

CHAPTER 4

Prohibition : Analysis of Stake-holders

Introduction

The issue of 'Liquor Prohibition' throws up several entities who are directly or indirectly affected. The direct effects pertain to the performers of all activities in the supply and demand chains of the substance. The indirect effects pertain to the beneficiaries / victims of the effects that liquor produces on the entities who comprise the environment of mainly the consumer, and to a certain extent, also the other actors who get drawn into this environment without their intention or knowledge by the deviant behaviour of an alcohol consumer.

Before an analysis of the stakes of each is attempted it is necessary to define the 'pro' and 'anti' – alcohol views, so that the rationality in the stakes is justified.

Defining the 'Pro'-Alcohol View. By 'Pro-Alcohol View', it is meant to convey the general acceptability of any policy that allows liquor to be made available in the open market without any restrictions on its manufacture (barring quality), transportation, possession, sale and consumption. This acceptability may or may not take cognizance of the fact that alcohol has both, negative as well as positive effects. The view is primarily based on the assertion of the liberty of the individual to choose whether or not to produce, transport, store or consume alcohol, with or without the complete knowledge of its effects – good or bad. This view rests on three fundamental perceptions, viz. Individual liberty of choice, ability of the developed human being to self regulate and the futility of prohibition as an implementable policy.

The 'Anti'-Alcohol View. This view rests on the fundamental paradox of 'self-regulation' under an intoxicating substance, challenges the indispensability of alcohol, propounds that alcohol has only despicable evil effects and hence recommends total prohibition.

The Stake-Holders and Their Stakes

It is obvious that stake-holders are identified on the basis of what they gain or what they lose from a process or a commodity. It is also obvious and rational that a positive stake-holder will try to maximize the gains that he makes, while the negative stake-holder will try to minimize the losses he incurs or to mitigate the intangible suffering that he undergoes in the particular case of alcohol.

A policy can be said to be viable in case it renders greater overall positive stakes than negative stakes. The subsequent paragraphs discuss the stakes 'coming to brass-tacks' in the case of each stake-holder.

Evaluation of the Stake of the Indian Drinker

The stakes of the drinker are the effects that he derives from the consumption of liquor. These could be positive or negative. The positive stakes have been considered as the gain to the drinker, while the negative stakes have been subsumed in the effects of liquor and its social costs.

Alcohol can, and does, play a positive role in many societies, whether in celebration or relaxation, social occasions or dining with friends. There are potential beneficial effects for some adults from moderate (*one or two drinks per day for healthy adult men and women*) drinking. There are no health benefits from excessive consumption or binge-drinking (*generally five or more drinks in a period of hours*).

The initiation into drinking usually starts with a felt need to be accepted in the peer group in the contemporary environment, usually with a very modest quantity of consumption. Soon peer pressure and the realization of own capability to resist getting intoxicated take over and the consumption quantity increases. While consuming the increased quantities, the drinker derives more and more pleasure, a sense of relaxation and detached happiness and therefore continues drinking the same quantity more regularly. However, the outcome of the pattern of drinking decides whether it should be construed as a positive stake or negative stake for the drinker. The analysis of outcomes of drinking patterns²⁹ is carried out in the succeeding paragraphs.

Health Related Outcomes

Moderate drinking pattern has been related to a range of health *benefits* in some groups of individuals. These include lower mortality rates as compared with abstainers, protective effects for coronary heart disease, particularly in middle-aged men, protection against certain types of stroke, delay in the onset of osteoporosis in postmenopausal women, benefits for Type II diabetes, improvements in cognitive function and memory and decrease of vascular dementia in older individuals, decreased risk for macular degeneration and pancreatic disease. Moderate consumption, can help increase levels of 'good' cholesterol (high density lipo-protein cholesterol), and lower levels of 'bad' cholesterol (low density lipo-protein cholesterol).

Heavy drinking pattern has been correlated with increased risks to health, including increased risk for accidents

²⁹ *Guide to Creating Integrative Alcohol Policies*, 2008, ICAP Policy Tools Series Policy Guides, International Centre for Alcohol Policies, (On Line) Available at www.icap.org, Accessed 10 Dec 2009.

and injuries, cardiomyopathy, leading to congestive heart failure; certain types of stroke, breast cancer risk in some women, especially those with a family history of cancer, cirrhosis of the liver, alcohol dependence in some individuals, fetal alcohol syndrome (FAS) and various birth defects, oral and upper digestive tract cancers, cognitive impairment, alcoholic dementia, and neurological damage.

Social Outcomes

Moderate drinking has been associated with certain social benefits such as relaxation and stress reduction, improved subjective quality of life, improved sociability and interaction, a positive correlation between moderate drinking, earning potential, and job performance.

Heavy and abusive drinking patterns carry with them negative social outcomes such as impaired job performance and a loss of productivity, potential increase in the risk for interpersonal violence and aggression, problematic interpersonal relationships, and resultant increased cost to society.

Monetary Value of the Stake. The value of the drink being consumed is tangible till as long as the drinker is in a state of consciousness, i.e. as long as he does not lose cognitive sense by being intoxicated. Thus, the monetary value of the positive stake of a drinker is the total utility of the drink he consumes willingly till intoxication, at which stage, negative effects start taking effect. It may be noted that conscious social drinkers usually limit their consumption to a modest pre-decided quantity well short of intoxication so that they get the maximum benefit out of their drink – social interaction as well

as the lightening of the mind etc. Thus, in these cases, the maximum positive stake is already achieved when they stop their consumption at the limited quantity.

Approaches to Evaluation. Two approaches can be used to evaluate the positive stakes of the Indian drinker;

The Bottom-Up Approach. This entails evaluation by taking sample surveys to ascertain the level of drinking and extrapolating the results for the population of drinkers. Interaction with 30 men from Army units (Questionnaire attached at **Appendix A**) has revealed the results presented in **Table 4.1**.

**Table 4.1 : Consumption and Willingness to Pay Per Month
25 Individuals from Army Units**

Sample Element No.	Maximum Consumption Per Month (Large Pegs)	Willingness to Spend Per Month (Rs.)	Sample Element No.	Maximum Consumption Per Month (Large Pegs)	Willingness to Spend Per Month (Rs.)
1.	120	4000	2.	90	1000
3.	115	2000	4.	165	1650
5.	60	600	6.	24	240
7.	24	240	8.	16	160
9.	16	160	10.	60	600
11.	24	240	12.	16	160
13.	24	240	14.	16	160
15.	150	2000	16.	16	300
17.	24	400	18.	18	200
19.	10	200	20.	18	200
21.	60	1000	22.	24	400
23.	12	200	24.	150	1500
25.	16	200			
Total	655	11480	Total	463	6570
G. Total	1118 pegs	Rs. 18,050/-	Avg. Actual Spending Rs. 354.06		
Average	37.27 pegs	Rs. 354.06	Avg. Willingness to Pay Rs. 722/-		

(Source : Author's Construction from Survey)

The figures have been evaluated based on the declared frequency and quantity of consumption to arrive at the average consumption of rum per month. Also, their maximum 'willingness to pay' for their drink (which could be any variety other than rum) despite knowing the bad as well as good effects has also been tabulated as given by the individuals after a brief personal interaction with each.

