

of a trade whose wares are represented as potentially dangerous to public welfare."¹⁷

Under license system, the will to survive permeates every department of the trade, and the means to press a tenacious fight for survival are abundant. As proposals to dismember any part of the liquor selling business become more threatening, the entire trade combines more solidly to protect itself. In brief, a licensed liquor trade, once established, cannot easily be dislodged.

With the passing of the Eighteenth Amendment, the American states are free to make a fresh start. Only the public welfare needs to be considered. There are no property interests that have to be defended, no investments demanding protection, no organized retail trade associations to fight. For a state, confronted with this opportunity, deliberately to tie its own hands by establishing an entrenched business that will seek in its own protection to thwart every limitation and block every change, would seem to be the height of folly.

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Perhaps by a herculean effort we could temporarily hold in check the instinct of business to increase its profits, but we would be gratuitously assuming a task that in the long run promises nothing but disappointment and defeat. Unless that motive is divorced from the retail sale of spirituous liquor, unless society as a whole can take over this business in the protection of its citizens, the future, at least in America, holds out only the prospect of an endless guerrilla warfare between a nation fighting for temperance and a traffic that thrives on excess.

Chapter Five

THE AUTHORITY PLAN

STATE MANAGEMENT OF THE DISTRIBUTION AND SALE OF ALL THE HEAVIER alcoholic beverages is the recognized alternative to the license system in states which decide to legalize the sale of liquor. There have been, and are in existence, various kinds of government management. The more widely known examples are the Quebec Liquor Commission and similar commissions in other Canadian provinces; the so called Bratt System of Sweden; the Norwegian and Finnish wine and alcohol sales monopolies; and the Carlisle State Management Scheme in England. To list these examples is to indicate the variety of terminology employed to describe government liquor monopolies. Though we have examined the more important plans in operation, we shall not endeavor in this report to describe and analyze them. This has already been done so many times that repetition here is unnecessary.¹ It is the purpose of this chapter to present a concrete plan for a state liquor monopoly applicable to American conditions, embodying ideas drawn from the best plans in operation; to compare this plan with the license system as a means of control; and to present our conclusions and recommendations.

AN AMERICAN LIQUOR AUTHORITY PLAN

By a state liquor monopoly we mean, in its simplest terms, a system by which the state government takes over, as a public monopoly, the retail sale, through its own stores, of the heavier alcoholic beverages for off-premises consumption. Foreign experience

¹ See Appendices II and III.

and our own analysis of the problem here and abroad indicate that such a system makes it possible adequately to meet an unstimulated demand within the limits of conditions established solely in the interests of society. The state organization in charge of such a system might properly be called the "State Alcohol Control Authority." Hereafter in this chapter we shall speak of this organization as the Authority. In the following pages the tasks and appropriate powers of this new organization are outlined in some detail, so that the idea behind the plan may be completely understood.

Scope of the Authority's Task

The primary task of the Authority would be the establishment of a chain of its own retail stores for the sale of the heavier alcoholic beverages by package only. These stores should be so located as to meet normal demands without violating the desires of individual sections of the state to have no such stores in their localities. At the present time, we believe, it is neither desirable nor necessary for the state to assume similar management of the manufacturing side of the trade. Virtually all the individual and social evils of the liquor traffic arise from an inadequately regulated and overstimulated retail sale. The supplies that the Authority needs in its stores it can readily purchase direct from the manufacturers. From an administrative standpoint, also, manufacturing is complicated and requires capital and skill, while retail distribution is, in comparison, simple. It would be necessary, of course, for the Authority to place under regulation all manufacturing and all transportation (so far as it is legally permissible) and to require a complete record of production and shipments. The Authority would also be the official agency for gathering facts and making studies bearing on the liquor problem, on its own administration and on related matters.

In order that the functions to be performed by the Authority may be definite, it is necessary that they should be specifically enumerated in the laws and that appropriate rights and powers should be conferred.

