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The Business Journal

OPINION

BUSINESS PULSE SURVEY
What is the State of the Union in the U.S.?
Next week’s question: Who will win the Super Bowl?
Go to http://triajbizjournal.com and click on Business Pulse Survey to participate.

Based on 187 responses.

Divided — and dysfunctional 81%

Other 2%

Strong — despite our differences 17%

Privatization not as easy as ABC?

Last week, Gov. Beverly Perdue announced that she opposes privatizing the state’s Alcoholic Beverage Control system. Privatization is on the table in Raleigh for two main reasons. It has the potential to inject a one-time shot of revenue into depleted state coffers. And many in the new Republican majority in the General Assembly feel that selling liquor should be left to the private sector.

That’s precisely how it works throughout most of the U.S. Thirty-two states, accounting for about three-quarters of the population, allow beer, wine and spirits to be sold by licensed private businesses. The remaining 18 states are known as control states and run state liquor monopolies of various kinds. North Carolina’s monopoly sells spirits only.

Even among control states, North Carolina stands out. It’s the only one in which local governments appoint their own boards to operate retail stores. The state operates a central warehouse that supplies all 167 local ABC boards and all 423 stores.

Perhaps it’s not surprising that other control states haven’t replicated the local aspect of our ABC system. Boards in Middletown, New Hanover and Guilford counties have been caught up in a series of scandals in recent years. These instances of corruption, though generally petty, have fueled arguments for privatization. But it goes beyond a few scandals. A 2008 review by the General Assembly found that some local ABC boards “use the lack of a clear mission to justify ineffective and inefficient store operations.”

The overall effect of state liquor monopolies is a subject of some debate. Early research showed little difference in prices between control and non-control states, but the most careful recent studies have shown that state control raises prices and inhibits consumption. After all, raising prices is what monopolies do.

Proponents of control often claim lower consumption as a success, but it’s hard to square that with economic theory, which generally presumes that people can decide for themselves how much whiskey to buy.

That presumption sounds even more reasonable when one factors in the social ills associated with alcohol, which of course are extensive and include traffic accidents, domestic and addictions. But recent research indicates that state control does little to curb such problems, in part because state monopolies tend to be geared toward raising revenue.

In her remarks last week, the governor seemed to focus more on moral values than on economics. She said she believes that controlling the sale of liquor is a “core service” of the state government. She doesn’t want “to be the governor who puts liquor into the big Target/Walmart stores or the local convenience stores,” nor does she want to walk down store aisles of liquor with her granddaughter. (Beer and condoms are apparently OK.)

Of course there are fiscal reasons as well. If the state sold licenses to private vendors to operate ABC stores and the central warehouse, the one-time windfall would be only about $300 million. The sale would be worth more to private bidder if the state would sell all its assets outright, or loosen restrictions on advertising and the number of stores. At this time, the governor is unwilling to agree to that.

The General Assembly will have the final word. Privatizing the ABC system won’t do much to close this year’s $5.5 billion budget shortfall, and it might make sense to defer the decision until economic conditions improve and our goals for the system are clearer. But ultimately, ABC privatization is the sensible thing to do.

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The Business Journal

VIEWS

VIEWPOINT

Andrew Brod

CHICAGO—Feb. 28—The Chicago-based European-American University (EAU) of the Americas, a postgraduate business school that serves some 1,500 students, announced Monday that it would be closing down due to a lack of funds. The closure is expected to affect some 500 full-time employees and 1,000 part-time employees. The university had been facing financial difficulties since last year, when it was hit by a series of lawsuits alleging fraud and mismanagement. The university’s president, Dr. Joseph R. Arroyo, said in a statement that the decision to close was “painful but necessary.” He added that the school would work to refund as much as possible to students and employees. The university’s closure is the latest in a series of closures of postgraduate business schools in recent years. Last year, the University of Maryland’s School of Business announced that it would be closing its MBA program due to a decline in enrollment. In addition, several other universities have announced plans to close their business schools due to financial difficulties. The closures have prompted concern among business school leaders, who say that the trend of declining enrollments and financial difficulties is putting the future of business education at risk. \n
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