Though the average actual expenditure corresponding to 37.27 pegs is Rs. 354.06 per head per month, the Average willingness to pay is Rs. 722/- per head per month. These are moderate drinkers which constitute 90% of the drinker population. **This is the maximum positive stake of the moderate drinker, per month.**

Table 4.2 presents the consumption details of another 25 individuals - civilians in the BPS³⁰ De-addiction Centre at Karawal Nagar, North Delhi, who were interviewed to get a better cross section of the sample. Despite some of these being from fairly well-to-do families and from reasonable civic backgrounds, practically all were country liquor drinkers, though, given a chance and adequate money, would consume IMFL, if available. Willingness to pay was not relevant in this case since the present consumption would usually intoxicate them.

³⁰ Bharatiya Parivarddhan Sanstha De-addiction and Rehab. Centre, 30/9, Mukhiya Market, Karawal Nagar, Delhi – 110094 is a Government supported institution run by the NGO – BPS. Treatment of addicts, counseling to addicts, other victims and family members is carried out here. The Centre has a designed capacity of 15 patients, but invariably houses 20-40 patients at any one time. The Centre has an authorized staff of eight people including a counselor, doctor, psychologist, social worker, yoga therapist, a visiting doctor and other administrative staff. The Centre receives government grants for medicines, building rent and staff salary. Inmates are required to pay Rs. 1,500/- per month for food.

**Table 4.2 : Consumption Per Month
25 Civilian Individuals from BPS De-addiction Centre**

Sample Element No.	Usual Consumption Per Day (Large Pegs)	Usual Expenditure Per Day (Rs.)	Sample Element No.	Usual Consumption Per Day (Large Pegs)	Usual Expenditure Per Day (Rs.)
1.	12	150	2.	6	30
3.	8	150	4.	12	150
5.	12	100	6.	12	150
7.	12	160	8.	6	60
9.	6	80	10.	6	80
11.	7	75	12.	6	75
13.	12	100	14.	3	50
15.	12	100	16.	4	75
17.	3	45	18.	3	45
19.	4	45	20.	6	80
21.	6	80	22.	6	75
23.	18	200	24.	6	80
25.	4	50			
Total	126	1335		76	950
Grand Total	202 pegs of Country Liquor	Rs. 2285/-	These are heavy drinkers & addicts.		

Assuming that each does not manage to get a drink for 3 days in a month for various reasons, the expenditure for one month with 27 days of drinking is Rs. 61,695/-. The average expenditure per head per month is Rs. 2,467.80.

However, from general observation and experience in drinking circles, it could be estimated that an intoxicated drinker may have been able to consume 90% of the total quantity till he reaches intoxication, and the additional 10% consumed, being after this state, gives negative utility. Thus, the expenditure which counts towards positive stake is 90% of the above, i.e. Rs. 2,221.09 per head per month.

This is the maximum positive stake of the heavy drinker.

(Source : Author's Construction from Survey)

ICMR estimates³¹ that almost 62% of the drinkers could be classified as light drinkers (i.e. social drinkers), 29% as moderate drinkers, and about 9% as hard drinkers. IAPA has

³¹ *The Indian Liquor Industry Prohibition Story*, ICMR Case Studies, (On Line) Available : <http://www.icmrindia.org/free%20resources/casestudies/The%20Indian%20Liquor%20Industry%20Prohibition%20Story.htm> , Accessed on 22 Jan 2010.

estimated³² that 10-15% of the drinker population over-indulges in drinking, i.e. drinks beyond intoxication. 10%, therefore, appears to be a more agreed figure for over-indulgence in alcohol in India. This proportion could be taken to evaluate the stakes of the heavy drinkers and light / moderate drinkers separately.

Estimate. Alcohol prevalence has been reported for 62,000,000³³ persons out of a population of 1.06 billion in India. Of these, 10% (i.e. 6,200,000) are addicted alcoholics who drink to intoxication. The estimate of national level positive stake can be approximately obtained by extrapolating the above values to the proportionate section of the drinker population as per their intensity of drinking.

Extrapolating the willingness to pay of **moderate drinkers** of Rs. 722/- per head per month (Table 4.1) to 90% of the alcohol consumers over a year, the maximum positive stake estimate is **Rs. 48,347.509 Crore** (62,000,000x0.9x722x12)³⁴.

Extrapolating the observed expenditure of **heavy drinkers** of Rs. 2221.09 per head per month (Table 4.2) to 10% of the alcohol consumers over a year, the maximum positive stake estimate of heavy drinkers is **Rs. 16,524.912 Crore** (62,000,000x0.1x2221.09 x12)³⁵.

The total positive stake of the drinkers is Rs. 64,872.421 Crore. This estimate amounts to 2.26%

³² *Alcohol Related Harm in India – A Fact Sheet*, Indian Alcohol Policy Alliance Publication, (On Line) Available at www.indianalcoholpolicy.org, Accessed 12 Nov 2009.

³³ News Report, "Indians Start Drinking Alcohol at 13 : Ramadoss", *Speech by the Health Minister, Shri. A Ramadoss*, 29/7/08, (On Line) Available at <http://ibnlive.in.com/news/indians-start-drinking-alcohol-at-13-ramadoss/69861-17.html> (Separate Extrapolated data from US statistics (On Line) Available at http://www.wrongdiagnosis.com/a/alcohol_abuse/stats-country.htm gives a figure of 59127083).

³⁴ No. of drinkers x 90% x expenditure per head per month from Table 1 x 12 months.

³⁵ No. of drinkers x 10% x expenditure per head per month from Table 2 x 12 months.

of the GDP (2006-07 Quick Estimate from Economic Survey of India).

The Top-Down Approach. This envisages considering the total consumption of liquor in the country from published statistics, adjusting it to get the quantity consumed short of intoxication and evaluating its cost.

Accounting for over-indulgence beyond positive utility, 10% of the total volume of liquor consumed by 10% of the drinker population (i.e. 1%) could be reduced from the total consumption to arrive at the quantity that could be consumed to achieve maximum utility. This is the maximum positive stake of the drinkers aggregated together. The available data and its treatment as above gives the result at **Table 4.3**.

