Uncle Emil and the Oakes Liquor Store

When I met him as a young boy, my Great Uncle Emil Isakson farmed in Oakes, North Dakota. He also owned the local liquor store, which had to have a county liquor license. Uncle Emil also served on the Dickey County Commission. During his period of public service, no other liquor licenses were granted in Dickey County.

My Uncle Emil had market power in Oakes. He had the only liquor store in town. He could raise the price of whiskey and people would still buy it. Of course, because of the law of demand, he sold less whiskey at a higher price, but the price increase more than compensated him for the lower amount of whiskey sold. If he raised the price too high, people would cut back their purchases too much, and Uncle Emil would make less profit. As a “price setter” he had to set just the right price.

I can imagine that Uncle Emil had to encounter many potential entrants to the Oakes liquor market over the years, and as County Commissioner he was likely involved in discussions about this with his Norwegian-American neighbors, in both official and unofficial settings. He’d say, “I’m not sure we want to open Oakes up to the availability of more liquor. Do we want Main Street to have more liquor store signs? Do we really want the liquor business to expand in Oakes, to have our town look more and more like downtown Fargo?” And the neighbors would frown in agreement, content to have Uncle Emil manning the last foxhole in the battle against demon rum. The normal people of Oakes hardly even thought about the extra profits, monopoly profits, that would accrue to Uncle Emil.
Economists, of course, are not normal people, and would direct attention to the implications of the liquor market structure in Oakes. We would point out that the monopoly profits earned by Uncle Emil were a signal in the marketplace that the residents of Oakes wanted more liquor, not less, and that a free market, one without liquor licenses controlled by Uncle Emil, would give it to them at a lower price. Uncle Emil had created a barrier to entry to the liquor market in Oakes, and had reaped monopoly profits from it over time.

Economists might also point out the equity considerations involved with the local liquor monopoly, and that the residents could urge the County Commission to determine the right number of liquor licenses (perhaps just one) and put them up for auction every year. This would transfer wealth from Uncle Emil to the residents of Dickey County. But the residents, as normal people, would probably think this was overly complicated, and also mean to their neighbor and friend. And on the 17th of May, when they celebrated Norwegian Independence Day with a few shots of Acquavit, they’d buy it from Uncle Emil, and would not invite any of those crazy economists over to the party.