Powers of the Authority

On the basis of experience elsewhere, the following powers would be necessary for the discharge of the Authority's responsibilities:

1. The exclusive right within a state to sell or control the sale of all alcoholic beverages which contain spirits; all wines known as fortified wines, the alcoholic content of which exceeds that produced by the natural fermentation process; and all fermented products, such as beers and ciders, containing more than 3.2 per cent of alcohol by weight.
2. The right to lease or own and to operate retail shops for the sale of those beverages by the package to the ultimate consumer for off-premises consumption, except that the Authority should be bound to abide by the decision of communities which vote to exclude the retail sale of any or all alcoholic beverages under local option provisions.
3. The right to lease or acquire by purchase or condemnation and to operate warehouses, blending and processing plants and other facilities as may be required.
4. The right to fix prices on its goods and to change prices at will.
5. The right to establish in its discretion a system of personal identification of purchasers.
6. The right to establish regulations and to issue permits to owners or occupants of establishments to sell beer and naturally fermented wine or cider in sealed bottles or containers for off-premises consumption.
7. The right to establish regulations and to issue permits to hotels, restaurants, clubs, railway dining cars, and passenger boats, for the sale of beer, with or without meals, and for the sale of naturally fermented wine or cider to be consumed with meals on the premises.²

²As a matter of economy and convenience, the law should enable the Authority to grant holders of these permits the right to purchase the permitted alcoholic beverages directly from the producers or from producers' agents, provided the Authority is empowered to require a complete reporting to it of all such direct purchases.

8. The right to require private business concerns to certify the quantities of alcohol and alcoholic beverages manufactured in the state, and the amounts shipped into, within, and from the state, regardless of the purposes for which used; this to be worked out in cooperation with the federal government.
9. The power to hold hearings on complaints about matters in dispute, including the power to subpoena witnesses and records and to make binding decisions.

That these are broad powers there is no denying. But powers as extensive have been conferred on similar bodies in jurisdictions where the democratic principle is as strongly entrenched as it is with us. In handling a problem as hazardous as the liquor trade, a broad grant of power, under ultimate legislative control, is the only effective method.

It is to be noted that no reference is made in this list of powers to the sale of heavier alcoholic beverages by the glass for on-premises consumption. Such sale is inevitably fraught with danger to the public interest. It is our hope that a generous provision for the on-premises sale of beer and natural wine, together with sale of stronger beverages by the package in the Authority's shops, would be accepted as adequate in most jurisdictions by a preponderant majority of people.

ORGANIZATION OF THE AUTHORITY

The Board of Directors

The Authority should be administered by a Board of Directors of perhaps three members serving full time and engaging in no other occupation. The salaries of the Board members should be fixed at a sufficiently high level to insure acceptance of appointment by persons of outstanding ability. The term of office should be long enough to give the directors an opportunity to develop fully the policies they have begun. A long term promotes independence as well as freedom from concern about reappointment. We suggest, therefore, that Board members be appointed by the Governor for nine years with overlapping terms, subject to removal only for cause.

The Board would be concerned with the determination of all matters of policy entrusted to it by law, and with the settlement of complaints and disputes. In determining policy and in making the required rules and regulations, its duties would be quasi-legislative in nature. In hearing complaints with regard to the working of any phase of the plan or in trying charges against its employees, its duties would be of a quasi-judicial character. A Board of at least three members would be required in the exercise of these powers.

Managing Director

In connection with an undertaking of such magnitude as the proposed Authority is bound to be, a distinction should be made between the policy-determining function and the executive function. A chief executive officer, called perhaps a Managing Director, would seem to be necessary to carry on the work of the Board in accordance with the spirit and aims of established policies. The Managing Director's relation to the Board should be similar to that of a corporation chief executive to his board of directors. It would probably be wise to give him the right to appoint all subordinate officers with the approval of the Board.

Internal Organization

The operating organization would conceivably have the following principal units: (1) Division of retail shops and agencies, (2) division of permits, (3) treasury, (4) bureau of inspection, (5) central purchasing bureau, (6) bureau of personnel, (7) bureau of records and statistics. Provision should also be made for a small legal staff, a chemist and others. All employees required to man these units should be selected on a merit basis in accordance with a routine established by the Managing Director.

