

# How more alcohol availability hurts finances for some people

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A new study provides the best evidence to date that an increase in the availability of alcohol is linked to more financial troubles among the disadvantaged.

The study used a unique data set in Sweden to find that when Saturday [alcohol sales](#) were introduced in some counties, the result was higher credit demand, more financial default and increased dependence on welfare among low-income people in those counties.

Results showed that people didn't just spend more on beer, wine and liquor: There was a multiplier effect by which every dollar spent on alcohol led to \$4.50 in additional spending.

"Just extending the hours of liquor stores had real implications for the lives of [low-income people](#) in the affected areas of Sweden," said Itzhak Ben-David, co-author of the study and professor of finance at The Ohio State University's Fisher College of Business.

"For some, it caused serious harm to their financial well-being."

Ben-David conducted the study with Marieke Bos, a researcher at the Swedish House of Finance at the Stockholm School of Economics. The research appears in the May 2021 issue of the *Review of Financial Studies*.

The researchers took advantage of an experiment rolled out by the Swedish government in 2000 in which officials ordered the country's monopoly liquor stores—which had been closed on weekends—to extend opening hours to Saturdays in six of the country's 21 counties.

The researchers had access to extensive financial records of individuals collected by the Swedish government and were able to compare those who lived in counties with Saturday alcohol sales to those who lived where liquor stores remained closed.

The Swedish government reported that there was a 4% average increase in alcohol sales in the counties that opened Saturday sales.

"An increase in sales suggests more impulsive buying of alcohol," Bos said. "If it wasn't impulsive buying, you would expect to see some of the sales during the week shift to Saturdays, but you wouldn't anticipate more overall sales."

The youngest legal residents—those aged 20-25—increased spending on alcohol the most.

Findings showed that the total credit balances for that youngest age group increased by an average of 11.3% in the affected counties, compared to the time before the experiment started.

Borrowing at pawn shops increased significantly on Mondays in the affected counties following the start of Saturday sales, consistent with people being more short of cash after the weekend.

The researchers matched annual tax records to people in their sample and found that young people in the counties with longer alcohol-store operating hours were more likely to be unemployed and more likely to depend on welfare than those who lived elsewhere.

The rise in financial woes wasn't just the result of purchasing more alcohol. Findings showed a multiplier of up to 4.5, indicating that the effects of alcohol consumption spilled over to other areas of their lives.

"Consuming alcohol makes you incur other expenses," Ben-David said.

"You may spend more on snack foods. But you may also be more likely to be involved in alcohol-induced risky behavior that could lead to car accidents and legal troubles."

Indeed, the research showed an increase in drunk driving and higher crime on the weekends in the counties with extended alcohol sales.

Opening alcohol sales on Saturdays, while convenient for more wealthy people, takes a toll on the disadvantaged, Bos said.

"The impulsive [alcohol](#) purchases hurt them. We all have self-control problems, but when you live on the edge of your budget, one small mistake can have serious implications," she said.

"We found that it led some into indebtedness and other problems that more well-off people won't face if they make the same mistakes."

After the experiment, Sweden opened Saturday sales throughout the country in 2001.

**More information:** Itzhak Ben-David et al. Impulsive Consumption and Financial Well-Being: Evidence from an Increase in the Availability of Alcohol, *The Review of Financial Studies* (2020). [DOI: 10.1093/rfs/hhaa094](#)

Provided by The Ohio State University

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