THREE STRIKES AND YOU'RE OUT? WHY THREE REPUBLICAN GOVERNORS FAILED TO PRIVATIZE PENNSYLVANIA'S STATE LIQUOR MONOPOLY

George Hale
Kutztown University of Pennsylvania

After the repeal of Prohibition in 1933, Pennsylvania adopted one of the nation's strongest governmental monopolies for the sale of wine and spirits. Since 1980, three Republican governors—Dick Thornburgh, Tom Ridge, and Tom Corbett—have tried to privatize the state's monopoly. Despite support from more than 60% of the public, they failed. James Q. Wilson's work on client politics, where costs are widely distributed and benefits are narrowly concentrated, partly explains why the state's liquor policy is difficult to change. In addition, unionized workers in the state-owned liquor stores, the primary beneficiaries of the policy, are supported by the Democrats in the General Assembly. Moreover, the Republican governors were supported by only about half the Republican lawmakers, who were divided among themselves. So far the potential beneficiaries of privatization have been unorganized and on the sidelines. The evidence suggests that governors acting alone cannot change policy. Client politics and morality politics are likely to continue to block major reforms until or unless the issue is moved into the arena of interest group politics that Wilson describes.

Introduction

Pennsylvania is one of only two states operating a governmental monopoly of the selling of wine and spirits at both the wholesale and retail levels. This policy dates from the repeal of Prohibition in 1933 (Schell 2006, 77), but it is supported by only a third of the state's residents (George 1997; Madonna 2012). Nonetheless, three Republican governors—Dick

Thornburgh, Tom Ridge, and Tom Corbett during the first two years of his term—tried but failed to privatize the state liquor monopoly.

Privatization of the sale of alcoholic beverages periodically surfaces as an issue for several reasons. First, many people view the monopoly system as expensive and inefficient. Others consider the sale of alcoholic beverages to be a matter best left to the private sector, as is the case in most states. Furthermore, the sale of state liquor stores ("state stores") and the auction of private licenses can provide a significant one-time infusion of revenue. On the other hand, supporters of the system argue that it provides well-paid jobs with good benefits. Religious and social groups like Mothers Against Drunk Driving (MADD) oppose the private sale of alcoholic beverages out of fear that it could cause increased consumption and related social problems. Finally, opponents believe the state would lose ongoing revenues associated with the profits generated by state stores.

Research findings are mixed and support some claims on each side of the debate. Public Financial Management (PFM) concludes that the Pennsylvania Liquor Control Board (PLCB) has high personnel costs compared with other states (Public Financial Management 2011). Economists Seim and Waldfogel (2013, 835) contend that states with private liquor retailing have lower labor costs. They find that unionized store workers averaged $43,680 in pay and benefits in 2007 compared with $21,000 for private employees in other states. Additionally, state stores average 7.9 employees compared with 4.6 employees in privately owned stores.

Seim and Waldfogel (2013,850) also claim that the governmental system inconveniences consumers who must drive longer distances to shop. While the state operates only 600 stores, a private system could address potential demand for at least 1,500 stores. Nonetheless, some areas of the state benefit from the monopoly. Rural areas have better coverage than might occur under a free-market approach because 198 of 203 legislative districts have one or more state stores.

Seim and Waldfogel (2013) uncover no systematic evidence that prices for wine and spirits are higher in Pennsylvania than in neighboring states, yet many consumers believe otherwise. PFM estimates that 10%–30% of total sales for alcoholic beverages are lost to neighboring states through what is termed "border bleed" (Public Financial Management 2011, 9). The system also appears to result in approximately 15% lower alcohol consumption than in neighboring states (Seim and Waldfogel 2013, 852). Yet when PFM compared Pennsylvania with surrounding states, it found no clear relationship between whether a state uses either a public or a private system for selling alcoholic beverages and either its alcohol-related motor vehicle fatalities or its rate of underage drinking (Public Financial Management 2011, 11).

On balance, the evidence suggests that unionized employees are major beneficiaries of current policy and that the public is inconvenienced. Pennsylvanians travel longer distances to purchase alcoholic beverages, and a significant volume of business “bleeds” into surrounding states. Conversely, reduced consumption is viewed by others as a social benefit. Finally, state stores are less efficient and less profitable than private stores, but the PLCB does transfer approximately $90 million to the state’s General Fund annually.

To understand why three governors failed to change the state’s policy for the sale of alcoholic beverages, I examine the creation of the state monopoly and then consider models of policy making that may explain why policy proves to be so resistant to change. I then review the three governors’ efforts to reform public policy and identify some obstacles to changing long-established policy.

Creating the Governmental Monopoly

Prohibition was an effort by Protestant, middle class, and rural Americans to reassert their values over a growing Catholic, immigrant, and urban population (Gusfeld 1963). The repeal of Prohibition came swiftly in 1933 when the Democratic landslide of 1932 was interpreted as a referendum on the issue. The Twenty-first Amendment repealing Prohibition granted states power to control the sale of alcoholic beverages. States could remain “dry” and eight southern and plains states chose to do so. Many states, including Pennsylvania, also gave their local governments the option to remain “dry.” For states allowing the sale of alcoholic beverages, the major options were a licensing system or a monopoly system with government stores selling directly to the public. The monopoly option was promoted to address problems thought to be associated with private enterprise, including favoritism in licensing, political corruption, and overconsumption. Initially, 15 states adopted the monopoly model and 25 established a licensing system (Meier 1994, 161).

