

WILL: Time to repeal minimum markup law

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The News: A bipartisan consensus is forming that it is time to repeal Wisconsin's minimum mark-up law. Last week, in his budget, Democrat Governor Tony Evers proposed a partial repeal of minimum markup law for gas. Calling it a "hidden tax," Evers believes that it should be accompanied with a gas tax increase.

But, if Evers believes that repealing the minimum mark-up law on gas would decrease the cost of gasoline, then surely he would agree a full repeal of the minimum markup law would decrease the cost of groceries, alcohol, and pharmaceuticals. He should be receptive to Republican's [SB 51](#), a full repeal of minimum markup, introduced last week.

What is the Minimum Markup Law? Wisconsin's Unfair Sales Act, known as the minimum markup law, was created during the Great Depression to protect small business from larger rivals. The law mandates a price floor where goods like gas, groceries, and beer are 'marked up' so that prices don't fall too low. Gas, for instance, is required by state law to be 'marked up' 9.18% above the average posted wholesale price of fuel.

WILL's Take: WILL applauds and welcomes a bipartisan debate that recognizes that the minimum markup law only serves to artificially raise prices. With a partial repeal estimated to save Wisconsinites more than \$350 million per year on gas alone, hard-working taxpayers could expect even more savings with full repeal, immediately lowering prices on basic goods like groceries, pharmaceuticals, and alcohol.

The law does nothing to help small businesses, contrary to what special interests say.

WILL Research Debunks Talking Point: Supporters of the minimum markup law argue it is necessary to protect small businesses from large corporations who can come in and undercut them with artificially low prices. But WILL tested this talking point. In 2017, WILL released [A Policy in Search of a Problem: A Study on the Impact of Minimum Markup Laws on Small Businesses and Gas Stations](#) by WILL Research Director Will Flanders PhD and Ike Brannon of the Cato Institute. Using data from all 50 states, WILL conducted an extensive econometric analysis of the effect of minimum markup laws on the number of small business retailers and the number of gas stations in a state to examine the core arguments for the minimum markup law. The findings include:

- Minimum markup laws have no effect on the number of small business retailers in a state. Once appropriate controls are included, the presence of a minimum markup law does not increase (or decrease) the number of small businesses in a state.
- General minimum markup laws have no effect on the number of gas stations in a state. In an analysis that includes 20 years of national data, the presence of a minimum markup law does not increase (or decrease) the number of gas stations in a state.

- Gasoline-specific minimum markup laws have no effect on the number of gas stations in a state. Even in states that have minimum markup laws that apply exclusively to gas stations, no effect of the laws was found on the number of gas stations in an analysis of 20 years of data.