Bihar’s Alcohol Ban
Good Intentions, Impractical Policy

SANJEEV KUMAR, NISHITH PRAKASH

Nitish Kumar’s decision to ban alcohol in Bihar may not address the problem of domestic violence, as he expects it will. The state will also lose Rs 4,000 crore in tax revenue. Moreover, bans have always led to black market sales, and then greater expenditure to enforce the ban. The answer to growing alcoholism and its related social malaise lies in higher taxes and limitations on access to alcohol.

The announcement by Bihar Chief Minister Nitish Kumar that the state will implement prohibition on alcohol from 1 April 2016 is a classic case of tail chasing. This is the one area where economists can make a good prediction—a blanket ban on a preferred substance like alcohol gives rise to a black market, underground production activities, price rise and a diversion of scarce law enforcement machinery for activities that the state and the market can easily work together to limit.

And there does exist a simple policy. To begin with, an increase in the price of alcohol—both through higher taxes and by making it harder to access—might go a long way in curtailing the demand for alcohol, and then the state can use the surplus to change the demand elasticities of alcohol.

A complex and immensely diverse country like India cannot be governed except by ensuring individual freedom—which includes the freedom to drink alcohol. Individual freedom potentially can facilitate a modicum of accountability in the presence of poor state capacity in India. In order for complex societies to govern themselves, efficient feedback mechanisms have to be built in the system, and ensuring individual freedom socially embeds such feedback loops at the most microscopic level. The quality of such feedback loops is determined by how contradictions, mistakes, failures, and transgressions are looked at in a given society.

The deleterious effects of addictive substances like alcohol are quite well-known among public health experts and health economists. Yet, the decision by Kumar is more of a political decision, largely to appease his vote banks—not that there is anything wrong with that—but at a cost of Rs 4,000 crore in a resource-starved state does not sound pragmatic. For states that have adopted similar policies, in the absence of data or experimental variation, it would be difficult to evaluate the overall welfare impact of such policies.

Bans Tend to Fail
Take the example of the Child Labour (Prohibition and Regulation) Act of 1986. We know that child labour is an evil practice; it directly interferes with education and is a result of poverty. A recent paper by Bhardwaj et al (2013) estimates the consequences of India’s landmark legislation against child labour and shows that child wages decreased and child labour increased after the ban. More importantly, the increase in child labour comes at the expense of school enrolment, household expenditure, consumption, calorie intake, and asset holding. Thus households are worse off after the ban. In the context of alcohol ban, the impact really depends on who in the income distribution gets affected. Also,
given the poor implementation of the federal and state policies, one can surmise that the right tail (the rich) of the income distribution curve will continue to have access to alcohol (possibly of a higher quality), while the left tail (the poor) will continue to buy the local alcohol (also called tharra, possibly of even poorer quality). In general terms, given that most individuals take alcohol voluntarily and in moderate quantity, even the price-based regulation of alcohol might lead to high deadweight loss.

Beyond the scenarios delineated above, take the rationale provided by Kumar’s administration for such a policy: alcohol consumption is the primary reason for violence against a sizeable number of his voters, that is, women. A quick glance at the National Family Health Survey (NFHS) (2005–06) paints an intriguing picture. While 33% men in Bihar and 25% in Uttar Pradesh (UP) report consuming alcohol, the number for Gujarat is only 15%. The respective numbers reported by women in these states about their partners consuming alcohol are 40%, 26%, and 16%, respectively.

**Wife-beating sans Alcohol**

The picture gets somewhat horrifying when it comes to harbouring the belief that wife-beating is justified. Gujarat is at the top among the major states with 74% men of the opinion that wife-beating is justified when wife does the following: going out without telling the spouse, neglecting children, getting into arguments, refusing to have sex, burning food, being unfair, and misbehaving with in-laws. The corresponding numbers for Bihar and UP are 51% and 38%. Given that the number is highest in Gujarat, one can potentially infer that an abstinence from alcohol may not extend to abstaining from the belief that it is alright to beat one’s wife for some transgressions.

Crude data on women reporting different forms of violence—physical and sexual—suggests that with 54%, Bihar tops the list, and Gujarat is at 25% (NFHS-3). On a national level, 46% women report having experienced violence when they report that their partners consume alcohol, the number is only 25% for those who report otherwise.

In multivariate regressions using individual-level data, after controlling for many confounding variables, which makes it more likely to facilitate apple-to-apple comparisons, for all Indian states taken together, alcohol consumption by men is associated with women reporting 17% higher probability of experiencing violence. When the analyses were restricted just to Gujarat, the probability went up to 26%, for Bihar it was 15%, and for UP 17%. So our analyses do support that the alcohol consumption is associated with women having heightened probability of experiencing physical and sexual violence. However, Gujarat, a state with the longest period of prohibition in place, has not only failed to make alcohol inaccessible, it looks like those who drink also beat their wives with higher probability than an all-India average. Therefore, these estimates force us to take a pause and question the rationale of policymakers in India attempting to ban substance like alcohol despite good intentions, because we know that the implementation will be weak.