In Pennsylvania, Republican governor Gifford Pinchot, a Progressive and a “dry,” pushed to establish the nation’s first governmental monopoly for the sale of wine and spirits. According to one observer at the time, Pinchot “is an out-and-out dry. He is just as dry in a wet city when he is campaigning as he is in a dry country district. There is not a drop of moisture in any of his speeches” (Beers 1980, 74). Establishing the monopoly was a remarkable accomplishment given that the state had voted to repeal Prohibition by better than a 3:1 margin. Lawmakers from rural areas overrepresented in the General Assembly gave Pinchot the necessary support, making Pennsylvania the largest and “wettest” state to adopt a liquor monopoly (Schell 2006).

Public Policy Making

To understand why the state liquor monopoly has proved so resistant to change, I consider several models of the policy-making process. Agenda building is central to making policy. Downs (2005) depicts an "issue-attention cycle" where triggering events spark public interest in an issue, thereby creating conditions for non-incremental policy making. Nonetheless, opportunities for policy change become limited as public interest declines and the issue is displaced by other issues. Cobb and Elder (2005) focus on triggering events but note that authoritative decision makers can place items on the agenda. Using a more sophisticated model that incorporates both external events and the actions of policy makers, Kingdon (2003) argues that policies change when three streams—problems, solutions, and politics—come together at critical times. As he notes, "A problem is recognized, a solution is available, the political climate makes the time right for change, and the constraints do not prohibit action" (Kingdon 2003, 88). "Policy windows open infrequently," he adds, "and they do not stay open long" (Kingdon 2003, 166).

For James Q. Wilson (2012, 344–49), the policy-making process is shaped by the structure of an issue. He considers public policies in terms of a four-cell typology that reflects whether the perceived costs and benefits are widely or narrowly distributed. This typology also explains why some policies are harder to change than others. For example, the state monopoly on the sale of wine and spirits features aspects of what Wilson (2012, 344) calls "client" politics or "policy under which some small group receives the benefits and the public at large endures the costs." Wilson (2012, 346) suggests that client policies are difficult to change because the costs are small and "payers have very little incentive to organize."

Patashnik (2008, 16) builds on Wilson's typology by asking what happens after enactment of "general interest reforms." To enact reforms, policy advocates must overcome entrenched opposition by placing reforms on the agenda, neutralizing opponents, mobilizing supporters, and building winning coalitions. Patashnik (2008, 20) contends that adoption of general interest reforms also requires advocates to link reforms to salient issues. Often it is necessary as well to employ strategies that shift the venue for policy making to new arenas where self-interested economic groups lose their customary advantages. Finally, tactics such as compensation, side-payments, and transition measures are needed to neutralize the opposition of beneficiaries or clients of the policy. To make reforms last, says Patashnik (2008, 19), it is essential to accomplish a "recasting of interests, institutions, and ideas." He notes too that "reforms may persist for reasons other than those which prompted the reforms' original adoption" (Patashnik 2008, 161). When specific groups receive economic benefits from a policy, client groups can grow up around a particular policy and shield it from change.

Aside from generic models of policy making, studies of policies regulating the sale of alcoholic beverages reveal a persistent role for "morality" politics. Since the 1930s, fundamentalist Protestant groups have helped shape policy regarding the selling of wine and spirits. Schell (2006) attributes the Pennsylvania monopoly system to the "politics of provincialism." Meier and Johnson (1990) find that "dry" religious groups opposing alcohol consumption have a significant impact on the regulation of alcoholic beverage sales in many states. Frendries and Tatalovich (2010, 315) identify a "strong linkage between Evangelical Protestant population and the decisions of U. S. counties to elect to be 'dry' counties, demonstrating the persistence of religion as a vital factor in some public policy debates, especially those falling into the realm of morality politics." Similarly, Pennsylvania allows municipalities to remain "dry" and to ban the sale of malt beverages and distilled liquor. The dry municipalities are heavily concentrated in the state's rural central and northern regions. According to Zelinsky (1995, 148–49), the "pattern of partial and complete prohibition seems to be related, to a significant degree, to ethnic and religious factors and to even more fundamental social attitudes, which do vary considerably among various Pennsylvania localities."

Significant regional differences within Pennsylvania are reflected in partisan identification, political ideology, and views about moral issues. Pennsylvania is a highly diverse state with two major urban centers and a vast rural area—the Republican-dominated "T"—in its central and northern regions (Kennedy 1999, 8–11). Lamis (2009, 230) uses five regions of the state to analyze public opinion. Republican identification and conservatism is strongest in the central and northern tier (see Table 1 below). Regional differences also exist on political and cultural issues. In a 2004 survey, 25% of central and northern tier respondents identified moral issues as their top concern. This region also is the one most likely to have "dry" municipalities. Furthermore, an August 2012 poll found support for "selling the state-owned liquor stores to private companies as a way for the state of Pennsylvania to balance its budget" to be weakest in the northern and central regions of the state (Madonna 2012).