Table 4.3 : Maximum Utility Consumption in India

Strength of Alcohol	Consumed (1000 x 9 ltr cases)	1% Reduction for Intoxication (1000 x 9 ltr cases)	Consumption for Maximum Utility (1000 x 9 ltr cases)
40.0% (Whiskey, Brandy, Rum)	130477.30	1304.773	129172.52
18.0% (F. Wine)	13.80	0.138	13.662
17.0% (F. Wine)	37.00	0.370	36.63
12.5% (Wine)	1461.00	14.610	1446.39
8.0% (Beer)	40118.20	401.182	39716.82
4.5% (Beer)	91679.70	916.797	90762.903
Total	263787.00	2637.870	261149.13

(IWSR³⁶ Consumption Data for 2007 and Author's Adjustment)

³⁶ Report, The International Wine and Spirit Record (IWSR), 2008, submitted to International Centre for Alcohol Policies, (On Line), Available at <http://www.iwsr.co.uk>, Accessed 02 Jan 2010.

The cost of the consumption for maximum utility can be evaluated by multiplying the quantity of each product by the unit cost of a nine-litre case of the same product. The average costs³⁷ are given at **Appendix B. Table 4.4** gives the evaluation. Also, the consumption ratio³⁸ between Whiskey, Rum, Gin, Vodka and Brandy in India 55 : 27 : 3 : 1 : 14. Hence, the quantity under the 40% strength of alcohol can be subdivided into these categories for valuation as shown in **Table 4.3**.

Table 4.4 : Maximum Utility Evaluation Based on Top-Down Approach

Item	Consumed (1000s x 9 Ltr Cases)	Rate Per 9 Ltr Case (Rs.)	Value (Rs. Billion)
40.0% (Whiskey)	71044.886	4973.00	353.306
40% (Rum)	31705.983	3384.00	118.022
40% (Gin)	3522.887	2140.00	8.293
40% (Vodka)	1174.296	3876.00	5.007
40% (Brandy)	18084.152	2580.00	46.657
18.0% (Fortified Wine)	13.662	1857.24	0.025
17.0% (Fortified Wine)	36.63	1857.24	0.068
12.5% (Wine)	1446.39	5376.00	7.775
8.0% (Beer)	39716.82	550.59	21.867
4.5% (Beer)	90762.903	550.59	49.973
Total	261149.13		610.993

(Source : Author's Construction)

³⁷ There is large heterogeneity in the variety of alcohol within the same concentration percentage and also within each type of liquor by brands. It becomes difficult to disaggregate this data for each type of item since this data is not available in a sub-categorised form. Hence, an attempt has been made by finding the maximum utility cost from average cost of a case of 9 litres of each variety of liquor.

³⁸ Smith, V. and Barodawala Z., "Industry Trends : Global and Indian – Excise", 24 Jan 2010, Presentation during the Bev India 2010 Conference organized by CIABC on, attended by the author, substantiated by IWSR 2009-10.

The result shows the maximum utility consumption to be worth Rs. 610.993 Billion, or Rs. 61,099.30 Crore. Two issues need to be appreciated in this estimate :-

One, the value from the bottom up approach has been evaluated from a very small sample, and the error is bound to magnify when extrapolated for the national estimate. Also, it is the **proclaimed** 'willingness to pay' for 90% of the population and not the actual quantity consumed at present (which is lower). Hence the high value of the estimate by bottom-up approach.

Two, the top-down approach based on the reported figures at national level have been adjusted to arrive at the quantity consumed with a non-negative utility by reducing the total consumption by 10%. Actually 10% over-indulging drinkers will necessarily consume more than 10% of the total consumption, else they would be normal drinkers. The 10% reduction is that quantity which they would have consumed with a negative utility i.e. on intoxication, their actual total consumption being greater than perhaps 20%. This reduction could be less than 10%, viz. say 7% or 5%.

In that case, the values for 'maximum utility calculated with 7% and 5% allowance for over-drinking are Rs. 61,284.45 Crore and Rs. 61407.881 Crore; both greater than that for 10 %, yet lower than the value of Rs. 64,872.421 Crore by Bottom-up willingness to pay approach.

Final Valuation. Since the stake of the drinker is being ascertained for subsequent comparison with the other stakes including costs to the society, any bias against the

positive stakes of the drinker must be avoided. For this purpose, average of these three values and the bottom-up approach value could be adopted. **This average is Rs. 62,166.012 Crore, and should be accepted as the national level positive stake of the drinker.**

The Brewers and Retailers

Brewers. The Indian liquor industry is divided into two broad segments: Indian Made Foreign Liquor (IMFL) and Country Liquor (CL) made by Indian Companies with Indian raw material and formulation. IMFL comprises alcoholic beverages that were developed abroad but are being made in India (whisky, rum, vodka, beer, gin and wine), while country-made liquor comprises alcoholic beverages made by local breweries. While many Indian and MNC players were present in the IMFL segment, the unorganized sector accounted for almost 100% of the country-made liquor segment.

While IMFL was consumed by the middle and upper classes of society, country-made liquor was consumed by the economically deprived classes. Approximately 50% of the actual production and consumption in India goes unreported, either because it is illicitly done or because of the taboo still associated with drinking in the common Indian household.

Many government restrictions regulate the liquor industry. Companies are not allowed to expand capacity without prior approval from the concerned state government. Nevertheless, the brewers have but one aim and that is to earn maximum profits. The net profit of the brewer is his net positive stake. Hence, the sum of the net profits of all the brewers put together is the maximum positive stake of the brewers at the national level.

Table 4.5, obtained from the Annual Company Reports of brewing companies in India gives the profit after tax in each case

and the sum gives the total stake. This needs to be suitably adjusted for missing data of breweries whose accounts reports were not available in public domain.

Table 4.5 : Profit After Tax in Major Breweries

Ser No.	Company	Profit After Tax (Rs)
1.	Mohan Meakin Ltd	3822043
2.	United Spirits	3112759000
3.	Balaji Hotel & Enterprise	Nil
4.	Dollex Industries	18753000
5.	Silver Oak (India)	985000
6.	Empee Distilleries	113050000
7.	GM Breweries	146530000
8.	Indage Vinters	384840000
9.	Jagatjit Industries	176198000
10.	Khoday India	83458000
11.	Mt. Shivalik Industries.	47632000
12.	Millenium Beer Industy	Nil
13.	Pioneer Distilleries Ltd	128685000
14.	Radico Khaitan	330720000
15.	United Breweries	624700000
16.	Winsome Breweries	4514694
17.	Shaw Wallace & Co.	663800000
18.	Hindustan Breweries	10843000
19.	Som Distilleries	359000
20.	Blossom Breweries	64062000
21.	Superstar Distilleries	Nil
	Total	5851648600

(Source : Available Annual Audited Reports of the Breweries : 2007-08)

The table shows that the net profit in one year for these breweries has been **Rs. 585.16 Crore**, which, at the national level would further increase since figures for some breweries are not available and hence not included in the table above. In addition, Country Liquor breweries would rake in their net profits which have not been included (except Radico Khaitan) since these are not available. **This is the present positive stake of the brewer in generic terms.** The IMFL industry is showing a CAGR of 15% per annum and hence, these stakes will only increase at this rate. For 2008-09, the stake would be at least Rs. 672.934 Crore.

