide, the industry has courted these new markets by introducing beverages favoured by these groups. Since the early 1990s, sweet drinks with high alcohol content, in pretty bottles, have become very popular, particularly with young women.

As I noted earlier, free trade agreements and the like have many implications for countries which have tried to maintain state monopolies over alcohol, such as Sweden. With membership of the EU, Sweden was forced to give up its monopoly over the production and importation of spirits, moving instead to a licensing system. Within 5 years, more than 300 licenses were issued to private companies to produce, import and wholesale alcohol. While the Swedish state maintained a retail monopoly, companies could appeal the monopoly’s decisions about carrying particular products. This was successful in the case of alcopops, which the retailer at first refused because of the implications for youthful drinking. Ciders were also introduced into the country after favourable taxation changes, the result of EU directives. Within five years, the sales of alcopops and sweet ciders doubled in volume. These drinks are clearly targeted at a young market, and do not replace other drinks, as some industry spokespeople maintain. Instead, 60 per cent of the fifteen to twenty-four years of age surveyed said that the alcopop they drank in the previous month did not replace another alcoholic drink, but was their first drink of choice. Australia is not immune to the strictures of economic integration and free trade agreements and Australian young people are no less immune to the marketing of alcohol than are Swedes.

Easy availability also plays its part. Rather than restricting alcohol sales to easily controlled specialist outlets, the availability of alcohol in supermarkets suggests that alcohol is just another consumer good. In *Arena Magazine* 91, I detailed the machinations of the supermarket duopoly in Australia in squeezing out competition. The supermarket takeover serves to lower the price of alcohol in general, as well as placing alcohol on a par with other bottled products such as fizzy water and sweetened drinks.

**Aligning themselves with the dance scene of the 1990s, UK advertisers targeted a group of new drinkers.** The original underground dance clubs became major players in the new night-time economy as synergies between them and particular alcohol producers allowed for new forms of marketing.

Alcohol marketing to young people, both directly and via sponsorship of sports and so on, is of great significance. Aligning themselves with the dance scene of the 1990s, UK advertisers targeted a group of new drinkers. The original underground dance clubs became major players in the new night-time economy as synergies between them and particular alcohol producers allowed for new forms of marketing. This, in turn, enabled experimentation with new types of drinks such as alcopops and alcoholic energy drinks, trialled on a youthful population. Mixed drinks with names like Cannabis and Sorted were tried on the market, some withdrawn in the United Kingdom, but remaining available in other parts of Europe. It has been suggested that alcohol marketers have been targeting starter drinkers (eleven to fifteen year olds), following them with other products as they mature, having instilled brand loyalty very early. These groups, and those in the older age groups up to thirty, are notably image conscious and follow fashions in alcoholic drinks, as in other consumer goods. The marketing of Bacardi Breezers in the United Kingdom in the 1990s indicates how alcohol companies prime younger drinkers through sweetening alcohol with juice, disguising its taste, and colouring the liquid. The drink was presented in bottles reminiscent of lager, capped so that when the bottle is opened the cap can’t be put back on. The drinker is encouraged to finish the drink quickly. The Breezer was price sensitive, and allowed the young drinker to get drunk for relatively little cost.

Alcohol advertising in Australia is self-regulatory. This has allowed outrageous advertisements, clearly targeting
young men, which suggest that alcohol is part of sexual conquest. A complaint made to the regulatory authority about a James Boag advertisement, showing a scantily-clad young woman atop a car with legs akimbo, arguing that the advertisement breached the regulations which disallowed the connection of alcohol to sexual conquest or aggression, was dismissed citing aesthetic considerations.

Interestingly, since I first started writing this article, governments, both federal and state, have looked as if they were willing to become involved. But we should not be lulled into believing what they do will really upset the balance of commerce over the health and well-being of communities. In New South Wales, the licensing authority forced the publicans of central Newcastle to close earlier; in Victoria the state government released the Victorian Alcohol Action Plan and immediately decided to implement 2am lockout laws in designated late-night venue precincts such as Chapel Street, South Yarra. They also increased the powers of the Alcohol Licensing Commissioner. Just before the federal budget, Kevin Rudd announced a doubling of the tax on alcopops to the acclaim of many. Interestingly, the federal opposition, although cirrhosis accounts for 20 per cent of alcohol-related deaths, and alcohol-related car fatalities accounted for 12 per cent, the latter figure is of greater importance since car crashes usually involve young people, and therefore the number of years of life lost is greater. The implication is that we care less about the long, slow deaths related to adult cirrhosis than the deaths of young people on the roads. Importantly, there is no suggestion of introducing measures that will lower the amount drunk by the population in general. This would be too much to ask since it would mean undermining the very basis of the neo-liberal society — the free market. Instead the continual individualisation of the social world, the concomitant securitisation of geographical areas via CCTV and private security guards, and privatisation of risk continue unabated. Under the proposed measures Drinkwise will be able to ignore its own research and continue to tell parents to be vigilant in policing their children’s drinking. The federal government will not change the general way that alcohol is taxed, but will continue to treat it like sugar and tea. State governments will continue to allow the licensing of on and off premises retailers, and alcohol companies will be able to continue to self-regulate their advertising, regardless of the consequences.

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