In outlining this organization we have intended to give only general suggestions. The Authority should be free under the law to create its own organization. The point we wish to stress is that the Authority Board members should refrain from attempting the detailed management of operations, entrusting this function to a competent,

high-salaried, permanent and loyal executive. If such a Managing Director is chosen, the details of organization should be left to him.

Flexibility

We emphasize again that in the creation of the Authority and in the definition of its powers broad latitude must be provided. All things considered, we believe it to be preferable to place reliance upon the spirit of the enabling legislation rather than upon a multitude of legal prohibitions, limitations and directions, which would cripple and thwart the Authority at every turn.

Competent, socially-minded men of unblemished integrity, who, within the spirit of the law, set themselves to administer a liquor control system, would, if given wide power, doubtless make a first-class job of it. They would not need a mass of legal restrictions to tell them what they should not do. In fact, competent administrators could not work consistently toward a goal if they were hampered at every turn in the exercise of discretion. For these reasons we urge that the Authority be invested with ample powers, that the Board members be made secure in their tenure of office, and be left free to adjust their policies and regulatory procedures to social needs.

Relation of the Authority to the State Government

The State Alcohol Control Authority should be created as a special branch of the state government. It should, however, like a public corporation, be free from the traditional departmental restrictions which govern purchases, appropriations, personnel and similar business matters. The nature of its work, embracing as it does both regulatory and commercial functions, makes this essential. Within the definite tasks and responsibilities established by law, the power of the Authority would be plenary. Although as a matter of form the Authority should be designated as being within the executive department of the state government, the power of the Governor would extend only to the appointment of its members. The approval of its budget should rest with the Board of Directors, as in a private corporation. The same principle would apply also to all matters having

to do with its finances, personnel and purchases. The only exception to this principle would be the right of the state auditor or comptroller to audit the transactions of the Authority at the direction of the Governor.

There is in this independence nothing novel or untried. In fact, it is fast being accepted as the logical method of organizing the management of a large-scale public enterprise which is (a) self-supporting through the ordinary commercial processes of buying and selling or charging for service, (b) which is operating in a new and experimental field, (c) which must be accorded a broad delegation of powers and (d) which must be guaranteed freedom from the routine of bureaucracy, the instability of current elections and the annoyance of spoils politics. It is these considerations that have led to such independent enterprises as the London Passenger Transport Authority, which owns and operates all the tram, bus, and underground transport facilities of London. The British Broadcasting Corporation is another such authority. In this country we have similar organizations in the Port of New York Authority, various bridge authorities and the recently organized Tennessee Valley Authority. The endeavor to control liquor through the handling of retail sales is, from the standpoint of management, a similar problem. It will be self-supporting; it requires experiment; it entails a broad delegation of powers; and it must be given a fair trial free from departmental, political or spoils interference. The appropriateness of the Authority device and of its peculiar detachment from the ordinary departmental scheme is well attested by the fact that within the last quarter of a century no nation or state, which has adopted this plan of liquor control, has abandoned it.

This does not mean, however, that the Board of Directors in most states would not rely heavily upon the help of existing state departments. Coöperation is essential. Such staff agencies as the state civil service, accounting, purchasing and budget offices should not be unnecessarily duplicated. But the decision should be left entirely to the discretion of the Authority. The Authority would undoubtedly establish only a small inspectional service of its own, because of

the assistance to be derived from the state and municipal police, the state health inspectors and the tax department. Here again the power of the Authority should be complete to determine its course of action. There is no other way of fixing the responsibility.

The plan for financing the Authority, whether by appropriations, as is true of the Tennessee Valley Authority, or by state bonds, or by such other means as are permissible, would have to be determined in each state on the basis of its constitutional provisions. At quarterly intervals, following private corporate practice, the profits should be determined and paid over to the state treasury as dividends.