Retailers. These are the intermediaries and terminal sellers in the chain of liquor and they earn their positive stake through the profit that they make on the sale of liquor through their liquor outlets. The typical profit margin for the retailer, though varying for each type and brand of liquor, averages to 20% of the terminal sale price.

The typical sale of a Delhi outlet in reasonably well populated areas averages to Rs. 1.3 lakh³⁹ per day. The outlets are closed for 22 days (dry days as declared by the state – mostly national holidays and religious festivals). However, the sales preceding such dry days shoot up to Rs. 1.8-1.9 lakh. Also, days preceding weekends witness sales at a higher pitch approximating to Rs. 1.5 lakh. The 22 dry days are more or less compensated by these spikes in sales. However, the position may vary at outlets which are located in remote areas, which may earn less sales proceeds.

The estimate of sales profits of the retailers can, therefore, be judged from the published figures at the national level and working

³⁹ Survey of outlets by the author in Delhi. (DSIIDC Outlet and DSCSC Outlet, Regal Building, Connaught Place, New Delhi-110001, DSIIDC Outlet, N-36, Bombay Life Building, Connaught Place, New Delhi-110001).

out the actual profit applying the 20% profit margin.

For the national maximum utility consumption of Rs. 610.993 billion (from Table 4.4), (i.e. sale of Rs. 610.993/0.99 billion), the national profit for the retailers @ 20% is Rs. 123.432 billion i.e. Rs. 12,343.20 Crore. **The positive stake of the retailers and intermediaries is, thus, Rs. 12,343.20 Crore.**

The Government

The Government is a double stake-holder in the issue of prohibition (or its absence – free availability) of liquor.

The Government's Positive Stake : Revenue

The activities of production, transportation, sale and consumption of liquor lend themselves to the earning of revenue by the governments in the form of taxes / duties. In the typical case of India, since the subject of prohibition is in the states list, the harvest reaped from the revenue also belongs to the states. Obviously, therefore, in the ever-present resources crunch from the centre, states want to maximize the revenue earnings from every source possible. The business of liquor proves to be highly rewarding in this aspect because of the ever-increasing demand for liquor. Prohibition policy precludes recovery of any such duties and hence leads to loss of income. A partial regulatory approach allows the government to levy duties in bulk or individually on each type of product, dictate terms on quality and control the prices in a manner that the ultimate aims of the government are achieved. This requires a careful estimation of the price elasticities of demand and supply including the externalities of government taxes or duties on the items and arriving at the most optimum size of excise duty so as to maximize the earnings. Earnings from revenue from liquor in the case of

some of the states in India are presented in **Table 4.6**.

Table 4.6 : Revenue Earnings of Indian States from Liquor

State	Gross State Domestic Product (GSDP) 2007-08 (Rs. Crore)	Earnings from Only State Excise Duty on Liquor : 2007-08 (Rs. Crore)	Earnings as Percentage of GSDP
A. P.	354500.00	4040.60	1.14%
Goa	12400.00	67.00	0.54%
Maharashtra	339425.00	3963.05	1.17%
Kerala	98817.00	944.00	0.96%
Haryana	104188.51	1378.81	1.32%
Karnataka	138784.00	4766.67	3.43%
Punjab	85729.00	1726.00	2.00%
M. P.	128202.00	1853.83	1.45%
Gujarat	216651.00	1235.00	0.57%
Total	1478696.50	19974.96	Average 1.35%

(Source : Budgets - 2008-09, of Respective States; & Economic Surveys)

The Central Government applies 16% CENVAT⁴⁰ and 2% Education Cess on alcoholic beverages and has recovered Rs. 1,30,220 Crore⁴¹ as revenue from Excise Duty alone. This accounts for 23.8% of the Gross Revenue and corresponds to 2.8% of the GDP at constant prices (1999-2000 new series). This is the positive stake of the **Central Government**. States do receive their share of the Central Excise. However, in addition to this the states levy their own excise duties to earn revenues. The revenues earned by some states are as shown above. It will be observed that the earnings, as a percentage

⁴⁰ Website : Central Excise and Service Tax, Govt. of India, MoF, Department of Revenue, Central Board of Excise and Customs (On Line) Available at <http://cer.nic.in/cer/disclaimerce1.html>, Accessed on 18 Feb 2010.

⁴¹ Economic Survey of India 2008-09.

of the state's GSDP, are meager. Yet, they are substantial amounts on which to depend for the developmental plans of the state, as will be seen subsequently.

Secondly, the imposition of Prohibition does not necessarily mean its successful implementation, since enforcement is invariably lacking, and unscrupulous operators within the producers and the enforcers make a quick buck while the drinkers gain and the government loses the revenue. In such a case it becomes prudent for the government to make the most of the opportunity, and try and use the 'cost' of obtaining a drink to its advantage by making it so unviable that only the most desirous pay and obtain the same, but it deters the ordinary person from drinking. This approach becomes more viable than imposing prohibition and is the main reason for doing so.

The Government's Negative Stake : Social Costs

"The social consequences of alcohol are changes, subjectively or objectively attributed or attributable to alcohol, occurring in individual social behaviour, in social interaction or in the social environment."⁴²

Liquor consumption has its associated problems, both for the over-indulgent drinker and for the victims of his resultant deviant behaviour and it can lead to imposing important costs to society. These are being termed as 'social costs'. The costs of liquor consumption may be broadly categorized as follows :

Direct Costs.

Material damage. The direct costs of damage to

⁴² Klingemann, H., *Alcohol and Its Social Consequences – The Forgotten Dimension*, 2001, WHO Regional Office for Europe Publication.

property, life and limb are partially forced to be borne by the government which has a duty to perform towards its population.

Costs of policing, judicial costs for trials of offenders and maintaining and running of hospitals and rehabilitation centres are the burden of the government.

Indirect Costs.

Premature death.

Excess morbidity and unemployment.

Alcohol consumption has numerous health effects, both chronic (e.g. liver cirrhosis) and acute (traffic accidents), which result in expenditure on hospital and outpatient treatment, as well as on pharmaceuticals. Costs also arise in the welfare and judicial systems, such as those for social assistance and counselling of alcoholics and their families, or police intervention, imprisonment and court work. The material damage resulting from traffic accidents due to drunken driving also results in significant costs. Equally important, however, are the costs resulting from the impact of alcohol on the workplace. Primarily, alcohol-related costs arise from premature death, since people who die before the age of retirement represent a loss of national productivity. Also, excess unemployment and absenteeism, as well as work accidents and reduced efficiency on the job due to alcohol misuse, contribute significantly to the total costs of alcohol consumption to society.