Table 1
Party and Political Philosophy in Pennsylvania, by Region.

Region	Party Identification: Republican	Political Philosophy: Liberal	Top 2004 Issue: Moral Values
Philadelphia	14%	35%	7%
Philadelphia Suburbs	45%	23%	11%
Northeast	37%	27%	15%
Pittsburgh & West	34%	20%	19%
Central & Northern Tier	54%	16%	25%
Source: Lamis (2009, 232–33, 237)			

Policies involving the sale of alcoholic beverages thus involve aspects of morality politics as an overlay to what might otherwise be a straightforward contest over the role of government and private enterprise or a struggle among competing private interests. Schell (2006, 313) argues that religious and social conservatism not only explain the formation of the state monopoly but also are among the factors—along with union power and concern over the state's revenues—that insulate the policy from change.

Efforts to Reform Public Policy in Pennsylvania

Governor Richard Thornburgh

Several Pennsylvania governors have entertained notions of abolishing the state-store system. In 1934, Democrat George Earle complained that prices in state stores were too high. In 1968, Republican Raymond Shafer's Liquor Code Advisory Committee reviewed problems with the state liquor system. The committee considered privatization but ultimately backed retention of the monopoly (Schell 2006, 302–4). In the 1970s, Governor Milton Shapp unsuccessfully proposed privatization of the state-store system (Beers 1980, 369). Republican Richard "Dick" Thornburgh's 1978 platform included privatization of state liquor stores, but his campaign focused instead on "corruption and mismanagement in state government" and the need to "clean up Harrisburg" (Thornburgh 2003, 74).

Thornburgh initially addressed improving PLCB management by trying to secure confirmation of his nominees as commissioners, a move that required a two-thirds vote in the state senate. According to Thornburgh's former Chief of Staff, Richard Stafford, when Democrats blocked the governor's efforts to name a majority of the PLCB commissioners, Thornburgh "turned into a champion of privatization" (Stafford, personal communication). A Democrat also observed that if Thornburgh could not gain political control of the board, "he would join forces with those advocating abolition of the liquor control system in Pennsylvania" (Carocci 2005, 191).

Two years into his term, Thornburgh proposed dismantling the retail store system. He acknowledged: "I had stated its transformation to a private, consumer-oriented system as a goal in our 1978 campaign, but our efforts were largely rhetorical until, early in my second term, I then presented a detailed plan to accomplish that goal" (Thornburgh 2003,167). According to Stafford, the governor's staff viewed the issue as a "hard sell"; for the governor, privatization was a matter of reform. "Established following the repeal of Prohibition," he wrote, "the much-derided state store system had become a monument to inefficiency, inhospitality and occasional corruption" (Thornburgh 2003, 167). In 1983, a report by Touche Ross & Co. (1983) to the state auditor general identified needed improvements in PLCB operations and predicted falling operating profits resulting from inefficient pricing, merchandising, inventory, and distribution practices. According to Thornburgh (2003, 167), "poor service was driving many customers out of state for their purchases, causing a loss of revenue, while expenses continued to rise. I hoped declining profits, if nothing else, would sound the death knell for this dinosaur."

Recognizing that the issue was a "hard sell," Thornburgh's advisors developed a "back-up plan" (Stafford, personal communication). While working on legislation for the sunset review of state agencies, which required the periodic reauthorization or termination of agencies, gubernatorial aides saw to it that the PLCB was scheduled for sunset review. Stafford noted that this effort would have given Thornburgh "an opportunity to block reauthorization in one legislative chamber or to sustain a veto of reauthorizing legislation" (Stafford, personal communication).

From 1981 to 1986, Thornburgh had no success pushing privatization. The state's House of Representatives refused to vote on his plan. The Republican-controlled state senate also took no action. S.B. 597, introduced in 1981 by Republican Senator Stewart Greenleaf, provided for a private-license system, but it remained bottled-up in committee. At Thornburgh's request, Greenleaf sponsored S.B. 92 for a statewide referendum in 1983. Greenleaf also introduced S.B. 407 to abolish the PLCB. Both measures failed to reach the floor, as did S.B. 87, a bill introduced in 1984 by Senator Richard Tilghman to abolish the PLCB, and S.B. 1157, which had 17 co-sponsors.

Thornburgh (2003, 167) concluded that his plan "was stymied by a strong, if somewhat odd, coalition of organized labor, especially the powerful state-store employees' union; Bible Belt 'drys,' opposed to liquor in general and fearful of more convenience to consumers; and organizations like MADD."

Democrats were solidly arrayed against Thornburgh's plan. Vincent Carocci (2005, 213), an aide to the next governor, noted that "it was largely a jobs issue for them; the LCB's three-thousand-plus employees enjoyed some sort of job protection either through unionized collective bargaining or by civil service status." He continued, "A considerable number of Republicans also were opposed, though for entirely different reasons, having largely to do with unfettered access to the purchase and consumption of booze."