Disposition of Profits by the State

The profits of the Authority would, of course, be large. Wherever liquor sales monopolies have been established, or suggested, the proposal has appeared to " earmark " at least a portion of these profits for temperance education or other purposes. With this proposal we are in disagreement. We are convinced that no social activity of the government should be financed by specially designated taxes. Temperance education, charities, old-age pensions and any other welfare work should find their support in the general funds of the state in proportion to need and in competition with other demands. The profit policy of the Authority should be determined as a means of progressive liquor control, without regard to the revenue needs of hospitals, old-age pensions or temperance education. Earmarking of revenues is contrary to sound public finance. The profits of the Authority, therefore, should go directly into the state treasury without designation for any particular purpose.

SOUTH CAROLINA LIQUOR DISPENSARY PLAN

The South Carolina Liquor Dispensary Plan which was in operation from 1892 to 1906 is often referred to as though it were a state liquor monopoly essentially similar to the Cana-

dian, the Norwegian, and the Swedish systems, or to such an Authority plan as we have outlined above. In spite of superficial similarities, nothing could be further from the facts. The South Carolina plan did not eliminate the profit motive from retail sales. The salaries of dispensing agents were made to vary with the amount of business done.³ Moreover, these agents were in reality licensees, resembling private dealers under a license system. On approval of their applications, they received a " permit to keep and sell " alcoholic beverages supplied by the state board. This permit was limited to a single year.⁴ The South Carolina plan made no effort to sever the central management from state politics. From 1892 to 1896 the state board of control was constituted of three elected state officials *ex officio*,⁵ and from that time until 1904 the board and its executive officer were elected by the legislature.⁶ As a result, from its inception, all appointments, especially of dispensers, were on a political spoils basis. " Party exigency was the father of the dispensary act. " ⁷ Indeed the act was put forward in the first instance by the enemies of temperance and was adopted for the purpose of heading off state-wide prohibition. It was operated not as an instrument of social control but as an adjunct of " Pitchfork " Ben Tillman's political machine. Geared by law, as it was from the beginning, into current political controversies, and with its management placed in the hands of elected officials, no other result could have been expected. During the last five years of its operation, the control board frankly tolerated the existence of speakeasies, provided they purchased their supplies from the state.⁸ In spite of this and many other defects in the plan, there is testimony of its temporary success in reducing drunkenness and crimes connected with the use of

³ Committee of Fifty, *The Liquor Problem in Its Legislative Aspects*, by Wines and Koren, p. 168.

⁴ South Carolina Laws of 1893, Act No. 313, Secs. 7, 8, and 9.

⁵ The Governor, The Comptroller-General and the Attorney-General.

⁶ South Carolina Laws, 1896, Act No. 61, Sec. 2.

⁷ The Committee of Fifty, *op. cit.* p. 165.

⁸ D. Leigh Colvin, *Prohibition in the United States*, p. 297.

liquor. But in the end it was a failure.⁹

In summary, the South Carolina Liquor Dispensary Plan was a state monopoly of the wholesale trade, grafted upon a scheme of local liquor licenses and of officially recognized, though illegal, speakeasies. The state board of control was welded by statute to the political system and the state bureaucracy, while the retail end of the trade was based directly upon private profit. It is thus evident that the South Carolina plan is in no way comparable to the state Authority plan which we have just outlined; and those who would dismiss the Authority idea because of its alleged failure in South Carolina would be well advised to study the fundamental divergencies.

THE STATE AUTHORITY VS. THE LICENSE SYSTEM IN OPERATION

The test of all plans is in their practical operation. It is not possible to compare American experience under a license system with experience under a state alcohol authority, because no American state has ever operated under the latter plan. Experience abroad, though suggestive, is, because of marked differences in social conditions, far from conclusive. Perhaps the most nearly comparable is the Canadian experience, under which in eight of the nine provinces both prohibition and license have been abandoned in favor of the state monopoly system. Our own careful investigations in Canada indicate that these systems are working with reasonable success. Although the Canadians have by no means solved all the difficulties, they are making distinct and intelligent progress. We found in Canada widespread approval of the underlying idea of state monopoly. Few desire to return to the license system.

Let us examine more specifically the inherent points of strength and weakness in the public monopoly and private li-

⁹ Committee of Fifty, *op.cit.* pp. 147-180.