Table 4.7 lists alcohol-related social problems. Against each problem are listed possible categories of social cost that may be associated with the problem.

Table 4.7 : Scope of Alcohol-Related Social Costs

Ser. No.	Type of Alcohol-Related Problem	Type of Social Cost
1.	Child Abuse and Neglect	Medical, Police, Social Service.
2.	Suicide	Medical, Police, Social Service, Lost Productivity
3.	Traffic Accidents, Homicides, Violent Crimes	Medical, Police, Legal, Judicial, Insurance, Lost Productivity, Lost Life / Limb, Repair & Replace
4.	Drunk Driving, Public Intoxication	Police, Legal, Judicial, Social Service, Lost Productivity
5.	Absenteeism at work, Impaired Decision-making & Productivity	Lost Productivity and Medical.
6.	Industrial Accidents	Medical, Insurance, Repair & Replace, Lost Productivity
7.	Domestic (Divorce, Spouse Abuse)	Legal, Judicial, Social Service, Increased Maintenance

(Source : Adapted from Final Technical Report, Highway Safety Research Institute, Office of Substance Abuse Services, Michigan, USA : 1976-77)

While each of the social costs identified for a particular alcohol-related problem has the potential of being associated with that problem, it is highly unlikely that all of the costs identified will be involved in all incidents of the problem. For example, in the case of domestic difficulties that result in divorce, there may or may not be police and/or social service involvement. Likewise, domestic difficulties may lead to police and / or social service involvement without resulting in a divorce. Once the potential social costs associated with a particular social problem have been identified, it is necessary to determine the proportion of cases in which each of the social costs is appropriate.

An analysis of only the health costs of abuse of alcohol for France (Reynod, Colombel and Pen – May 2000)⁴³ was carried out based on the studies for four other countries, viz. Germany, Canada, USA and New Zealand revealed that the proportion of

⁴³ Reynod, M, Gaudin-Colombel, A.F. and Le Pen C, "Estimating Health Costs Linked to Alcoholism (With A Note on Social Costs)", 10 May 2000, *Service de Psychiatrie B*, CHU de Clermont-Ferrand and CLP Sante, 20 rue de Boulainvilliers, Paris, France,

indirect to direct costs was 74% to 22% in Germany, 70-75% to 20-25% in Canada, 80% to 20% in USA and approximately 70% to 20-33% in New Zealand. The indirect costs are those which are borne by the state and its citizens silently since these are invisible. The direct costs are those that actually were borne by the health victim. The impact on the exchequer was of the order of 1.09% of the GNP in Canada, 1.9% in USA, 1-1.57% in New Zealand and was derived for France to be 1.04% of the GNP.

In national budgets in Europe, the social costs of alcohol consumption are comparable to, or even exceed, government expenditure on social security and welfare, amounting to approximately one fourth of its total health expenditure. Clearly, therefore, the adverse consequences of alcohol use and misuse are significant and call for adequate policy measures to reduce them.

It has been statistically proved that the magnitude of problems imposing social costs increases with the increased and easier availability of liquor to the population. Thus, with every attempt to liberalise as well as broad-base the availability of liquor in the population, the government runs the proportionate risk of incurring heavier costs in this dimension. A failure to address this aspect of increasing costs by neglecting the duty towards the people also runs the risk of incurring public wrath and possibly losing the next election. Starkly, the issue of meeting the social obligations of welfare of the people, health, and facilities to treat victims of alcohol abuse as well as those of their deviant behaviour becomes an added drain on the exchequer. A study by Mohapatra⁴⁴ et al. on social costs due to harmful effects of alcohol in some high income countries reveals that Direct Costs amount to 29% (Health Care – 15%, Law Enforcement – 4% & Other Costs – 10%), while the

⁴⁴ Mohapatra, S., Patra, J., Popova S., Dubig, A. and Rehm, J., "Social Costs of Heavy Drinking And Alcohol Dependence in High Income Countries", *International Journal of Public Health*, 27 January 2009, DOI 10.1007/s00038-009-0108-9.

Indirect Costs (Productivity Loss) account for 71% of the total cost.

Quantification of the Social Costs

A small scale study to evaluate the social costs of alcoholism in Karnataka was carried out by Benegal et al.⁴⁵ and the results indicated that a cost of Rs. 29,885/- is required to be borne as social cost per month per alcoholic. It is one of the very few studies that relate to the Indian context though it is highly localized. The results of the study are in **Table 4.8**. These are being used for extrapolating and estimating the costs for the national population.

Table 4.8 : Social Cost of Alcoholism

Nature of Cost	Cost (Rs.)
Private Costs	
Direct Payments	520.72
Treatment at Private Hospitals	No Data
Insurance Premium	No Data
Amount Spent on Alcohol ⁴⁶	1938.40
Other Substances Like Tobacco	239.57
Fines Paid	No Data
Loans Incurred	8388.29
Total Private Cost	11086.88
External Costs	
Health Care Provided by State, incl Detoxification, Counselling	17646.85
Associated Medical / Surgical Problems, Distress to near ones, Criminal Activities, Transaction Costs to reduce External Costs	No Data
Productivity Loss by Absenteeism, Unemployment & Sickness	1151.97
Total External Cost	18798.82
Total Monthly Cost	29885.80

(Source : Study by Benegal¹ et al., See Footnote below)

Extrapolating this cost to the national level population of persons who consume alcohol gives the estimate of the national

⁴⁵ Benegal V., Velayudhan A. and Jain S., "The Social Cost of Alcoholism (Karnataka)", *NIMHANS Journal*, Vol. 18(1&2)67

⁴⁶ See Table 4.2 & Table 4.9; Survey carried out by the author has shown that Rs. 2,467.80 is the monthly expenditure per head on alcohol in Delhi suburbs, which leads to a total monthly cost per head of Rs. 30,414.60 (i.e. Rs. 528.80 more than above cost).

level liability which ought to be catered for by the governments. **For the population of 62,000,000 such persons, the estimate of cost is Rs. 1,85,287.00 Crore, which represents 6.47% of the GDP (2006-07). Since this is a cost which is entirely avoidable, this is the negative stake of the society or the government.**

It needs to be noted that the above evaluation does not include the 'costs' incurred by many affected people, who suffer intangible consequences such as violence, abuse, emotional trauma, injury or even death due to the deviant behaviour of the liquor consumer. The next few paragraphs give an insight into the kind and magnitude of such 'intangible costs', which are the additional negative stakes of non-prohibition of alcohol.

