Additional case study: Increased prices for drinks

In 2010 the government’s main medical adviser drew up plans for a minimum price for alcohol intended to double the cost of some drinks.

Under the proposal no drinks could be sold for less than 50 pence per unit of alcohol they contain. This would mean most bottles of wine could not be sold for under £4.50. The proposal is aimed at reducing alcohol abuse. A spokesman for an opposition party said that it was more important to deal with peoples’ attitudes and not just the price of alcohol. The Portman Group, set up by drinks manufacturers to promote sensible drinking, argues that it would damage the majority of drinkers who behave responsibly in terms of their consumption.

The NHS bill for alcohol abuse is an estimated £2.7bn a year. Recent figures show hospital admissions linked to alcohol use have more than doubled in England since 1995. Alcohol was the main or secondary cause of 207,800 NHS admissions in 2006/7, compared to 93,500 in 1995/96. The number of alcohol-related deaths in England has doubled since the early 1990s to nearly 9,000 a year.

Questions

1. What sort of product is alcohol in economic terms if the government wants to restrict consumption of it?
2. Analyze the social costs of alcohol consumption.
3. Analyze the factors that would determine the impact of a price increase on the consumption of alcohol
4. Is introducing a minimum price a better way of reducing consumption than trying to change peoples’ attitudes?