Colvin, *op.cit.* pp. 295-301.

Earl L. Douglas, *Prohibition and Common Sense*, p. 120.

Leonard Stott Blakey, *The Sale of Liquor in the South*, p. 19.

Annals of the American Academy of Political and Social Science, Nov. 1908, p. 545.

cense plans in dealing with such matters as sales stimulation, advertising, price control, character of liquor sales shops, temperance education and liability to graft and corruption.

It should be observed, first of all, that the objective is the same under both plans, namely, to place the sale of liquor under a series of restrictions devised to curtail excessive consumption. The only difference lies in the method of achieving this object. The licensing system endeavors to establish these controls through *negative* rules, regulations, conditions and taxes, *imposed from without*, upon *private* enterprise, which necessarily is conducted for *personal profit*. The State Authority plan endeavors to impose these controls through *positive management* from *within a public* enterprise conducted for the *benefit of society*.

Sales Stimulation

In what way do these differences in method of control affect the problem of sales stimulation? The answer is obvious. Under a state monopoly system the liquor would be sold directly by the state through a chain of stores and the profits turned into the state treasury, and that would be the end of it. No individual connected with the retail sale would gain one penny by reason of his sales, nor would his employment be imperiled if he failed to show good sales returns, as might be the case in private trade. In harmony with the underlying principle of the Authority, the salaried employees waiting on the customers in the various state stores would be under strict supervision not only to see that there was no encouragement of the sale of liquor, but to make sure that no beverages were sold in violation of the letter *and the spirit* of the regulations.

Under the license system, on the other hand, competing private dealers are under constant temptation to build up their sales and profits. The issuance of liquor licenses to private dealers presupposes the right to make a living by the sale of liquor. Since his livelihood is at stake, the private seller always has been, and always will be, interested in sales, and in nothing but sales.

Advertising

Advertising artificially stimulates the demand for alcoholic beverages. Though beer has been legalized only a short time and spirits are not yet legal, we are already overwhelmed with the skillful, persistent liquor advertisements of the modern sales psychologist. This is but a foretaste of what is ahead of us. All this is inconsistent with any idea of restricting the sale of liquor to an unstimulated demand. Although we have made a number of suggestions in the previous chapter, it is frankly difficult to see how in the long run such advertising can be definitely eliminated by state law under the license system. There are too many loopholes, too many indirect methods of advertising, too many national journals and broadcasting stations. Under the Authority plan, the opportunity for control of advertising is far greater. Indeed it could be practically eliminated if the public interest so demanded. In any event, the Authority could draft an advertising code and force its acceptance, either through refusal to buy from manufacturers who violated it or through a selective increase in the retail price of the products of an offender.

Price Control

The retail price level of alcoholic beverages not only determines profits, but also has a direct bearing on the amount of consumption and on the problem of the bootlegger. The prospective consumer desires a low price. The producer also wishes to set comparatively low prices to attract trade. The law enforcement officer is concerned lest extremely high prices of liquor encourage the bootlegger to undersell with its untaxed or adulterated products. The prohibitionist generally is on the side of high prices, for he believes that if liquor is expensive it will be placed out of the reach of many persons. The tax-levying authorities are not directly concerned with retail prices, but are eager to have large revenues.

Here is a knotty tangle of interests in the price of alcoholic beverages. Much, of course, will depend upon rates of taxation, and we are devoting a later chapter to this subject.¹⁰ But inasmuch as the

¹⁰Chapter VII.

retail price of liquor is a central factor in regulating both legal and illegal consumption, the Authority can use its price-making power as one of its most effective instruments of control.