As his tenure neared its end, Thornburgh grew more passionate about the issue. During a goodwill mission to the Democratic Republic of the Congo, Thornburgh bought a bottle of wine at a privately owned store. "That was the last nail in the coffin, the straw that broke the Camel's back," he said. "That Marxist-Leninist state has privatized liquor sales," he exclaimed, "but Pennsylvania, this bastion of free enterprise, has a state-run socialist monopoly" (Gruson 1986). In 1986, the back-up plan took center stage and for a time it looked as though it might work. The PLCB was to be terminated unless reauthorized by the General Assembly. This maneuver transferred the advantage to Thornburgh, who needed only one chamber's support to block reauthorization. After the House voted 158–40 to extend the PLCB for ten years, Republican leaders in the state senate kept the reauthorization off the agenda. In a 27–22 party-line vote held after midnight on the last legislative day of 1986, Democrats failed to get the extension issue onto the agenda.

In December 1986, Thornburgh issued an executive order to terminate the PLCB, to auction off 705 state stores, and to create the Alcoholic Beverage Control Coordinating Council to phase-out the agency by July 1, 1987. The governor also transferred the PLCB's licensing role to the Revenue Department, and he moved enforcement to the state police. Thornburgh (2003, 168) recalled, "With undisguised glee, I affixed huge symbolic 'For Sale' signs to retail outlets. Predictability, our opponents sought redress in the courts." Thornburgh's directive was challenged by a variety of parties. The Commonwealth Court overturned the executive order, but it also ruled that without legislative action by June 30, 1987, the PLCB would expire (Munshi 1997).

Nonetheless, Thornburgh's leverage was limited because his privatization-supporting lieutenant governor, William Scranton III, lost the 1986 race for governor to Democrat Bob Casey. Thornburgh's efforts to dismantle the state's liquor monopoly played out during the new governor's first months in office. Casey had pledged to continue liquor control, conditioned upon passage of reforms to make the agency more responsive to consumers. A Casey legislative aide, Vincent Carocci, worked to gain passage of reforms and reauthorization. H.B. 1000 contained reforms sought by Casey: placing enforcement powers with the state police, creating administrative law judges, and permitting consumer-oriented reforms such as discounts, variable hours, and credit card payment for purchases. An amendment submitted in the state House of Representatives to privatize wholesale and retail sale of wine failed by a vote of 163–34, but H.B. 1000 passed the House on April 29, 1987, by almost the same margin with support from all Democrats and a majority of Republicans.

On June 17, 1987, the state senate defeated by a vote of 39–10 Senator Greenleaf's amendment to allow the sale of liquor and wine in private retail stores. Only one Democrat supported the amendment, as did barely a third of the chamber's 26 Republicans (See Table 2 below). A majority of Republicans from the Philadelphia and Pittsburgh suburbs backed Greenleaf's amendment, but only a single Republican among the 13 from the rural "Republican T" did so. On June 29, 1987, H.B. 1000 passed the state senate on an identical 39–10 vote.

Table 2
Vote on Greenleaf Amendment to H.B. 1000 Allowing Privatization, by Party and Region (June 17, 1987).

	Senate Democrats		**Senate Republicans**	
Region	**Yes**	**No**	**Yes**	**No**
Philadelphia	0	6	0	1
Philadelphia Suburbs	0	2	6	1
Northeast	0	5	0	2
Pittsburgh & West	1	6	2	2
Central & Northern Tier	0	2	1	12
Total	**1**	**21**	**9**	**18**

On the same day, the state House of Representatives approved H.B. 1000 as amended 155–45. Democrats supported the bill 99–2, and Republicans supported it 56–43. Only Republicans from suburban Philadelphia opposed PLCB reauthorization. In the central and northern regions, just 16 of 43 Republican lawmakers voted against reauthorization (See Table 3 below). These votes illustrate why Governor Thornburgh failed. Republicans were divided on the issue, with majority support coming only from those members representing Pittsburgh and suburban Philadelphia.

Table 3 Final Legislative Vote on H.B. 1000 Reestablishing the Liquor Control Board, by Party and Region (June 17, 1987).				
	House Democrats		**House Republicans**	
Region	**Yes**	**No**	**Yes**	**No**
Philadelphia	21	0	5	0
Philadelphia Suburbs	4	0	10	20
Northeast	17	1	9	2
Pittsburgh & West	42	1	5	5
Central & Northern Tier	15	0	27	16
Total	**99**	**2**	**56**	**43**

The 1992 Vote

During Governor Casey's tenure, privatization got to a floor vote in the state House of Representatives one more time. In February 1992 a Republican amendment to a liquor-licensing bill proposed selling the 681 state stores to the highest bidder subject to several restrictions designed to mollify opponents concerned about any expansion of liquor sales. No licensee could hold more than 10% of the statewide licenses or more than 20% of the licenses in an individual county. The number of stores would not increase. Licenses also could not be transferred between counties. Proponents claimed the auction of stores and inventory would yield over $600 million to fund school district property-tax relief. The amendment failed 47–149 (see Table 4 below); only a pair of the chamber's 111 Democrats supported it. Republicans narrowly favored the amendment 45–40. Again Republicans representing suburban Philadelphia backed privatization 18–9. Elsewhere fewer than half the Republicans supported privatization.

