ALCOHOL MONOPOLY AS AN IDEA AND AS A REALITY: SOME PERSPECTIVES FROM HISTORY

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The idea that the state has an interest in the conditions of production and distribution of alcohol can be found in the earliest records of written legislation. The idea that the state should create a monopoly for itself or for a designated agent in some part of the production and distribution of alcohol also has a respectable antiquity (see, for instance, Österberg, 1985; Moskalewicz, 1985). But the idea of an alcohol monopoly motivated at least in part by public health and public order considerations seems to have come on the world stage first in the mid-19th century, in Scandinavia.

In earlier times, the primary motivation for monopolization of commodities by local authorities or central governments had been the raising of revenues. With the central state often lacking the bureaucratic and police means to enforce an excise tax, the auctioning of monopoly rights in a commodity to the highest bidder became a common alternative across much of Europe. With tobacco, for instance, the leasing of a monopoly right in 1608 in Britain reflected James I's subordination of his strong feelings against tobacco to his needs for revenue (Austin 1978, p. 3). The strong and profitable private-monopoly system instituted by Venice in 1659 became a model for the rest of Europe, including the ancien régime in France (Austin 1978, pp. 11, 14). Although the exactions of the "tax-farmers" had been a major grievance of the French Revolution, Napoleon reestablished a tobacco monopoly in 1810, but this time as a government agency rather than as a leased franchise. With its enormous profitability for the state, Napoleon's regie system was widely copied elsewhere in Europe (Austin 1978, pp. 15-16).

What was novel, then, about the idea of governmental monopolization of alcohol, when it began to spread in the latter half of the 19th century, was that revenue was not the only consideration, and often not the primary consideration. Public order and public health motives were the explicit justification for the organization of the first modern alcohol monopoly, set up under municipal license as a non-profit company in the Swedish town of Falun in 1850:

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-1-
The morals and welfare of the working classes in our community have their worst enemy in the saloon. . . . Little can be accomplished . . . so long as the right to operate saloons in the city is given to private individuals who personally would profit by encouraging an immoderate use of liquor without respect to regulations governing age or youth, poverty or plenty. . . . The right to operate saloons in Falun . . . is assumed by the company with a view to operating a limited number of public houses under managers who are employed and paid by the company. In these places a close scrutiny will be exercised in order that intemperate drinking may be checked instead of encouraged; . . . and that cleanliness and order will be striven for to the highest degree possible. . . . The company will turn over its net profits for some useful purpose connected with the welfare of the city. (Thompson 1935, p. 13)

The idea of government monopolization of the alcohol trade -- which soon became known as the "Gothenburg system" after the Swedish town with the best-known municipal system -- proved attractive to a variety of interests and motivations as it spread. Revenue interests often remained a big concern: at the municipal level, the system appealed to the middle class not only as an instrument of labor discipline but also as a way of shifting local tax burdens onto workers. As the concept was transferred to state or federal levels, beginning with the Swiss federal spirits wholesale monopoly in 1885 (Cahannes 1981), it became an effective instrument to establish the state's control over and ability to tax alcohol production. It appears to remain true in the U.S. today that the monopoly states derive proportionately more revenue than the license states from alcohol sales (Mosher and Beauchamp 1983, p. 432). In the American South, where local "dispensary systems" made their first appearance in 1891 ("Athens" in Cherrington 1925-30) and the first state-level system was set up in 1893 (Eubank 1971), there was a background of racial as well as class domination (Herd 1983). In the same vein, municipal beer halls for Africans were a feature of the British Empire throughout southern Africa (Wolcott 1974). In small or impoverished countries, an alcohol monopoly could serve as a form of collateral for foreign loans (see "Costa Rica" and "Turkey" in Cherrington 1925-30), or as a means of limiting the impact of sales of alcohol forced by powerful trading partners (see "Iceland" and "Norway" in Cherrington 1925-30).