Rhode Island has enacted a law¹¹ giving to its licensing Board, called the Alcoholic Beverage Commission, power "to fix the wholesale prices of all such commodities [beverages] to be sold within this state or to be imported or brought into the state or exported therefrom, and to raise or lower such prices in whole or in part from time to time," etc. This legislation recognizes the crucial importance of regulating price; but one may doubt whether Rhode Island has proposed a workable method of accomplishing the result. It is not likely that a state liquor licensing board can exercise power to fix prices without running afoul of the strongest kind of opposition and interference from the private business interests involved. If prices are raised, those with stocks on hand will reap unearned profits; if they are lowered, losses will ensue. Under such conditions private dealers will not be inclined to stand idly by, nor will the public accept as reasonable a system which gives such fortuitous profits or losses to individuals. We anticipate, moreover, in connection with this type of legislation, a veritable field day of court actions. At the very least, between the licensing board and the private dealers a state of war will inevitably develop into which the legislature will be drawn.

In contrast, consider the Alcohol Control Authority's position. The Authority could fix prices without the slightest opposition from private business interests because the Authority would own the liquor. Through price control it could within limits modify sales volume at will. On the basis of results it could, if need be, change the prices again. It would even be possible for the Authority to sell certain products at a price below what would show a profit, if this step were thought expedient as a measure for promoting temperance through a change in drinking tastes. The Authority would be equally concerned with defeating the bootlegger and with avoiding the stimulation of consumption which might follow too low a level

¹¹Rhode Island Laws of 1933, Chapter 2013.

of prices. The price of liquor is thus seen as a two-edged sword, but to avoid disaster the wielder of it must have exclusive possession of the hilt.

Character of Liquor Sales Shops

The surroundings in which liquor is sold have a great deal to do not only with the use and abuse of liquor, but with the community's attitude toward alcoholic beverages. The State Authority, having in mind a social rather than a profit objective, could set high standards in the physical character of its sales outlets. If the same thing were attempted under the license plan, it would have to be done by means of rules and regulations, or legal provisions which the state would endeavor to enforce through the police. The private dealer would, as in the past, seek to avoid, through subterfuge and influence, such invasions of his liberty.

What shall we say regarding the other regulations which might be imposed under a reformed licensing system, including such matters as the limitation of dealers to "responsible persons who have not been convicted of crime"; the limitation of the number of licensed places; limitations on business methods and limitations on the hours of sale? Under the Authority plan all these matters could be handled with far greater ease and probability of success. Consideration would be given to an effort to find efficient, reliable and loyal employees, not to question whether criminals were excluded from the trade. The pressure of applicants to enter the retail business would disappear. Stores would be established only when and where they were needed. Business methods would not be a problem of outside and distant control; they would be matters of inside management. In brief, with the elimination of the private profit motive most of the old difficulties would be removed.

Adaptation to Local Sentiment

While the liquor business of the future will be governed by state-wide policy, it should be adapted to meet the local sentiment of small sections and communities. This may in part be accomplished

through "local option" in accordance with the suggestions already made in Chapter IV. These same suggestions apply to the operation of the Authority plan. But this adaptation to local preferences is, in our judgment, far from adequate to meet the present demands of the American people. What is needed now to supplement local option is a far more flexible plan under which reasonable liquor sale restriction will be worked out to meet local needs and desires, without resort to political campaigns and controversies.

A State Authority could, in fact, go further than the strict local option law by establishing, at the request of particular neighborhoods, dry zones within areas which voted as a whole to permit the sale of liquor. A city of 20,000 inhabitants, let us say, might vote to legalize liquor sales by only a small margin. Is liquor selling to be forced upon those areas of the city which are strongly opposed to it? Again, if the local option voting is on a countywide basis, a city might vote wet by a large margin and thereby prevail over the dry sentiment of surrounding rural territory. Divisions of this sort are bound to be common; and the majority vote, though determining the issue under the letter of a local option law, would, nevertheless, provoke much discontent in certain communities within the cities or counties involved.

The Authority could take these differences of opinion into account and in its own administrative discretion could meet the opposing views of lesser communities existing within the larger voting unit by declining to locate shops for the sale of liquor in those neighborhoods. Obviously, the Authority would, under no circumstance, place its shops on the border line of a dry area. This whole problem of border lines, so difficult to control under license, would disappear.