Table 4
Vote on Amendment No. AO 417 to H.B. 495 to Auction off 681 State Stores (February 5, 1992).

Region	House Democrats		House Republicans	
	Yes	**No**	**Yes**	**No**
Philadelphia	0	24	1	3
Philadelphia Suburbs	1	3	18	9
Northeast	0	17	4	8
Pittsburgh & West	1	42	6	4
Central & Northern Tier	0	23	16	16
Total	**2**	**109**	**45**	**40**

Governor Tom Ridge

In his 1994 campaign, Republican governor Tom Ridge, a former member of Congress from Erie, supported privatizing the liquor monopoly, claiming the state did not need to provide the service. Like Thornburgh, however, Ridge waited two years before presenting a plan. According to John Jones, Ridge's point man on the issue as PLCB chair and now a federal district judge, Ridge got to the issue "ahead of schedule in 1996 when he was grappling with how to provide state funding for new sports stadiums in Philadelphia and Pittsburgh" (Jones, personal communication). After hiring Price Waterhouse to study the issue, Ridge's team developed a privatization proposal. According to Jones, Ridge was "all in" on the issue: "The numbers made sense, and it was not a core function of state government" (Jones, personal communication).

In early 1997, Ridge proposed to sell the state stores and use the estimated $650 million in proceeds to fund the construction of stadiums and other projects. Neither Ridge nor Jones appreciated "how tough it would be" (Jones, personal communication). Once more unions, especially the United Food and Commercial Workers and its labor allies, religious groups such as the Pennsylvania Council of Churches, and MADD dominated the debate. Other unions, such as the United Electrical, Radio and Machine Workers of America, joined the fight to support PLCB employees (Schell 2006, 307–8). As Thornburgh had done, Ridge proposed to privatize only the retail stores. After being criticized for his intended use of auction proceeds, Ridge broadened his proposal to include funding for education, health, infrastructure, alcohol-law enforcement and awareness programs, scholarships, and tax credits for employers hiring state-store employees (George 1997, 65).

A poll conducted by Mansfield University found 60% of voters in favor of selling state stores (George 1997, 52). Notwithstanding its support among the public, the proposal remained in the state senate's Law and Justice Committee during the 1997–98 legislative session. Ridge could not muster support for his proposal before the summer recess. Democratic legislators then held hearings around the state highlighting opposition from state-store employees, religious organizations, and groups such as MADD. After receiving multiple death threats, Jones was given a security detail. He later recalled the long hearings on the subject: "It was brutal. I had the stuffing kicked out of me. It was blood sport" (Couloumbis 2010). In short, he said, "I felt like George Custer at the Battle of the Little Bighorn" (Jones, personal communication).

While Ridge's proposal sparked pitched opposition from employee unions and their allies among Democrats, Republican lawmakers looked for ways to duck the issue, as PLCB employees fanned out to tell lawmakers about the jobs to be lost in their districts. PLCB's Chairman Jones fielded calls throughout the summer of 1997 from Republicans who "didn't want to have to vote on Ridge's plan" (Jones, personal communication). "The jobs issue was the key one," recalled Jones. "Nobody wanted to vote to put thousands of people out of work. As a result, lawmakers never got to making decisions based on the numbers" (Jones, personal communication). One legislator noted, "Governor Ridge did everything in his power" to privatize state stores but got little support from committee members (Couloumbis 2010). "This is a very conservative state," he said, "They didn't even want to hear about it" (Couloumbis 2010).

Ridge's plan also lacked support from business. As Jones remarked, "The proponents were few and the objectors were many" (Twedt 2008). Noting strong opposition from state-store employees and those favoring the tightest controls, Jones reflected: "What that taught me from a political standpoint is that there is no overarching passion within the General Assembly, or in the public at large, for privatization. Unless and until there is a general hue and cry, it is very unlikely there will be a privatization initiative that succeeds" (Twedt 2008). The leader of the state-store employees union, Wendell Young IV, agreed. "There isn't this critical mass screaming for change," he observed (Couloumbis 2010). As Jones concluded, "Major initiatives do better when there are private entities pushing them. You need not just a governor, you also need lobbyists" (Jones, personal communication). That fall, Ridge abandoned the proposal when legislative leaders told him "this dog isn't going to hunt" (Jones, personal communication); and it did not resurface after his 1998 reelection.

Governor Tom Corbett

The issue of what to do with the state's monopoly over the sale of alcoholic beverages receded until the 2010 gubernatorial election. In 2002, Democrat Ed Rendell defeated Attorney General Mike Fisher, who had championed Thornburgh's liquor-control proposals as a state senator. Under Rendell, as under Casey, steps were taken to make the PLCB more businesslike and consumer friendly. A few discount state stores were established in several locations near state borders, selected stores were allowed to open on Sundays, and some stores were set up within grocery stores.

