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**Under the Influence of Recession: BOE Answers the Question,
“Do People Drink More During an Economic Downturn?”**
Data Points to No Apparent Generalized Trends

There are no consistent patterns in alcohol consumption or spending on alcohol during recessions, a report released today by Third District Board of Equalization Member Michelle Steel concludes.

The November 2010 edition of the BOE’s *Economic Perspective* newsletter looks at alcohol consumption data during the recessions of 1970, 1973, 1980, 1981, 1990, 2001 and 2008.

The BOE report notes several ways consumers would be expected to react during recessions: First, total alcohol consumption per capita may fall during the recession, as consumers would have less income to spend on alcohol. Second, consumers may substitute less expensive brands of alcohol for more expensive brands or less expensive ways to consume alcohol for more expensive ways, such as more off-premises consumption during recessions, as opposed to in bars and restaurants. Third, consumers may change the kind of alcohol they drink, for example switching from distilled spirits to less expensive alternatives such as beer. The fourth response, based on psychology more than economics, would be that consumers “drink away their sorrows,” and increase alcohol consumption during recessions. The data show examples of all four kinds of responses during recessions. The most consistent response, occurring in four of the seven recessions studied, was lower growth in on-premises alcohol consumption.

The November *Economic Perspective* also notes that in terms of national spending patterns on alcohol, prior to the 2008-09 recession total U.S. spending rose 2.4 percent. In contrast, during the 2008-09 recession, U.S. spending on alcohol declined by 1.7 percent.

The *Economic Perspective* newsletter also notes:

- Alcohol consumption nationally is at a 25-year high, based on a Gallup survey released in the summer of 2010, with 67 percent of Americans drinking alcohol
- Federal Health and Human Services data show a low of 1.96 gallons ethanol consumption per capita in 1954 (a recession year) and a high of 2.76 gallons in both 1980 and 1981 (both of which were recession years)
- The data show that California alcohol consumption has generally followed national trends in the last 20 years. California per capita consumption, like the U. S., reached a low point in 1998, then started gradually trending upward

The report points out that historical data show that when confronted with a recession, people who drink alcohol have responded in a variety of ways.

The *Economic Perspective* is a quarterly publication produced by the BOE that looks at economic factors of interest or that influence California economic activity. The November edition looks exclusively at the issue of alcohol consumption during the seven recessions of the last 40 years.

Elected to the Board of Equalization in 2006, Michelle Steel serves as *Southern California's elected taxpayer advocate*. In December 2007, Steel discovered the Board of Equalization had delayed the return of millions of dollars in security deposits owed to California businesses. Procedures were changed due to Steel's decisive leadership. Following her investigation, the tax agency refunded tax security deposits to over 5,500 small businesses.

The five-member California State Board of Equalization (BOE) is a publicly elected tax board. The BOE collects more than \$48 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes. For more information on other taxes and fees in California, visit www.taxes.ca.gov.

Related Links:

November 2010 Economic Perspective: <http://www.boe.ca.gov/news/pdf/ep-11-10.pdf>

BOE 2008-09 Annual Report Tables - Beer, Wine and Distilled Spirits by Fiscal Year, 1935-2009:
[Apparent Consumption](#)
[Per Capita Consumption](#)

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