A Review of:
An Economic Case for Increased Competition
in the Sale of Beer, Wine and Spirits in the State of Kansas
by the Coalition for Jobs and Consumer Choice

Reviewed by
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Executive Summary

♦ The attached Review explains in Section 1 why the Study's methodologies cannot be expected to arrive at credible estimates. Section 2 describes a major error in the Study's analysis of the productivity effect. Section 3 describes the unlikely nature of the Study's estimates of construction effects. Section 4 describes a problem in the Study's analysis of multiplier effects. Section 5 lists several other methodological errors, questionable assumptions, and overstated arguments, without giving a full analysis.

♦ If there are significant productivity benefits to be had in retailing, they are almost surely orders of magnitude smaller than what the Study has estimated.

♦ The rather prodigious amounts of construction benefits depend entirely on the model discredited in Section 2, and hence are not to be believed.

♦ The IMPLAN model utilized by the Study makes a default assumption that changes in the government's revenues are exactly matched by changes in its expenditures, so that increases in economic activity have no net impact on the budget. In that case these changes would not help address the Kansas budget problem.

♦ The Study focuses on the benefits of regulatory change and ignores most of the costs.

♦ The Study suggests that relaxed regulations could slow down or reverse the historic trend of retailing to abandon sparsely developed rural areas in favor of more centralized retailing in areas with denser development. Actually, standard theory suggests that the opposite is much more likely, i.e. that rural abandonment will be speeded up. In particular, rural abandonment is driven, among other factors, by improved transportation combined with the rise of larger and larger retailing units run by chain—i.e. supermarkets and Wal-Marts—plus the rise of high-volume convenience stores, also run by chains. … Deregulation will achieve productivity gains only to the extent that it adds to these forces. Hence deregulation is likely to speed up the centralization of retailing away from small, scattered, rural sole proprietorships and towards centralized chains.

♦ The Study fails to consider the potentially negative impacts on the state economy of shifts from locally owned enterprises to national chains.

David Burress

David Burress has an M.A. in Physics and a Ph.D. in economics from the University of Wisconsin-Madison. He worked for 20 years as a research economist in the Institute for Public Policy and Business Research at the University of Kansas. Much of his research focused on the Kansas economy using input-output modeling, regional impact analysis, business location theory, and state and local taxation theory, generally in cooperation with KTEC or Kansas, Inc. He also studied the Kansas and national impacts of technology development. He has testified to committees of the Kansas legislature on tax policy, retail wheeling of electricity, economic development, and other topics. He served on Governor Joan Finney's blue ribbon tax reform committee. Burress also served as a Lawrence-Douglas County planning commissioner for six years, where he benefitted from a close-up view of economic development. After retiring from KU he helped found Ad Astra Institute.