

Written evidence from Christopher Snowdon, Institute of Economic Affairs

The evidence in favour of minimum pricing comes almost exclusively from theoretical modelling from the Sheffield Alcohol Research Group (SARG) based at Sheffield University. SARG has been repeatedly commissioned by governments to update and revise their findings, but nobody - to my knowledge - has been commissioned to replicate their research or verify their results.

In the view of statisticians I have spoken to, it would be impossible for an independent researcher to replicate the findings because the underlying assumptions are not always made clear. Insofar as its assumptions are discernible, they are frequently wrong. I wrote a paper discussing some of these flaws with the statistician John Duffy several years ago which can be found here:

https://static1.squarespace.com/static/56edde762cd9413e151ac92/t/573d9a94859fd04293de33a8/1463655061615/ASI_SAPM.pdf

For a shorter read, this recent article by the Adam Smith Institute's Sam Bowman gives a good overview of some of the problems with the Sheffield University approach:

<https://www.adamsmith.org/blog/minimum-alcohol-pricing-is-policy-based-evidence-making>

What is being proposed is unprecedented and it is impossible to predict how consumers will react to a 50p minimum unit price. The data do not exist for a reliable model to be created. But a lack of evidence does not mean that we should trust anything that calls itself evidence. The SARG reports are based on assumptions that are often dubious and sometimes manifestly incorrect. It brings the policy-making process into disrepute when an unrealistic computer model designed by vocal advocates of minimum pricing is treated with the same respect as scientific evidence.

So, what is *likely* to happen?

- a) The only certain outcome is that it will raise the cost of a wide range of alcohol products (sparkling wine being the notable exception) and therefore increase the cost of living for millions of people. Unlike alcohol duty, it will not provide any revenue for public services. It will simply wipe out the bottom end of the market and force consumers who have a preference for budget brands to buy mid-range brands.
- b) It will almost certainly incentivise cross-border alcohol sales between England and Wales. Much of this is likely to be for personal consumption, but the profits to be had from selling the cheapest ciders, beer and spirits in Wales under MUP are far from trivial.
- c) It is likely to lead to a shift from cider to spirits for dependent drinkers. A shift to the cheapest illegal drugs is also highly plausible among some groups, including young people.
- d) The increase in the cost of living for those who do not wish to reduce their alcohol consumption will likely lead to cuts in other parts of the household budget, such as food and heating, by those on low incomes.
- e) It is likely to further damage the pub trade as drinkers aim to economise on alcohol (see this article: <https://health.spectator.co.uk/its-the-economy-stupid-why-minimum-pricing-wont-work/>)

- f) For all these reasons, it is likely to be unpopular with the general public when they are finally confronted with the newly priced products. The fact that the policy is plainly regressive and effectively exempts the rich makes its unpopularity more likely.

For a brief overview of the likely unintended consequences, see here: <https://health.spectator.co.uk/minimum-pricing-wont-end-alcoholism-it-will-make-the-addiction-more-deadly/>

Finally, many untruths are routinely told by advocates of minimum pricing. The following list is by no means exhaustive, but is offered as a starting point to bring the debate into the arena of reality.

- a) 'Alcohol is much cheaper than it was in previous decades' (usually 1960 or 1980 are mentioned). Untrue: the price of alcohol has risen in both nominal and real terms almost continuously for decades. Between 1980 and 2015, for example, alcohol price inflation was 23% higher than retail price inflation (see Table 4: <http://digital.nhs.uk/catalogue/PUB20999>). This is largely due to above-inflation rises in alcohol duty implemented over many years. The UK currently pays 40 per cent of all the alcohol duty in the EU. By the standards of many European countries, there is no cheap alcohol in Britain.
- b) 'Consumption rises in line with affordability'. Untrue. When people say that alcohol is cheaper (see (a) above), the most charitable interpretation is that they mean that alcohol is more *affordable*. Greater affordability is largely a function of rising incomes which have made nearly everything more affordable over several decades. One of your witnesses on 23 November noted that alcohol consumption rose between 1960 and 2002 as alcohol became more affordable. It is telling that he stopped at 2002 as there has been an 18 per cent drop in consumption in the UK in the years since despite alcohol becoming still more affordable (and despite the absence of any significant new alcohol policies, bar the relaxation of licensing laws). An 18 per cent decline in alcohol consumption is more than four times greater than the four per cent decline that will be brought about by a 50p MUP if the Sheffield model is correct. The Welsh Assembly's website says: 'Alcohol is now 60 per cent more affordable than it was in 1980.' This is true, but it is also a fact that per capita alcohol consumption in the UK is exactly the same as it was in 1980 (9.4 litres). These are interesting figures and yet I do not see much interest shown in them by health groups and legislators.
- c) 'Minimum pricing has been shown to work in Canada'. Untrue: the system used in some Canadian provinces is not the same as minimum unit pricing as advocated in Wales and it has not been shown to 'work'. One activist-researcher, Tim Stockwell, has made several claims about unfeasibly large declines in alcohol-related deaths, hospital admissions and crime as a result of relatively small increases in the minimum price in British Columbia. Official statistics do not support any of these claims. This article gives a good layperson's overview: http://www.thejournal.ie/minimum-unit-pricing-alcohol-ireland-facts-2932210-Aug2016/?utm_source=shortlink
- d) 'Minimum pricing will not affect moderate drinkers.' Untrue: as I show in (e) below, the policy will affect most alcohol sales. The claim that moderate drinkers will pay only slightly more under minimum pricing is based on findings from the Sheffield model and is based on the assumption that moderate drinkers consume just 5.5 units per week. This is not a definition of moderate drinking that most people would recognise.