In 2010, Attorney General Tom Corbett supported privatization during his successful campaign for governor. Corbett entered office as a more ideologically committed Republican than either Thornburgh or Ridge. His support for liquor privatization fit into a broader framework of promoting free-market privatization solutions. He also proposed privatizing the state lottery and appointed a high-level task force to identify other privatization options. When Republicans also won control of the General Assembly, many observers expected privatization to become a top priority. The Republicans' edge over Democrats in the state senate widened to 30–20, and they won a 111–90 majority in the state house. Public opinion seemed favorable, as 60% of Pennsylvanians supported the sale of state stores. Many newspaper articles predicted action on the measure.

During his first term, however, Corbett wrestled with the impact of the Great Recession, a state budget that faced a potential $4 billion deficit, and his own no-tax pledge. With the governor preoccupied with the budget, House Majority Leader Mike Turzai took the lead on the liquor issue and introduced H.B. 11. The governor's major contribution was in the form of agenda setting and commissioning PFM to study privatizing the wholesale and retail operations of the PLCB.

Supporters of the state monopoly also prepared for battle. Of the $216,550 contributed by the United Food and Commercial Workers to state candidates in the 2010 elections, a lone Republican received just $1,000; all the rest went to Democrats. The PLCB also proposed its own legislative package to undercut charges of being unresponsive to consumers. It sought permission to ship wine directly to residents, to remove restrictions on Sunday sales, to extend Sunday hours, to allow state stores to be retailers for the Pennsylvania Lottery, and to expand market-based pricing. During the spring of 2011, the House Democrats' Policy Committee held hearings attacking Turzai's proposal.

Nothing happened until after PFM issued its report in October 2011. PFM documented a negative 10-year trend where PLCB revenues increased at a 3.5% compounded annual growth rate, while expenses climbed at 5.5% annually (Public Financial Management 2011, 6). PFM found that most

PLCB stores are unprofitable and operating costs, personnel costs, and full-time staff levels are high when compared with other control states. PFM also determined that Pennsylvania's relatively low levels of consumption of wine and spirits partly resulted from high mark-ups and a tax structure that encouraged "cross-border" purchasing. In a finding seized upon by opponents, PFM also argued that tax adjustments were necessary to achieve fiscal neutrality so that Commonwealth revenues would continue to match current tax revenues and PLCB profits. PFM concluded that the number of retail licensees could be increased to approximately 1,500 (Public Financial Management 2011, 9). It also estimated the range of cost for retail and wholesale licenses to be between $1.1 billion and $1.6 billion.

Two months later, the House Liquor Committee gutted Turzai's H.B. 11. On a 15–10 party-line vote, the Republican majority torpedoed their majority leader's proposal for full privatization by replacing it with an amendment allowing private beer distributors to sell wine. The amendment also retained the state stores. Committee Democrats opposed this provision as a partial privatization measure that would undermine the PLCB's revenue stream. Moreover, even many beer distributors opposed it for fear that only the largest distributors could afford the enhanced license.

In June 2012, floor debate over privatization took place for the first time since 1992. Turzai offered a proposal to replace the more than 600 state stores with 1,600 private outlets while also giving approximately 1,000 beer distributors a chance to buy retail wine and liquor licenses. After three hours, debate was suspended at 10:00 p.m. on June 11 with over 300 amendments still pending. Republican leaders had failed to corral the necessary votes. Opposition came from the state-store workers and the state AFL-CI0. Despite Turzai's efforts to find allies by giving beer distributors a chance to buy retail licenses, the Pennsylvania Malt Beverage Distribution Association opposed the measure. It complained that allowing "big box" stores to obtain multiple licenses would damage the competitive position of the "Mom and Pop" distributors holding single licenses.

Despite supportive statements from the governor, some Republicans complained that his office was not sufficiently involved in securing votes for Turzai's measure. The very groups—beer distributors, big box stores, convenience stores, and grocery chains—that might benefit from privatization also feared the potential harm they would suffer if their competitors dominated the bidding for licenses. These rivalries complicated the process of building a coalition in support of privatization. Republican John Taylor, chair of the House Liquor Committee, compared putting together the votes for privatization to solving a Rubik's cube: "As soon as you twist one color, another color gets out of joint" (Krebs 2012).

When the General Assembly adjourned its two-year session in 2012, Turzai expressed optimism about the future chances for privatization but said that next time the proposal needed to come from the governor (Couloumbis 2012). Nonetheless, the prospects for change were not promising. The Republican-controlled state senate was not enthusiastic about the issue, and the 2012 election reduced the Republicans' edge over Democrats to 27–23. Additionally, Governor Corbett also confessed weakness by noting in November the difficulty of getting Republican support for his agenda. "Getting them all on the same page, and working in the same direction, is probably the most difficult job I've ever had to do," he lamented (Levy 2012).

In 2013, Governor Corbett was ready to push the issue in preparation for the 2014 election. Representative Turzai introduced H.B. 790, the governor's proposal to auction off the state stores and use the expected $1 billion in proceeds to fund education. It did not take long for Republicans on the House Liquor Committee to water down the proposal. They amended the bill to give beer distributors the first opportunity to purchase the new wine-and-spirits licenses, and they protected the distributors from competition by insisting that grocery stores applying for a license to sell beer could do so only in a restaurant-style seating area within their stores. Additionally, state stores would not be sold immediately; they would be phased out over time and possibly remain open permanently in the most rural areas of the state. Word went out that Corbett badly needed a legislative win. On March 21, 2013, following heavy lobbying by the governor's office, Republicans gave Corbett a victory. The state house passed the weakened measure 105–90, with all Democrats and only five Republican lawmakers in opposition.