Intangible Stakes of The Affected People (Dependents, Family Members, Victims and Collective Bodies)

While liquor consumption and its abuse render positive stakes to those who deal in its production, distribution, consumption short of intoxication and taxation, the government also bears the negative stake of tangible social costs as evaluated so far. Yet impact of the behaviour of a liquor addict on his surroundings invariably imposes tension, suffering and worry. These are emotional stresses which cannot be directly valued and constitute the intangible costs of the availability of liquor. Although in the current state of knowledge it is difficult to determine the extent of the suffering and harm undergone by the immediate family of the heavy drinker, it is likely to be considerable and at least as extensive – albeit different in nature – as that of the drinkers themselves.

Collateral costs resulting from addiction to liquor which also go unnoticed are discussed in the following paragraphs. **These are**

major claimants to imposition of prohibition which would absolve them of these miseries, if implemented in earnest.

Liquor Consumption Creates Poverty. A study by Mary Assunta⁴⁷ indicates that our poor and rural communities are seriously affected by liquor consumption, which exacerbates poverty. As per her study, in India, household expenditure on alcohol varies between 3–45 per cent of their income. Alcohol misuse is one of the main killers of young men in India today.

Effects of alcohol are more devastating on developing countries. In a country like India, where about 45 per cent of the population live below the income poverty line (official figures are 28%), spending money on alcohol has serious consequences. In the state of Orissa, the study observed, that it was poverty born of intemperance where country liquor played havoc with the meager earnings of the villagers. 170 families in Chatua village of the state, were recorded to be spending Rs. 1 lakh every year on a local brew. This amount, saved within one and a half years, would be enough to construct an ayurvedic hospital at Chatua for the benefit of the people in 42 villages of the area.

In order to re-ascertain the alcohol consumption in present day scenario, a survey of 23 liquor consumers was carried out by the author from a suburban area of Delhi (Karawal Nagar). It was found that some people had taken to drinking after having received large sums of money from the government from the acquisition of their lands for construction of roads and fly-overs. Also, some were content with earning rents on their ancestral houses and spent a major portion of their other income on alcohol, to which they were initiated in early years. **Table 4.9** presents the picture regarding

⁴⁷ Assunta M., *Impact of Alcohol Consumption on Asia*, Consumers' Association of Penang, Malaysia

the proportion of the individual and total family income spent by the drinkers on liquor.

Table 4.9 : Proportion of Income Spent on Liquor In India

Sample Element Ser No	Personal Monthly Income (Rs.)	Total Family Income (Rs.)	Expenditure on Liquor Per Month (Rs.)	Expenditure as % of Personal Income	Expenditure as % of Family Income
1.	6000	18000	2700	45.0	15.0
2.	3000	3000	1350	45.0	45.0
3.	3000	8000	2700	90.0	33.75
4.	20000	20000	2025	10.13	10.13
5.	3000	8000	1215	40.5	15.18
6.	0	8000	1215	---	15.8
7.	3200	6200	1215	37.88	19.55
8.	0	5000	2160	---	43.2
9.	1500	13500	2160	144.00	16.00
10.	8000	8000	2025	25.31	25.31
11.	7500	15500	5400	72.00	34.84
12.	35000	65000	2160	6.17	3.32
13.	0	6000	5400	---	90.00
14.	3000	8000	810	27.00	10.13
15.	0	25000	4050	---	16.20
16.	0	20000	4050	---	20.25
17.	0	10000	2700	---	27.00
18.	1000	4000	2700	270.00	67.5
19.	0	22000	4320	---	19.64
20.	0	10000	1620	---	16.20
21.	12000	27000	2160	18.00	8.00
22.	4500	9500	2160	48.00	22.74
23.	4000	10000	2025	50.63	20.25
24.	4100	11900	2100	51.21	17.65
25.	2500	7300	1275	51.00	17.47
Totals	121600	349550	61695	50.74%	17.65%
Averages	4864.00	13982.00	2467.80	50.74%	17.65%

(Source : Author's Construction Through Survey)

The average expenditure in low-middle income group in the

surveyed area is observed to be 50.74% of personal income and 17.65% of the family income, which is a definite cause for worry, since the amount spent on liquor by these income group persons could be productively spent on their families in more constructive assets. In fact a large number of other drinkers were found to also be addicted to other intoxicating substances like ganja, smack and various types of injections from early childhood age – another equally great cause for worry, since it implies lost productivity in future to the country as well as loss of income to the individual and his family.

Sale of Assets to Meet Costs. A growing body of evidence points towards higher prevalence of tobacco and alcohol use among the poor than the better-off in India and other developing countries (Jha and Chaloupka 1999, 2000; Bobak et al.. 2000; Gajalakshmi et al.. 2000; Peters et al.. 2002), although the evidence is mixed. Preliminary evidence also shows that the poor in India spend a larger proportion of their household income on tobacco and alcohol (Nichter and Cartwright 1991; Shah and Vaite 2002a,b). Studies have shown that higher tobacco and alcohol use among the poor may be partly responsible for a widening survival gap between the poor and the rich (Jha and Chaloupka 1999, 2000), although, conceptually, impoverishment due to tobacco and alcohol consumption can be caused by a reduction in disposable income, increased illness, premature death, or lost wages and higher health care costs. A study⁴⁸ by Bonu et al. on whether the use of tobacco or alcohol contributes to impoverishment from hospital costs in India investigates the association between tobacco and alcohol use, and the potential risk of impoverishment from borrowing and distress selling of assets for meeting costs of hospitalization in

⁴⁸ Bonu, S., Rani, M., Peters D.H., "Does Use of Tobacco or Alcohol Contribute to Impoverishment from Hospitalisation Costs in India?", *Health Policy and Planning*, Vol. 20(1), Oxford University Press 2001.

India. Data from the fifty-second round of the National Sample Survey, a representative survey of 1,20,942 households across India, has been used to investigate the likelihood and the levels of borrowing and distress selling of assets to cover hospitalization expenditures among regular users of tobacco and/or alcohol, non-users from households where there was use, and non-users from households with no use.

The study finds a higher risk of borrowing / distress selling during hospitalization for individuals who use tobacco, who were non-users but belong to households that use tobacco and non-users from households that use both tobacco and alcohol even after controlling for socio-economic and demographic factors and that the same groups also met a higher percentage of hospitalization expenditures through borrowing / distress selling of assets. The study suggests that there is an association between use of tobacco and alcohol, and impoverishment through borrowing and distress selling of assets due to costs of hospitalization.

Spouse and Child Abuse. Alcohol and domestic violence are linked to spouse/partner and family structures. Although only hypothetical explanations have yet been advanced for marital violence in these circumstances, an alcohol-specific effect appears to be undeniable. The size of the problem is often underestimated. Legal and cultural limits bar access to the private or domestic sphere, even if the physical and psychological well-being of women is at stake, and victims are reluctant to report this covert violence. Alcohol plays a major role here.