- e) 'Minimum pricing will only affect the cheapest, high strength alcohol.' Untrue: around three-quarters of off trade beer and cider sales, two-thirds of spirits sales and two-fifths of wine sales will be affected by the policy. See table below (taken from SARG's 2014 analysis).

Table 4.2: Proportion of alcohol sold in Wales below a range of MUP thresholds

	Proportions sold below thresholds (2014 prices)		
	40p	45p	50p
Off-trade beer	40.8%	55.2%	72.1%
Off-trade cider	59.7%	70.3%	78.2%
Off-trade wine	12.2%	24.9%	41.5%
Off-trade spirits	9.3%	47.0%	65.5%
Off-trade RTDs	0.0%	0.0%	0.0%
On-trade beer	1.4%	1.9%	2.4%
On-trade cider	0.0%	0.0%	3.4%
On-trade wine	0.1%	0.1%	0.1%
On-trade spirits	1.4%	2.7%	4.5%
On-trade RTDs	0.0%	0.0%	0.0%

- f) 'Minimum pricing is needed to address the negative externalities of alcohol.' Untrue: excessive drinking creates negative externalities, such as costs to the police and health services, and raising the cost of alcohol to the point at which those costs are internalised is an idea of which economists generally approve. Normally this is done with a Pigouvian tax, but minimum pricing could serve the same purpose. However, alcohol duty currently raises £12.8 billion in the UK, exceeding the costs to public services by around £8 billion. Most of the costs that anti-alcohol campaigners claim are externalities are actually internal costs borne by the individual. Failing to make the appropriate distinction leads to greatly inflated estimates of the costs and gives the misleading impression that drinkers are not 'paying their way'.

Additional information

Supplementary evidence from Christopher Snowdon, Institute of Economic Affairs

The committee asked me to provide evidence that alcohol and drugs can be substitute goods. Here are a few studies showing this...

1. <http://www.sciencedirect.com/science/article/pii/S0165176505002016> This study finds that cannabis is a substitute for alcohol, with alcohol consumption declining when cannabis is legalised.
2. <http://www.nber.org/papers/w4212> This study looks at minimum purchase laws for alcohol and concludes: "We find that increases in the minimum drinking age did reduce the prevalence of alcohol consumption. We also find, however, that increased legal minimum drinking ages had the unintended consequence of increasing the prevalence of marijuana consumption."
3. <http://www.nber.org/papers/w4662> This study looks at youth consumption of cannabis and alcohol and finds that "successful marijuana related efforts in the 'War on Drugs', which can be expected to reduce the supply of marijuana and, hence, increase its price will not only lead to less marijuana consumption, but will have the unintended consequence of raising alcohol consumption".
4. <http://www.journals.uchicago.edu/doi/abs/10.1086/668812> This US study looks at medical marijuana legalisation and finds that it leads to fewer alcohol-related traffic fatalities, suggesting lower rates of binge-drinking. (Note that the alcohol industry in the US lobbies against marijuana liberalisation. This study also finds that alcohol prices fell when medical marijuana was legalised which, as the authors note, "marijuana and alcohol are substitutes". Both these facts suggest that drinks companies are well aware that cannabis is a rival product.)
5. <https://www.ncbi.nlm.nih.gov/pubmed/15380293> This study found that amphetamines were a substitute for alcohol and that cocaine & ecstasy were complements.
6. <https://www.ncbi.nlm.nih.gov/pubmed/18201842> This study found that alcohol was a substitute for cocaine, amphetamine and cannabis.
7. <https://academic.oup.com/alcalc/article/45/5/403/184976> Finally, this study contains a useful review of the evidence and links to other studies. "While alcohol is the most heavily consumed intoxicant worldwide and the volume of harms attributable to alcohol use are considerable, it is fallacious to presume that consumers do not have a choice of intoxicant and are not willing to substitute and complement substances in order to achieve intoxication... Policies aimed at reducing alcohol consumption can be successful. However, evidence suggests a significant minority of consumers are likely to substitute or complement consumption with a range of intoxicants suggesting that policy is unlikely to reduce all-cause mortality and morbidity."

That study also mentions the experience in Russia which is relevant to minimum pricing: "The rapid increase in the alcohol price in Russia motivated consumers to substitute licit alcohol with illicit alcohol, likely exposing themselves to similar levels of harm and possibly greater harm and, critically, placing themselves outside of further policy-level interventions."

I was also asked about the price of drug Spice. Here are DrugWise's latest estimates of drug prices in the UK: <http://www.drugwise.org.uk/how-much-do-drugs-cost/>