In order to counter the unintended (but predictable) consequences of such policies, like availability of spurious alcohol, leading to hundreds of deaths in Gujarat, the government ended up putting in place a draconian law such as death penalty for the production of such alcohol. Given the glacial pace with which such justice is delivered in India, such policies, besides the usual teething problems, only end up belittling the reputation of the state machinery, further corroding already poor state capacity.

**Addressing Alcoholism**

A better policy would be to slowly wean people away from alcohol, the way it has happened in the United States (US) for tobacco use. A more effective policy would be to increase taxes on alcohol, and to make use of the surplus money to gainfully employ people and help them live more meaningfully engaged lives through sports and entertainment as boredom in the rural areas could be an important reason for indulgences in alcohol. Thus, these steps might also make the demand for alcohol less price inelastic. Given that alcohol has been a beverage of choice for a long time in almost every community around the world, it would be impractical to expect people to suddenly stop consuming it. The surplus can also be used to open alcohol and other substance use de-addiction centres, especially since people who drink compulsively tend to use other substances too. Our analyses also hint at other usual policy levers like education, shift in culture by empowering women, sensitising communities about the pernicious effects of intimate partner violence, reducing the norm around violence against women, age-focused counselling, poverty reduction, increasing employment among men, etc, all of which have beneficial effects on lowering the incidence of intimate partner violence.

A comparison of different policy amenable variables suggests that the sensitisation of communities might be one of the better policy instruments available to lower the probability of a woman experiencing violence. In all specifications, the effects of the variable, “a woman reporting that her father used to beat her mother,” has almost equal effects on a woman experiencing violence in her own life. Also women who seem most at risk are the women who currently report that they are not staying with their partner or those who are divorced. Working through these policy amenable variables has a better chance of stemming the epidemic of violence against women, and the accompanying belief facilitating such harmful actions, than just a prohibition against alcohol.

**Fiscal Health Is Imperative**

In fiscal terms, the ban will lead to a loss of Rs 4,000 crore. The opportunity cost of such a loss is huge: it can pave the way for more universities, more schools, more

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**Obituaries**

The EPW has started a monthly section, “Obituaries”, which will note the passing of teachers and researchers in the social sciences and humanities, as also in other areas of work. The announcements will be in the nature of short notices of approximately a hundred words about the work and careers of those who have passed away. Readers could send brief obituaries to edit@epw.in.
de-addiction centres, more primary health centres, a better regulatory body to prevent spurious liquor from coming into the market, etc. One of the best works in economics that we have come across in the last decade is by Frederick et al (2009) on the issue of opportunity cost neglect—they say most of us neglect what we really are giving up when we choose to do something. Among the many reasons for such neglect, we believe one of the major ones is our distaste for carrying contradictions and counterfactuals—thus narrowing the alternatives available to us. One can understand and expect such neglects and biases at the level of individuals, but the whole purpose of public policy is not to let such neglect stymie sensible policies from taking root.

As we never enter into the same river twice, the policymaking after victory should be driven more by the dictates of financial health and mobilising resources to augment state capacity to create a more sustainable and prosperous society. Kumar can candidly explain to his women constituency that though he promised prohibition, the evidence suggests that it did not work in the US. It is not working in Gujarat as far as its effect on curtailing violence against women is concerned. In fact, it might end up increasing the probability of violence by those drinking alcohol. It is just a bad economic policy. If alcohol had been as pernicious as heroin, cocaine, meth, or lysergic acid diethylamide (LSD)—addictive substances taken by a small proportion of people—we would have understood such paternalistic policies. But alcohol is consumed by almost 30% of the Indian population, the welfare cost of the blanket ban on alcohol will most likely be quite high.

A blanket paternalistic policy, at a huge cost to the exchequer, is not a healthy sign for things to come in Bihar—no country or state has ever taken off and managed to create an innovative and entrepreneurial population with poor financials.

NOTE

[We published a piece in Economic Times (http://blogs.economictimes.indiatimes.com/et-commentary/blanket-alcohol-ban-in-bihar-wont-stop-violence-against-women/) based on this article.]

1 Analyses are done with the Primary Sampling Unit (PSU) level fixed effects to control for many local area level unobserved confounders along with the standard demographic confounders—caste, religion, education—as well as norm for violence against women, joint family set-up, health status-anaemia, height, weight, number of household members, employment status of women, wealth index, occupation of partners along with cohort fixed effects. Similar results were found when the variable “alcohol consumption” was replaced by “high frequency of alcohol consumption” (defined by almost daily consumption of alcohol).

REFERENCES