When the bill moved to the state senate, things slowed down. Unlike the larger chamber's leadership, no senate leader championed privatization; several of them spoke instead of a desire to "modernize" the PLCB. The Law and Justice Committee waited more than a month before holding hearings, which were dominated by opponents concerned with increased liquor consumption and firms convinced that the bill placed them at a competitive disadvantage. Opposition from the employee unions and beer distributors, worried that privatization might increase competition from supermarkets and convenience stores, made it likely than any legislative action would result in modest reforms compared with those advocated by governors Thornburgh, Ridge, and Corbett.

Conclusion

Three times in thirty years Pennsylvania governors failed to dismantle the state's liquor monopoly and replace it with a free-market system. All three governors encountered unified opposition from Democrats, and they were stymied by a divided Republican party. The opposing coalition skillfully mobilized its members—the United Food and Commercial Workers Union, the AFL-CIO, Mothers Against Drunk Driving, the Pennsylvania Council of Churches, and beer distributors. Representative Dante Santoni, formerly the ranking minority member of the House Liquor Committee, described the coalition as "strange bedfellows" not accustomed to working together. "While many members feared the loss of union jobs," he noted, "other more conservative lawmakers worried about the negative impact of increased consumption" (Santoni, personal communication). The formidable alliance of unions and social and religious groups encountered little opposition.

From the perspective of Kingdon's model, it appears that favorable conditions did not exist in the problem, solution, and political streams. The governors unsuccessfully tried to mobilize support by linking privatization to other issues. Thornburgh tried "reform" and "inefficiency." Ridge tried connecting it to financing for sports stadiums. Corbett linked it to relief for the state's fiscal problems. None of these issues caught fire. Despite the success of Thornburgh and Ridge on a wide range of issues, they failed on this one. Corbett is pushing harder on his second try, but it seems likely that in some form the PLCB will continue to play a role in the sale of wine and spirits.

One problem with Kingdon's model is that it does not explain why the timing may never be right on some issues. For example, all three governors encountered opposition within their party from the same areas of the state that supported Prohibition eighty years earlier. Sorauf (1963) and Kennedy (1999) may offer an explanation. They examined the classic issue of "delegate" versus "trustee" by asking Pennsylvania lawmakers whether their voting is guided more by their constituency's views, by their own judgment, or by a combination of the two. Both scholars found Republican lawmakers to be more likely than Democrats to cite constituency as their decision-making guide. Writes Kennedy (1999, 77): "In the tightly knit rural and small-town communities, perhaps a closer, more personal relationship develops between legislator and constituents. These areas tend to be represented by Republicans." Rural Republican legislators and those from metropolitan districts may simply be reflecting different constituencies, and constituency may trump party on this issue.

Wilson's typology of public policies provides a partial explanation of the outcomes. His model focuses exclusively on the distribution of economic costs and benefits without accounting for the intensity or persistence of public opinion based on noneconomic considerations. Nonetheless, Wilson's description of client politics as resistant to change is convincing: "Client politics seems like an irresistible force, but sometimes it gets changed" (Wilson 2012, 146). Client politics rarely changes unless the public decides the beneficiaries are illegitimate or the costs of the policy become too high. So far the debate has taken place in the arena of client politics. The beneficiaries of the current policy—the state store workers, beer distributors, and their allies—are well organized. The groups that might benefit from privatization have largely been on the sidelines. As Jones noted, "Governors alone can't do the job" (Jones, personal communication). It is unlikely that policy will change unless the issue is transformed from "client" politics to "interest group" politics with the potential winners from privatization actively contesting the issue.

Patashnik (2008) argues that reformers often need to change the venue or the rules for making decisions so that the economic beneficiaries of current policy no longer have the advantage. Thornburgh recognized this idea by proposing a referendum and by maneuvering so that the sunset legislation might allow him to prevail. Patashnik (2008) also suggests that side payments may promote reform by providing benefits to others to buy their support. While Governor Thornburgh did not undertake this strategy, Ridge's and Corbett's proposals for using the proceeds from the sale of the state stores did not enlist any allies. Finally, none of the governors expanded the pro-reform coalition beyond a few general-purpose business organizations.

It is not likely that different tactics would have overcome the combined force of "morality" politics and "client" politics. Recent experience in other states shows the difficulty of the legislative route to policy change. Governor Bob McDonnell of Virginia twice failed in recent years to win lawmakers' approval for privatization. By contrast, 60% of voters in Washington approved a ballot measure, backed by Costco and other "big box" retailers, to privatize the wholesale distribution of liquor and wine as well as the retail sale of liquor.