Besides their attractions to those concerned with public health and order, with the maintenance of class, gender and ethnic interests, and with public revenues, state monopolies were also often helpful and responsive to domestic agricultural interests (Cahannes 1981), and, in addition, appealed to socialists as a piecemeal measure of nationalization. For many elements of the temperance movement, however, particularly in English-speaking countries, the idea of state monopoly seemed "quite definitely a wet policy", to be vigorously opposed:

> for a century we have been building up throughout the civilised world an ever-strengthening case against this Traffic on moral, social, physical, and economic grounds. . . . If the nature of the Trade be what we have always declared it to be, it seems to us that nothing can justify on moral grounds the purchase by the Nation of a business which, when run by private individuals, has earned the moral reprobation of the community. (Heath 1940-41)

While the Gothenburg system was also problematic for the temperance movement in Scandinavia, by the interwar period many elements of the temperance movement had made their peace with it (Englund 1940-41).

Besides prohibition, there were several alternatives to state monopoly in the international literature and policy discussions of the half-century after 1885. The historic British system of
"licensing magistrates" and its adaptations in other English-speaking countries provided one model; the license systems adopted by a majority of American states after Repeal tended toward a more centralized version of this system, usually presided over by a specific state alcohol control agency. Another alternative, more congenial to temperance interests as being a step unequivocally in the right direction, was provided by various partial prohibition policies. "Local option", allowing individual localities to vote for local prohibition, became a staple tactic of the temperance movement in the late 19th century in many places. In recent years, local option for prohibition or control has reemerged as a policy in places as diverse as Alaska and Papua New Guinea. Partial prohibitions could also take the form of a prohibition on particular kinds of alcoholic beverages. Repeal in the U.S., for instance, came fairly close to leaving spirits prohibited (see Hoyt 1929, Henderson 1935). Iceland still prohibits stronger beers. The most widespread -- and most lasting -- success with partial prohibition was the prohibition of absinthe in many European countries before and during the First World War. Absinthe was banned in Belgium and Brazil in 1906, in Holland in 1909, and in Switzerland, the country with the greatest economic stake in absinthe production, by a 1908 national referendum which took effect in 1910 ("Absinth" in Cherrington 1925-1930, Cahannes 1981, Delahaye 1983). In France, it took the crisis of the First World War to bring about a ban in 1915 (Kudlick, 1985). But such attacks on and prohibitions of particular alcoholic beverages tend to be equivocal triumphs for those with a general temperance agenda, since they inherently distinguish "bad" alcohol from a residual category of "good" alcohol. Such a distinction is recurrently tempting in countries with substantial alcohol production interests, since it splits the industry interests and potentially avoids a head-on attack on the most powerful. But even in the case of absinthe, one may suspect that in part the particular beverage was being scapegoated for more general problems of alcohol.

In general international discussions of state alcohol control as an alternative to total prohibition, the arguments for state monopolization for many years tended to set the tone for the debate. In a number of countries, the question of monopolization as a state control mechanism arose anew or for the first time in the interwar period (Levine,1985; Österberg, 1985). Following lengthy prewar and wartime discussions, France finally set up a monopoly of spirits at the wholesale level in August 1919; a similar monopoly was established in Poland in January 1925 ("France" and "Poland" in Cherrington 1925-30). By the 1920s and early 1930s, when there was serious discussion in Canada, Finland and the U.S. of what might replace Prohibition, there was a wealth of experience and a quite substantial literature available on alcohol control measures, including alcohol monopolies, and their advantages and drawbacks (see Levine and Smith 1977). A book such as Catlin's Liquor Control (1931) gives us a sense of the thriving and pragmatically-oriented literature of that time. Within a few years, however, this literature disappeared from sight in the U.S. (and more generally in the English language), as the states settled their alcohol control systems at Repeal and alcohol problems were dropped from the public political agenda. The task of recapturing this hidden history is only now being undertaken.

