

Liquor, COVID-19, and Paradoxes

Dr. Soham D. Bhaduri

The ban on liquor that straddled the larger portion of the lockdown in effect since March 25th presented challenges not considerably less serious than those possibly arising from its free sale during the lockdown. On the medical side, a total ban could give rise to threats such as toxic substitution, alcohol withdrawal, and suicides. The economic argument for allowing liquor sale, however, strikes as both unfortunate and unassailable, and also somewhat bemusing.

Sale of alcoholic beverages amounts to nearly 15-30% of liquor-selling states' earnings, as per the International Spirits and Wine Association of India (ISWAI).^[1] States have been reported to suffer revenue losses to the tune of Rs. 700 crore a day due to liquor ban during the lockdown, explaining the desperation of some states to resume sales.^[2] Certainly, added revenue from liquor can allow some respite amidst the abject fund crunch – however, bristling underneath are a set of paradoxes that merit collective contemplation.

A basic understanding of economics helps grasp the rationale for heavily taxing things like alcohol. Alcohol consumption has negative externalities that spill-over to the larger society from the primary consumer, in the form of its adverse social impact, healthcare costs etc. The cost to the society of alcohol consumption thus exceeds that to the individual, and taxation serves two purposes: bringing down the demand, and making the prices reflective of the true social cost of consumption. In simpler words, taxes are reflective of the general discouragement we as a society offer to drinking, while not resorting to an iron-fisted ban. Using the revenues thus accrued for facilitating social good therefore only behoves well.

However, the row over revenue losses due to liquor

ban exposes how an instrument of discipline can become a subject of dependence during a crisis. In principle, banning liquor during lockdown was itself the ultimate deterrent to alcohol consumption, a purpose that taxation is meant to serve in part. However, the taxes that are meant to serve as a punitive tool have evolved today into revenue sources to lean on. No wonder that the ensuing step was to allow liquor consumption by resuming liquor sale – an amusing yet unfortunate irony betraying contamination of the very motive behind sin-taxation. By a weak analogy, it's akin to reliance on criminal penalties for revenue.

Comparison with a non-COVID crisis helps underscore another paradox. During the 2018 Kerala floods, raised taxes on liquor were used to fund humanitarian work, which was undoubtedly the best use such funds could find. The flood situation, however, did not warrant a lockdown or a liquor ban unlike the COVID crisis. This is in contrast to the current crisis, where lifting of an already imposed liquor ban has been contemplated for generating revenue to fight a disease – while simultaneously exposing to a greater threat of spread of the same disease, in addition to exacerbation of other health and social threats like alcoholism and domestic violence.

The 'motive contamination' is again starkly demonstrated with states like Delhi deciding to levy a 'special corona fee' on alcohol sale with the stated purpose of avoiding overcrowding and ensuring social distancing outside wine shops. What can be better for ensuring social distancing than a total ban? This is another testimony to how a financial interest in allowing liquor sale overrides the primary purpose of deterring consumption. In addition to its usual negative externalities, there are added externalities to liquor consump-

Dr Soham D. Bhaduri is Executive Editor of The Indian Practitioner. His articles and commentaries on healthcare have been published in many newspapers and publications, including The Hindu, The Indian Express, The Telegraph, The Tribune, The BMJ, and others.

Email: soham.bhaduri@gmail.com.

tion specific to the current COVID-19 crisis: breach of social distancing and infection spread; aggravation of domestic violence and psychological aberrations during the lockdown; and worsened health, especially in view of already constrained health facilities. It seems highly unlikely that we took these into scrupulous consideration before deciding price hikes. This should be of little surprise if our main purpose behind the move is to generate revenue, not to counter the negative effects of alcohol.

It also presents a peculiar quandary for the medical profession. Apparently, the quickest social fix to alcohol withdrawal during a lockdown is to make alcohol available. And while there are medical treatments for withdrawal, an already over-stretched healthcare system due to the pandemic could make widespread and effective provision of such services largely infeasible. On the other hand, prescribing the causative agent of dependence as a solution to withdrawal is beset with ethical concerns, especially in presence of effective therapies. This became a matter of contention recently in Kerala.^[3]

The passive but widespread acceptance that alcohol finds in the society renders it difficult to cast off liquor as an abject social evil meriting immediate warding off through absolute bans, unlike say in case of drugs. The Food Safety and Standards Act, 2006 classifies alcoholic beverages as 'food'. On the other hand, there is an inherent taboo and moral deformity attached to alcohol consumption due to its adverse personal and social implications. Alcoholism thus becomes an 'aberrant normal'. The result of being such an 'aberrant normal' is

that it can be twisted according to the needs of the given situation: it can help justify curbs on alcohol sale during one crisis episode, while defending sale of alcoholic products on fiscal grounds during another.

These paradoxes and quandaries are just one subset of the many irksome questions that COVID-19 can compel us to confront. Certainly, judgements about the appropriacy of resuming liquor sale cannot be made without a detailed cost-benefit analysis. However, our dependence for revenue generation on sin taxes levied on goods like alcohol and tobacco poses a significant normative question for collective reflection. Contamination of motives and glaring conflicts of interest can have wide-ranging ramifications for the health of populations.

References

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