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Pricing Policy: The Finnish Experience

Abstract

Nordic alcohol control has rested on strict control of the physical availability of alcohol, on high prices of alcoholic beverages, and on a comprehensive state monopoly on alcohol production and trade with the aim to keep private profit-seeking away from the alcohol field. During the last five decades, alcohol control has become much weaker in Finland as well as in other Nordic countries.

The first pillar becoming much weaker was the physical availability of alcoholic beverages where the first major change since the Second World War took place in 1969 when, among other things, medium beer started to be sold in grocery stores, alcohol monopoly stores could be opened in rural municipalities and age limits for selling alcoholic beverages were lowered.

In 1995, when Finland joined the EU the comprehensive alcohol monopoly system was ended, as the state monopoly on the production, import, export and wholesale of alcoholic beverages was dissolved. The off-premise retail monopoly was, however, maintained.

During the second half of the twentieth century, real prices of alcoholic beverages were held in Finland practically at the level they had reached in 1951. In March 2004, however, the economic availability of alcoholic beverages increased greatly when excise duty rates for alcoholic beverages were lowered on the average by 33 %. The relative decrease was higher for strong alcoholic beverages than for beer and wine.

The motivation for the tax cut was the abolishment of travellers' import quotas from other EU countries in January 2004 and Estonia, situating some 80 kilometres south of Finland and having very low alcohol prices, becoming an EU member in May 2004. These changes together with the tax cut led to a 10 % increase in total alcohol consumption and to a clear increase in alcohol-related problems.