If community sentiment should turn against local sale of liquor after a period of trial, the Authority's shop could be closed merely by the signing of an executive order. There would be no wholesale or retail dealers to protest and demand compensation. Whatever loss might be involved would be absorbed in the Authority's total profit and loss account. Elimination of licensed private liquor-selling establishments, on the other hand, would result in serious financial

loss to the individual seller and therefore, as in the past, would be the cause of frantic protest and political wire-pulling.

The Authority is conceived as an instrumentality for governing the sale of liquor in places where the majority of people demand the purchase of it, and not as an institution anxious to extend its sphere wherever business may be obtained. The whole emphasis of the Authority system is on limiting the sale to unstimulated demand and not on sales promotion.

Package Sale in Dry Areas

At this point mention should be made of the importance of permitting a State Authority to ship liquor by mail or express to persons living in dry areas, wherein retail shops are excluded by local option vote. This right of purchase is required primarily as a measure to suppress would-be bootleggers, but it has a secondary significance in that it would satisfy those who otherwise would be uncompromising opponents of the prohibition of liquor selling in their community. If the Authority were denied the right to fill orders in this way, a person living in dry territory would either go to a place where liquor is sold and there purchase what he required or he would have some other person make the journey for him. Naturally, the bootlegger would be the one most readily available to run the errand. Indeed, bootleggers are habitually foresighted and run their errands in advance. As a Norwegian official put it: "The bootlegger is always there even though the liquor shop is not."

Danger of Politics and Corruption

From an experience that is all too painful we are aware of the dangers of political influence and corruption under the license plan. Are these dangers not equally great under a State Management system? We think the answer can honestly be given in the negative. This opinion rests in part on experience elsewhere with state alcohol monopolies and in part on the revolutionary change which the elimination of private profit in retail sales brings into the entire situation. Politics and corruption entered the license system primarily because

liquor dealers attempted to maintain and expand their sales. Licensed liquor dealers, driven on by the struggle for existence, endeavored to manipulate votes through every means, legitimate and otherwise. Corruption was almost inevitable. The license system turned loose a large number of individuals scattered over the state, particularly in the cities, each the center of a continuous endeavor, open and secret, to protect and extend his business. This was especially true in regions where the pressure to establish dry areas by local options was strong. Under a State Authority, the entire foundation is changed. Instead of a mobilized army of opposition to restriction of liquor selling, there is substituted a force of clerks, under chain-store accounting systems, who have nothing to gain from expanded sales.

Politicians will still be eager to control the patronage, and in some cases to determine the wet and dry areas, but they will not be able to lay their hands upon the profits. Under the Authority plan the entire responsibility for honesty and efficiency will be concentrated upon the Board of Directors and the Managing Director. There is, of course, no guarantee against dishonesty and abuse in any system; but the external regulation of recalcitrant private enterprise is clearly a more difficult task and more subject to graft than internal management by a responsible authority. This is doubly true of the liquor business.

CONCLUSION

On the basis of past experience in the United States and abroad, and the practical considerations we have just reviewed, we have come to the conclusion that the most satisfactory solution of the problem of alcohol requires elimination of the private profit motive in the retail sale of liquor. This cannot conceivably be accomplished under a license system, however rigid and well enforced. If we sincerely wish to meet only an unstimulated demand for alcohol, we can no longer leave to any individual a private stake in its retail sale. There is in the licensing of the private selling of liquor an irreconcilable and permanent conflict with social control.

The time is ripe for a change. Thirty years ago when the Com-

mittee of Fifty wrote its report,¹² it was far more difficult than it is today to conceive of the government participating in business. One objection to the South Carolina Dispensary Law, which came to its ill-fated end in 1906, was based on the fact that it was supposed to be "socialistic." Today this objection carries little weight. We have grown into a new age, and governments—national, state and municipal—have embarked on all types of business ventures to a degree that would have been impossible in the early years of the Twentieth Century. From the standpoint of the theory and practice of government there are plenty of precedents for this new type of liquor control. Governmental agencies own and operate bridges, tunnels, irrigation projects, power developments, shipping and a dozen other types of enterprise. To take such a step today in relation to liquor control is a far less difficult wrench than it would have been even a short generation ago.