It is, indeed, a particularly opportune time to uncover and consider the background of the alcohol control systems, set up 50 or more years ago, which in their main outlines still continue in many countries today. Over the years, many of the details of these systems have been worn away in a "ratchet mechanism" of small liberalizations (Mäkelä et al. 1981; Gray, 1982). Thus, throughout North America, liquor by the drink has become legal in many places where it was not, and in several monopoly states and provinces, substantial parts of the retail sale of alcohol have
been "liberated" to a much wider network of distribution than the monopoly stores (see Macdonald 1984, Lamarche 1983). Individualized controls through ration-books or purchase-slips disappeared from Sweden, Finland, and Ontario by the end of the 1960s. But it is only now that alcohol control systems as a whole -- and particularly monopoly systems -- have been seriously threatened with dismantlement. The British "Carlisle scheme" was privatized in the 1970s -- anticipating the present Thatcher government's wholesale denationalizations. In Quebec, Pennsylvania (Editorial, 1978) and Ohio (Gerstein, 1984, pp. 44-48), at least, recent years have seen substantial attempts to privatize the monopoly.

The recent political discussions in North America have been almost totally uninformed by empirical knowledge of the history or potential effectiveness of different systems of alcohol control. One reason for this is the extent to which the U.S. alcohol control agencies -- the monopoly systems at least as much as the license systems -- had lost touch with major goals which underlay the founding of their systems (Matlins, Greenberg and Bonnie 1979). Often the main emphasis in monopoly states has been simply on running an efficient and profitable state enterprise. The extent to which many of the systems have functioned in the interest of public health has been more a matter of routinized momentum than of conscious policy choices. As Levine (1985) suggests -- and likewise Moskalewicz (1985), in a different political context -- the motives involved at the inception of the systems were indeed mixed, and often attuned to now-outdated issues and social attitudes. But it is of practical policy significance for the present moment to understand more about the formation and history of the systems, in an international comparative perspective. It is also a crucial moment for those concerned about the public health aspects of alcohol availability to formulate in present-day terms the arguments concerning the potential for public health of state alcohol distribution monopolies.

One thing which is clear from the available information is that the mechanism of a government monopoly on a hazardous commodity does not inherently express public health interests. There are too many contemporary and historical examples of revenue needs or other interests pointing such a monopoly in the opposite direction -- no matter what the governmental system in which the monopoly operates. The French government tobacco monopoly, SEITA, continued well into the 1970s to take as its overriding purpose increasing the sales of tobacco products. As late as 1976, SEITA's director-general was claiming that "the relation between the abuse of tobacco and certain illnesses (cardiovascular disease, cancer) has never been scientifically established" (Lemaire, 1980, p. 52). When the Soviet government's retreat from alcohol prohibition in the early 1920s was climaxed by the reintroduction of 40% vodka in the government shops, Stalin stated frankly that fiscal interests must prevail over public health considerations:

A great many people seem to believe that we can upbuild socialism while we are wearing kid gloves. That is a great mistake, Comrades. If we cannot get any loans, if we suffer from a lack of capital, and if, furthermore, we do not wish to become the enslaved debtors of western European capitalists, . . . then we must find other sources of income. . . . We have to make a choice between debt slavery and vodka. (Barnes, 1932, pp. 229-30)

In Zambia's last years as the British colony of Northern Rhodesia, a letter to a newspaper advice column poignantly expressed the public health paradoxes of the municipal beerhall system:

We have no water, no lights, no schools and no lavatories but the Municipals say they will build us a beerhall. If we drink beer to give profits then one day there will be water supplied for us in taps.
How much beer must I drink before my children can drink water? Do other countries make poor people drink beer to collect money for water? (Hall, 1964, p. 135)

There is no doubt that governmental market controls, including monopolies, are potentially an instrument for the improvement of public health. But these examples underline the fact that the state monopoly mechanism may also be not only irrelevant but actually harmful to public health interests. Analyses of the public health potential of the mechanism therefore need to pay attention to the wide variety of different structures and conditions under which state monopolies have operated. An understanding of the broad historical experience of monopolies which has by now accumulated requires specification and analysis of such questions as which levels and parts of the alcohol production and marketing system are monopolized, what is the economic and commercial environment in which the monopoly operates, how are public health and other interests expressed in the governance of the monopoly, how effectively can the system enforce its monopoly, and what is the degree and character of public support for the system.

References


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