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The Politics of Prohibition

How government greed, not individual rights, ended America's ban on alcohol.

[Don Boudreaux](#) | July 31, 2007

The standard, schoolbook history of alcohol prohibition in the United States goes like this:

Americans in 1920 embarked on a noble experiment to force everyone to give up drinking. Alas, despite its nobility, this experiment was too naive to work. It soon became clear that people weren't giving up drinking. Worse, it also became clear that Prohibition fueled mobsters who grew rich supplying illegal booze. So, recognizing the futility of Prohibition, Americans repealed it in 1934.

This popular belief is completely mistaken. Here's what really happened:

National alcohol prohibition *did*

begin on Jan. 16, 1920, following ratification of the 18th Amendment and enactment of the Volstead Act.

Speakeasies and gangster violence *did* become familiar during the 1920s.

And Americans *did* indeed keep drinking.

But contrary to popular belief, the 1920s witnessed virtually no sympathy for ending Prohibition. Neither citizens nor politicians concluded from the obvious failure of Prohibition that it should end.

As historian Norman Clark reports:

"Before 1930 few people called for outright repeal of the (18th) Amendment. No amendment had ever been repealed, and it was clear that few Americans were moved to political action yet by the partial successes or failures of the Eighteenth. ... The repeal movement, which since the early 1920s had been a sullen and hopeless expression of minority discontent, astounded even its most dedicated supporters when it suddenly gained political momentum."

What happened in 1930 that suddenly gave the repeal movement political muscle? The answer is the Great Depression and the ravages that it inflicted on federal income-tax revenues.

Prior to the creation in 1913 of the national income tax, about a third of Uncle Sam's annual revenue came from liquor taxes. (The bulk of Uncle Sam's revenues came from customs duties.) Not so after 1913. Especially after the income tax surprised politicians during World War I with its incredible ability to rake in tax revenue, the importance of liquor taxation fell precipitously.

By 1920, the income tax supplied two-thirds of Uncle Sam's revenues and nine times more revenue than was then supplied by liquor taxes and customs duties combined. In research that I did with University of Michigan law professor Adam Pritchard, we found that bulging income-tax revenues made it possible for Congress finally to give in to the decades-old movement for alcohol prohibition.

Before the income tax, Congress effectively ignored such calls because to prohibit alcohol sales then would have hit Congress hard in the place it guards most zealously: its purse. But once a new and much more intoxicating source of revenue was discovered, the cost to politicians of pandering to the puritans and other anti-liquor lobbies dramatically

fell.

Prohibition was launched.

Despite pleas throughout the 1920s by journalist H.L. Mencken and a tiny handful of other sensible people to end Prohibition, Congress gave no hint that it would repeal this folly. Prohibition appeared to be here to stay -- until income-tax revenues nose-dived in the early 1930s.

From 1930 to 1931, income-tax revenues fell by 15 percent.

In 1932 they fell another 37 percent; 1932 income-tax revenues were 46 percent lower than just two years earlier. And by 1933 they were fully 60 percent lower than in 1930.

With no end of the Depression in sight, Washington got anxious for a substitute source of revenue.

That source was liquor sales.

Jouett Shouse, president of the Association Against the Prohibition Amendment, was a powerful figure in the Democratic Party that had just nominated Franklin Roosevelt as its candidate for the White House. Shouse emphasized that ending Prohibition would boost government revenue.

And a House leader of Congress' successful attempt to propose the Prohibition-ending 21st Amendment said in 1934 that "if (anti-prohibitionists) had not had the opportunity of using that argument, that repeal meant needed revenue for our government, we would not have had repeal for at least 10 years."

There's no doubt that widespread understanding of Prohibition's futility and of its ugly, unintended side-effects made it easier for Congress to repeal the 18th Amendment. But these public sentiments were insufficient, by themselves, to end the war on alcohol.

Ending it required a gargantuan revenue shock -- to the U.S. Treasury.

So, if the history of alcohol prohibition is a guide, drug prohibition will not end merely because there are many sound, sensible and humane reasons to end it. Instead, it will end only if and when Congress gets desperate for another revenue source.

That's the sorry logic of politics and Prohibition.

Don Boudreaux is chairman of the economics department at George Mason University. This article [originally appeared](#) in the Pittsburgh Tribune-Review.

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