Nor is the objection that the Authority Plan puts the government into the liquor business a valid one. It is based largely on emotion rather than on a realistic facing of facts. For better or for worse the liquor business is here. The private profit motive by which sales are artificially stimulated is the greatest single contributing cause of the evils of excess. It can be eliminated most effectively by state control. A compromise with any system of licensing is a halfway measure out of which at best only partial success can be brought. To insist on some arrangement that will minimize all the dangers of overindulgence, and at the same time to oppose the State Authority system because it identifies the government with the liquor business, is to be guilty of an inconsistency which cannot be justified on any logical or realistic grounds.

Moreover, the government always has been identified with the liquor business. For centuries it has regulated it in minute detail and has shared its profits through taxation. It has determined how and when liquor may be sold, the circumstances under which it may be sold, and the quality that may be sold. Such functions are inherent in

¹² *The Liquor Problem - A Summary of Investigations Conducted by the Committee of Fifty, 1893-1903*, p. 74.

every type of license regulation. To argue that the government can take no further step in the direction of control without giving the liquor business its endorsement and blessing is indefensible. The purpose of government is the promotion of social welfare, and the area of governmental activity in carrying out this purpose cannot be circumscribed by lines so artificially drawn.

We prefer the Authority plan because we believe that if given a fair and honest trial it stands a better chance of success than any other plan we have examined. This does not mean, however, that we regard it as an automatic cure-all for the evils associated with liquor. Nor do we offer it with a warranty that it is foolproof and will succeed under any conditions. It will not work under a régime of mismanagement and maladministration. Bad management and corruption are very real dangers. There will always be on hand certain representatives of the liquor interests, politicians and "fixers," eager to get control of the Authority in order to influence its policies and to further their own ends. There is no sure protection against such persons other than an alert public opinion focused upon a simple and responsible form of governmental organization. The proposed plan meets these requirements: It is simple in organization, it has direct lines of authority, and it is flexible enough to insure the making of changes, within the discretion of the directors, as experience points the need.

Now is the time to act if the State Alcohol Authority plan is ever to be tried in the United States. For this there are two convincing reasons: first, there is at present no legal private trade to be dispossessed; second, in the coming conflict with the bootleggers unity of command along the entire front—economic as well as legal—is half the battle won.

In summary, the principal merits which we conceive to be inherent in the State Alcohol Control Authority plan are these: It would effectively stifle the profit motive for enlarging liquor sales beyond a minimum demand. It would facilitate the control of advertising. It would provide freedom of action in regulating prices and conditions of sale, both as a means of checkmating the illicit dealer and as a

method of curtailing the use of spirits. It would eliminate the saloon. It would minimize opportunities for the encroachment of political interference. It would keep clear the road for temperance education.

If this plan is adopted and honestly and competently administered, it should give a maximum degree of protection against the revival of age-old abuses known to licensed regulation, and against the more recent evils of a traffic unregulated by government and managed by law violators.

Chapter Six

THE AUTHORITY PLAN WITH ADAPTATIONS

MANY VARIATIONS EXIST IN STATE GOVERNMENTAL TRADITIONS IN THIS country, almost as many variations as there are states. There are different attitudes toward government ownership, different experiences in dealing with the liquor trade in the past, different problems relating to liquor control to be solved today and different levels of competence in governmental administration. All these factors will have a bearing upon the consideration of the Alcohol Authority plan which we have proposed. In this chapter we discuss three important modifications of the Authority plan which may conceivably make it more adaptable to different local needs and sentiments. These possible modifications are: *first*—the elimination of direct retail sales by the Authority through the creation of a private liquor sales corporation under the jurisdiction of the Authority; *second*—a plan for the establishment of agencies for the sale of spirits for on-premises consumption; *third*—a plan for the establishment of personal purchase permits.

I—THE SALES CORPORATION

Functions

In states where sentiment is in favor of a State Alcohol Authority but against direct government ownership and sale of alcoholic beverages, the sales function of the Authority could be lifted out of the scheme and transferred to a semi-private sales corporation. This sales corporation would be given monopoly rights within the state for the sale of spirits, fortified wines and heavy beers by the