If Corbett's second attempt at reform fails, it is unlikely to become a top priority for some time. Furthermore, incremental reforms will only reduce the pressure for major changes. Wilson suggests that client politics rarely change unless the beneficiary becomes illegitimate or the costs of the policy become too high. Absent a major scandal or a long-term deterioration in the profitability of the state-store system, the prospects for change appear limited as long as morality and client politics dominate the debate. Unless the potential beneficiaries of privatization coalesce, or unless legislators link privatization to an issue popular with rural Republicans, governors acting alone face long odds.

References

Beers, Paul B. 1980. *Pennsylvania Politics Today and Yesterday*. University Park, PA.: The Pennsylvania State University Press.

Carocci, Vincent P. 2005. *A Capitol Journey: Reflections on the Press, Politics and the Making of Public Policy in Pennsylvania*. University Park, PA: The Pennsylvania State University Press.

Cobb, Roger D., and Charles D. Elder. 2005. "The Dynamics of Agenda Building." In *Classics of Public Policy*, ed. J. M. Shafritz, K. S. Layne, and C. P. Borick. New York, NY: Pearson Longman.

Couloumbis, Angela. 2010. "LCB's Epic Run Might Be Near End." *Philadelphia Inquirer*. December 19.

Couloumbis, Angela. 2012. "Many Favor LCB Privatization." *Philadelphia Inquirer*. November 1.

Downs, Anthony. 2005. "Up and Down with Ecology." In *Classics of Public Policy*, ed. J. M. Shafritz, K. S. Layne, and C. P. Borick. New York, NY: Pearson Longman.

Frendreis, John, and Raymond Tatalovich. 2010. "A Hundred Miles of Dry: Religion and the Persistence of Prohibition in the U.S. States." *State Politics and Policy Quarterly* 10 (3 November): 302–19.

George, Mary Selene. 1997. "Privatization of Pennsylvania Liquor Stores." Master's Thesis. East Stroudsburg University.

Gruson, Lindsey. 1986. "Liquor Sales Divide Pennsylvanians." *New York Times*. December 21.

Gusfeld, Joseph R. 1963. *Symbolic Crusade: Status Politics and the American Temperance Movement*. Urbana, IL: University of Illinois Press.

Kennedy, John J. 1999. *The Contemporary Pennsylvania Legislature*. Lanham, MD: University Press of America.

Kingdon, John W. 2003. *Agendas, Alternatives, and Public Policies*. New York, NY: Longman.

Krebs, Jeanette. 2012. "Pennsylvanians Keep Their Spirits Up Despite Another Liquor Privatization Stall." *Harrisburg Patriot News.* June 23.

Lamis, Renee M. 2009. *The Realignment of Pennsylvania Politics Since 1960: Two-Party Competition in a Battleground State*. University Park, PA: The Pennsylvania State University Press.

Levy, Marc. 2012. "Corbett: Persuading GOP is 'difficult.'" *Philadelphia Inquirer*. November 27.

Madonna, G. Terry. 2012. "Franklin and Marshall College Poll Survey of Pennsylvanians: Summary of Findings." Lancaster, PA: Floyd Institute for Public Policy.

Meier, Kenneth J. 1994. *The Politics of Sin: Drugs, Alcohol, and Public Policy*. Armonk, NY: M. E. Sharpe.

Meier, Kenneth J., and Cathy M. Johnson. 1990. "The Politics of Demon Rum: Regulating Alcohol and Its Deleterious Consequences." *American Politics Quarterly* 18 (4, October): 404–29.

Munshi, Mihir A. 1997. "Share the Wine—Liquor Control in Pennsylvania: A Time for Reform." *University of Pittsburgh Law Review* 58 (Winter): 507–47.

Patashnik, Eric M. 2008. *Reforms At Risk: What Happens After Major Policy Changes Are Enacted*. Princeton, NJ: Princeton University Press.

Public Financial Management. 2011. "Commonwealth of Pennsylvania, Office of the Budget, Liquor Privatization Analysis." Philadelphia,PA.

Ross, Touche. 1983. "Pennsylvania Liquor Control Board: Limited Operations Review." Harrisburg: Touche Ross & Co.

Schell, David A. 2006. "Keeping Control: Gifford Pinchot and the Establishment of the Pennsylvania Liquor Control Board." Ph.D. diss. Temple University.

Seim, Katja, and Joel Waldfogel. 2013. "Public Monopoly and Economic Efficiency: Evidence from the Pennsylvania Liquor Control Board's Entry Decisions." *American Economic Review* 103 (2): 831–62.

Sorauf, Frank. 1963. *Party and Representation*. New York, NY: Atherton Press.

Thornburgh, Dick. 2003. *Where the Evidence Leads: An Autobiogrpahy*. Pittsburgh, PA: University of Pittsburgh Press.

Twedt, Steve. 2008. "Pa.'s liquor control system let's state keep a tight grip on the bottle." *Pittsburgh Post-Gazette*. January 27.

Wilson, James Q. 2012. *American Government: Brief Version*. 10th ed. Boston, MA: Wadsworth.

Zelinsky, Wilbur. 1995. "Cultural Geography." In *A Geography of Pennsylvania*, ed. E. W. Miller. University Park, PA: The Pennsylvania State University Press.