



JULY 2011 NEWSLETTER

“Toward Liquor Control” Reissued

Do you ever wonder where our alcohol regulations came from? Well now you have an answer. It's in the recently re-issued book, *Toward Liquor Control*, which has been out of circulation for over 50 years. Here is what author Daniel Okrent says about it: “As Prohibition was coming to an end, *Toward Liquor Control* was one of the key documents influencing how the nation would deal with alcoholic beverages going forward. It's as relevant today as it was then.” (Okrent is the author of a recently acclaimed book entitled *Last Call: The Rise and Fall of Prohibition*.)

In 1933, John D. Rockefeller, Jr. commissioned a study to prepare America for a return to legalization of alcohol. This was a carefully crafted work which involved investigation of alcohol regulation in 10 different countries and all Canadian provinces.

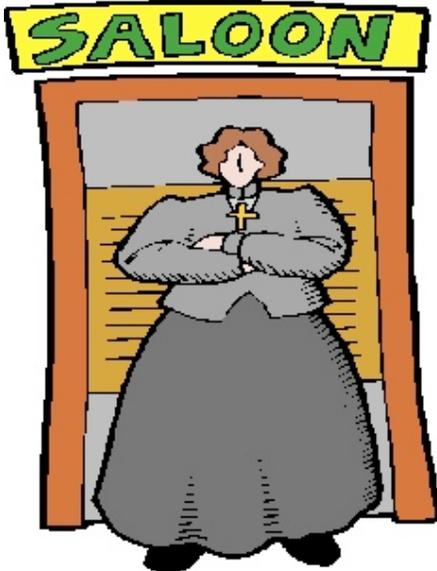
The authors, Raymond B. Fosdick and Albert L. Scott, were keenly aware of the extreme social problems experienced before Prohibition as well as the disregard the public had for Prohibition laws. They recommended two different systems which attempted to balance control and availability of alcohol products. Their preferred system was the state control system which 18 states have adopted. That system involves the state operating the business of alcohol for off-premise store sales. They favored that system because it takes the profit motive out of the sale of alcohol. They saw that as the primary problem before Prohibition when large national

companies used aggressive sales practices and inducements to encourage high levels of alcohol consumption.

The second system, which most states adopted, licensed private sector entities for all alcohol sales. This was based on England's license system which had successfully curtailed problems. This is particularly ironic as the United Kingdom has since abandoned many of those regulations and experienced a return of social problems. (See *The Danger of Alcohol Deregulation: The United Kingdom Experience* www.healthyalcoholmarket.com).

Since the “control states” also issue licenses, these principles are evident in all of our states. Some of these principles remain today, while others have eroded over time:

1. **Single state licensing board** : While the authors saw the possibility for local supplemental authority, they found that a board “with state-wide powers is more efficient, more responsive to broad public opinion and more free from political influence...” (p. 28).
2. **Character of the board members** : “... intelligence, character and integrity of the members of this board are consideration of the first importance.” The authors felt they should be given long terms of office, salaries should be substantial, and appointments should not be based on political considerations.



3. **Prohibition of “tied house”:** “...every device calculated to place the retail establishment under obligation to a particular distiller or brewer, should be prevented by all available means.” (p. 29) “The ‘tied house’ system had all the vices of absentee ownership. The manufacturer knew nothing and cared nothing about the community. All he wanted was increased sales. He saw none of the abuses, and as a non-resident he was beyond local social influence.” Many of our laws relate to these concerns. They attempt to keep the retailer, the wholesaler and the manufacturer separate and independent by prohibiting ownership and special business deals across one or more sectors. Most of these restrictions remain in place today giving our alcohol market stability and a somewhat even playing field.
4. **Restrictions on number and character of outlet :** They cited the experience of England which reduced the number of licenses to help quell problems. Today many states have quotas or limits on various types of licenses. Recently the Centers for Disease Control (CDC) recommended that limits on outlets be retained based on research indicating such regulations are effective.
5. **Classify licenses based on alcohol content for both on and off premise :** In a chapter on *Light Wines and Beer v. Spirits* they advocate for a license system that makes products with lighter alcohol content more readily available. Light wine and beer meant wine with 10-12% alcohol content and beer with 3.2% alcohol

content. Most states adopted some version of this system although it has eroded over time in some states.

6. **Hours of sale :** particularly for on-premise consumption “...should be carefully regulated.” (p. 32) The CDC has also recommended retaining restrictions on hours and days of sale based on credible research results.
7. **License the individual and the premise :** This is a common provision of state regulation which is designed to enhance the deterrent value of license revocation. A revocation of license for both the individual and premise means the owner cannot merely sell the premise in order to avoid revocation.
8. **Prohibit sales practices which encourage excess consumption:** “This would include treating on the house, sales on credit or IOU’s, bargain days, and reduced prices previous to elections.” (p. 32) Many states have provisions designed to prohibit sales practices that induce intoxication or high volume consumption.

This book is a “must read” for everyone involved in alcohol policy. It is now available for order at \$16.95 a copy at www.centerforalcoholpolicy.org/toward-liquor-control/