Although in the current state of knowledge it is difficult to determine the extent of the suffering and harm undergone by the immediate family of the heavy drinker, it is likely to be considerable and at least as extensive – albeit different in nature – as that of the drinkers themselves. Apart from the risk of violence, an alcohol-

related problem may affect the quality of life and the health of the drinker's partner in other ways. The family is liable to split or to break up. A contrary condition, referred to as "co-dependence" and described principally in clinical literature, takes the form of a contradictory involvement by the drinker's partner in maintaining the drinker's alcohol habit, through efforts to conceal and compensate for it. In either case, and as regards such couples in general, the condition of the drinker's spouse or partner is liable to deteriorate, with consequent psychological or physical disorders.

Children are the most severely affected, since they can do little to protect themselves from the direct or indirect consequences of parental drinking. Some have already been severely and permanently scarred, even before they are exposed to parental behaviour. Parental drinking can thus seriously harm a child's development. In particular, abuse, neglect, isolation and insecurity or inconsistent parental behaviour and demands are much more common in the families of alcohol abusers than in others. There is a substantial – twofold to tenfold – risk of inter-generational transmission of problem drinking.

These effects of excessive drinking remain a cause of concern and have to be considered a pertinent public health issue

Effect on Employability. The impact of alcohol consumption on productivity and work career has been demonstrated in a large number of studies. Although alcohol consumption does not contribute to any large proportion of the total production losses from work absenteeism, it is well established that alcohol dependent people and heavy drinkers have more sick-leave days than other employees and thus cost their employers considerable amounts. In addition, some studies have shown that the majority of those who report taking sick leave from work because of drinking belong to the large group of more or less moderate drinkers. This kind of alcohol-

related absenteeism is probably short-term sick leave due to hangovers from occasional episodes of heavy drinking.

A Comparison of Stakes

It is now possible to draw a 'cash account check sheet' of stakes from the government's point of view at national level.

Table 4.10 presents the Check Sheet.

Table 4.10 : Check Sheet – Positive Vs Negative Stakes

Positive Stake	Rs. Crore	Negative Stake	Rs. Crore
Drinkers' Pleasure	62,166.012	Social Costs **	1,85,287.000
Brewers' Profit	585.160	Intangible Costs	Not Valued
Retailers' Profits	12,343.222		
Excise Earnings of Govt.	1,27,947.000*		
Total	2,03,041.390	Total	1,85,287.000

* This is the collection of Excise on all items, major part being from liquor.

** Including the expenditure incurred on alcohol, which could be spent more fruitfully for the family in constructive expenditure.

(Source : Constructed from values obtained in previous paragraphs)

From the above figures, it appears that the positive stakes from the present policy are higher than the tangible negative stakes associated with the present policy on liquor, i.e. a controlled regulation and taxation policy as against total prohibition, by a margin of Rs. 17,754.39 Crore. (though several social cost elements have not been included in the estimate as shown in **Table 4.8**, which would reduce this margin.)

Another significant observation from the above check sheet is that the positive stakes of the drinkers, brewers and the retailers are for them to keep, but the earnings of the government (Rs. 1,27,947.000 Crore), which are meant for use for public welfare (and in this case, at least for covering the social costs due to the very substance which renders these earnings), are much

below the social costs (Rs. 1,85,287.00 Crore) with the current policy. This indirectly implies that enough is not being collected from the product in the form of government earnings – excise.

Sufficient evaluation is now available to test the hypothesis in quantified terms.

Testing of the Hypothesis

The Hypothesis. To begin with, it had been hypothesized that "Liquor prohibition is not being adopted in India due to bias towards the stakes of producers, consumers and regulators (Govt) of liquor, greatly ignoring the social costs imposed by its ill effects"

A Cross Check. The check sheet at **Table 4.10** presents a picture favourable to the continuation of the present policy on prohibition since the positive stakes appear higher than the tangible negative stakes. This implies that the policy is favourable to the positive stake holders; i.e. the first part of the hypothesis holds good. Contrastingly, this does not necessarily imply that the social costs due to liquor are all being met. It only implies that "there is less tangible suffering which needs to be addressed by the government than there is pleasure and profit". Really, what also matters is the high value of the tangible suffering (not to mention the intangible) which is comparable with the pleasures and profits.

Ideally, it is most desirable to have this value reduced to zero, which implies that the liquor consumed should only provide pleasure, profits and earnings to the government. This cannot happen, due to the known and already described ill-effects of liquor. Hence, the aim of the governments must be to meet these costs or reduce them through tangible measures to remedy the tangible effects and also to run pro-active intangible programmes to minimize the ill-effects. Both measures need funding from the government. In order to test whether the second part of the

hypothesis is valid or not, cross check needs to be carried out by comparing the known social costs with the allocations made by the Government in addressing them.

Allocation by States Towards Social Costs. The states' measure of how much they care for the social costs could be the allocation made by the states for 'Social Services' and 'Health and Family Welfare' in their Annual Budgets. A glimpse of the Excise earnings and the allocations made by some states for these purposes in the FY 2007-08 are given in **Table 4.11**.

Table 4.11 : State Excise Revenue & Spending on Social Costs

State	Total Revenue Earned Through Excise (Rs. Crore)	Share Received from Union Excise Collection (Rs. Crore)	Allocation for Social Services & Health & Family Welfare (Rs. Crore)	Allocation as Percentage of Total Excise Revenue
A. P.	6236.02*	2195.42.	2439.06	39.11%
Goa	139.00*	72.50	142.65	102.63%
Maharashtra	5333.90*	1370.85	5322.22	99.79%
Kerala	1988.69*	795.38	1786.80	89.85%
Haryana	1673.72*	294.91	131.21	7.84%
Karnataka	5989.92*	1223.35	1674.00	27.95%
Punjab	2109.76*	383.76	1358.50	64.39%
M. P.	3856.35*	2002.92	1138.60	29.52%
Total & Average Over Total	27327.36	8339.09	13993.04	51.21%
Gujarat #	1235.00*	1185.00	1181.32	95.65%
Mizoram #	68.35*	66.90	379.82	555.70%
Total Allocation of All Above States			15,554.54	

* Including Share from Union Excise Collection as indicated.

States having prohibition, which cannot be included for average calculation.

Note : Excise earnings are from all eligible items, major part being from liquor.

(Source : Extracted from Union and State Budgets posted on Websites)

Note :- The allocations made by the states under the three heads are total allocations and do not necessarily represent the exclusive sub-allocations made for the tangible and intangible measures to address the social costs incurred due to the ill effects of liquor consumption alone. In any case, the exclusive figure would be a subtotal under these heads and would be smaller than the indicated figures, thus further reducing the allocation from the state for the purpose in question. The figure above is therefore, a conservative one, giving the states the benefit of doubt.

Statistics at the national level reveal that the collection of Central Excise has been increasing from Rs. 6,500 Crore in 1980-81, progressively to Rs. 99,125 Crore in 2004-05, and was estimated to be Rs. 1,12,000 Crore in 2005-06 and Rs. 1,19,000 Crore in 2006-07. In 2007-08, the Central allocation for Social Services (General Education and Health & Family Welfare) was Rs. 34,140.08 Crore⁴⁹ out of a Union Excise collection of Rs. 1,27,947 Crore. (i.e. 26.68% of the collection). **This is only 0.727% of the GDP of the year (Rs. 46,93,602 Crore).** However, among the states, there appears to be no consistent range or proportion of their collection which is being allocated for social services, public health and family welfare. Also, what proportion of these allocations is being allocated for mitigating the ill-effects of liquor in the society is not available.

Out of the collection of Rs. 1,27,947/- Crore in Union Excise, the share of central taxes passed to states is Rs. 29,845.26 Crore⁵⁰. The allocation of funds to mitigate these social costs under the

⁴⁹ Extracted from "Statement 13, Central Plan Outlay By Heads Of Development", *Expenditure Budget*, Vol. I, 2008-2009, (On Line) Available at <http://indiabudget.nic.in>, Accessed 10 Feb 2010.

⁵⁰ "Annex-I : Statement Showing Statewise Distribution Of Net Proceeds Of Union Taxes And Duties For BE 2008-2009", *Union Budget 2008-09* (On Line) Available at <http://indiabudget.nic.in>, Accessed 10 Feb 2010.

'Social Services (General Education, Family Welfare and Public Health)' heads in the Revised Estimates 2007-08 is Rs. 34,140.08 Crore against a requirement of Rs. 1,76,701.28 Crore (as above). This leaves a shortfall of Rs. 1,42,561.20 Crore at the central level.

The total allocation of the ten states at Table 4.11 for this purpose is Rs. 15,554.18 Crore. However, to calculate the national level allocation by all states, the figures for the balance 18 states are also required (which are not available). Two options are considered to adjust the allocation amount to cater for the states that have not been listed in the Table 4.11.

Option 1. It is assumed that the allocation made by all the states of India put together is double this figure⁵¹ (wherein all major states are already included). The states' allocation then becomes Rs. 31,108.36 Crore (2x15,554.18). The tally for the **Social Costs Budget** would then read as follows :-

Requirement	:	Rs. 1,85,287.00 Crore.
Allocated	:	
Centre	:	Rs. 34,140.08 Crore.
States	:	Rs. 31,108.36 Crore.
Total	:	<u>Rs. 65,248.44 Crore.</u>
Shortfall	:	<u>Rs. 1,20,038.56 Crore.</u>

Option 2. It could be assumed that the allocation made for 'Social Services, Family Welfare and Public Health'

⁵¹ Out of the 28 States of India, 10 major states contributing to liquor revenue have been listed in Table 7. The other 18 states are low on earnings through liquor sales and at most could be expected to allocate an amount equal to the total allocation of these 10 states. Hence the assumption.

by the states not listed in Table 4.11 is the complete amount of vertical transfer of excise from the Central Excise earnings. Details of the vertical transfer out of central excise collection to the states are given at **Appendix C**. The total transfers to the 18 states under consideration is Rs. 20,107.03 Crore, which is taken as their allocation to the concerned heads.

The tally for the **Social Costs Budget** would then read as follows :-

Requirement	:	Rs. 1,85,287.00 Crore.
Allocated :		
Centre	:	Rs. 34,140.08 Crore.
States (Table 4.11):	:	Rs. 15,554.18 Crore.
Balance 18 States :	:	Rs. 20,107.03 Crore.
Total	:	Rs. 69,801.29 Crore.
Shortfall	:	Rs. 1,15,485.71 Crore.

The result, which shows a shortfall on the part of the states towards addressing social costs in both the cases of evaluation, indicates that the latter part of the hypothesis – "*greatly ignoring the social costs imposed by its ill effects*" – is also valid.

Inferences

The present structure of taxing, controlled availability of liquor using quality controls and price as the leveraging tool to manage the demand and supply leads to a situation wherein the positive stakes gained by the drinker, brewer and the government outweigh the negative stakes of social costs.

Effect of Prohibition. The balance will tilt heavily towards the social costs negative stakes in case the major earning of the centre as well as states through excise duties is reduced or removed from the scene by imposing and implementing prohibition. The case of Gujarat, which has prohibition of liquor, is a case in point. The values for Gujarat in **Table 4.11** show that had the state's meager excise earnings of Rs. 50 Crore not been augmented by the vertical transfer of Rs. 1,185.00 Crore from the Central Excise earnings, the allocation of Rs. 1181.32 Crore for the Social Services (Education, Public Health and Family Welfare) would not be possible.

Prohibition, in a society like ours, throws up more stake holders and the existing stake-holders get replaced with 'illicit' versions. Greedy politicians, Police and enforcement agencies are known to be corrupt and tend to earn large pecuniary benefits by allowing illicit brewing and trade to continue during prohibition, as has been borne out by several cases of deaths and poisoning in Gujarat despite the prohibition. The check sheet for costs then shows 'Illicit Brewers', 'Clandestine drinkers', 'Illicit traders' and the 'Corrupt enforcement agencies' on the positive stakes side, and the 'social costs' and 'intangible costs' still remain on the negative stakes side. The government is nowhere to be reflected since it no more gains the stake of revenue. Strict enforcement is expected to wipe out these completely on both sides of the check sheet.

Though the demand of social costs is very large (as shown, even without some elements of cost being included) allocations made together by the Centre and the states grossly fall short of the requirement. This implies that the states and the centre are not addressing the cries of the victims of alcoholism. The policy, thus favours the entities that have positive stakes in the chain of alcohol.

Enforcement of prohibition is precluded in such conditions unless other means to earn equivalent incomes are devised by the

states.

The hypothesis that, ***"Liquor prohibition is not being adopted in India due to bias towards the stakes of producers, consumers and regulators (Govt) of liquor, greatly ignoring the social costs imposed by its ill effects"*** thus holds good.

Summary

This chapter has reasoned the stakes perceived by the gainers as well as the losers in the issue of prohibition or availability of liquor, based on limited sample data obtained by the author as well as from data available in similar studies. Evaluation of the stakes in monetary terms has been attempted to give them comparability.

The government has been identified to hold positive as well as negative stakes in the issue of prohibition. These have been evaluated as earnings from excise revenue and the liability towards social costs.

Negative stakes suffered by victims of alcoholism as well as near and dear ones have been approximated to the extent possible. However, intangible negative stakes could not be monetized for comparison.

Notwithstanding the above shortcomings, the comparison between the positive and negative stakes has led to the conclusion that the present policy gives more positive stakes than negative ones, albeit with a small margin. However, the statistical data on budget allocations prove that the negative stakes are not being addressed fully. The hypothesis has thus been tested and proved. The next chapter examines the policy dilemmas of the governments and attempts to suggest a viable approach to try and address the negative stakes better.