

The Gin Craze: Economics of Legal Reform on Alcohol

By Brigitte Henderson

Professor Rajagopalan

Abstract:

This paper deals with the Gin Craze which happened during 1700-1760 in London England. It will show the government intervention in promoting the purchasing of Gin and the shift in consumption by the London occupants. The change in taxes and encouragement socially altered the preferences citizens had from other beverages at the time which in turn created a “craze”. There is nothing strange about the change in people switching their likings, but how the craze is portrayed is as though the decisions being made were irrational. It also will also deals with a comparison to a more modern reform of alcohol with the Prohibition within the United States during the 1920’s. With both qualitative and quantitative information this paper aims explore the legal and social reforms that came with the mass consumption, and which policies lasted and can hopefully work in the long run.

Introduction-

The consumption of alcohol has been popular ever since the introduction of ales and wines for various reasons that every class had the luxury to partake in. In the introduction and creation of hard spirits we see a shift in consumption and change in preference. Spirits brought about the possibility to get very drunk with a smaller amount of alcohol and for cheaper. This heavily affected lower classes at a time when living was not only hard and exhausting but labor was not sufficient to provide a decent living for one person let alone an entire family. Although many see the mass consumption of gin as a craze and an irrational shift due to outside forces when really it was a rational decision on the part of London citizens. This switch in preference brought lasting effects that the government had no choice but to intervene with reform. We see the opposite side during the Prohibition within the United States. On the opposite side, alcohol was kept from being sold or distributed but there is still a constant abuse of liquors and ales. There is a constant cycle which continues to find no balance when there is an extreme imposition on legal reform laws on alcohol. This paper highlights both in the Gin Craze with little regulation and slow legal intervention the slight decrease in consumption. In contrast the prohibition within the United States, shows how still there is large consumption while alcohol is completely prohibited.

Section 1

I. London and Gin in the 18TH c. –

The early 18th century was a time of division in class and a time of trial and turbulence. With the start of the industrial revolution, people began to shift from the domestic economy into a new and mechanized economy due to the introduction of factories and the division of labor. The introduction of a 16-hour day would shift people from working from sun up to sunrise.

These increasingly long work hours would not only develop a stress over money and long hours but produce a craving for alcohol which would take away much of the pain associated with the tiresome work and stress of home life. (Marshall, 1956.) The dirty streets and people sick from illnesses were just an additional burden that enhanced the desire for a hard liquor to dull the pain that came with everyday life. Ale would no longer be the prime alcoholic beverage for the lower class because of the deregulation and distribution of hard spirits. The transformation of this drink would soon sweep the nation and be favored by the poor, often because of the large distribution and easiness that came with the distillation of gin. Ale and beer would become more expensive while Gin stayed at a relatively low price which in turn changed the preferences from a once common drink to the new hard spirit.

A large portion of the problem that would eventually lead to the “gin craze” was overcrowding and poverty in the city of London. These two dilemmas would stem into a “inferior order” within the lower classes and eventually cause tension and social unrest which extended into violence and public drunkenness. (Dorothy, 1925.) The lack of regulation would come from a fear that economic stability could fall due to the heavily work and agricultural efforts gin helped produce and keep steady.

This is fascinating in terms of how you look at the city of London at the time and are able to gather how different aspects of life enabled this to change the preferences of people not only because of the price but outside aspects that further enhanced the preference change. It supports the claim that it was rightfully irrational to change to the spirit and that the “craze” was just an increase in consumption.

II. Deregulation-

Originally Gin was not created by the English, simply altered from a medicine created in the Netherlands. When consumed as a medicine it was often added with sugar to parallel its bitter taste and eventually would swap out the ingredient of malt wine with a grain based spirit. Although government saw that Gin made people irresponsible and lazy they still did not enforce heavy regulatory actions on who could produce it because of the increase in grain production. (Marshall, 1956.) This increase in the production of grain would help stimulate a steady economy while increasing the labor force for agriculture. This would drive down the price of gin and change the spirit preferences, allowing the English to restrict the imports of French drinks that had been popular at the time such as Brandy. When King William III passed “An Act for the Encouraging the Distilling of Brandy and Spirits from Corn, and for Laying several duties on Low Wines” in 1690, it allowed anyone to distill spirits from grain to help fill the gap created by the absence of French drinks. Less taxation on spirits such as gin led to an increase in consumption and changed the preference from beers and ales to Gin. (Ashton, 2013.)

This Act was one of the causes that heavily impacted the preference change not only on the part of the consumer but on the suppliers. Men and women who were farming and distilling the spirits were more inclined to produce something that was in high demand and that would be taxed less. This is a pivotal action to take note on and can be regarded as one of the main factors that influenced the change of preference.

III. *The Gin Act of 1733* –

The Gin Act of 1733 tried to bring regulation to the distribution and distillation of gin. Placing regulations on who could and could not sell the spirit was supposed to change the mass amounts of drunk people in the streets and at the workplace. This act forbade unlicensed sellers to distribute Gin and the punishment was £10 which in 2018 would be £2,339.01. This act relied heavily on informers but the small amount that the seller was penalized often did not leave much of an incentive for the informants, especially if the distributor did not have the money. It still was not hard to obtain a license for those who wished to become distributors. This in turn did not reduce the mass consumption of gin and was the beginning to the creation of a black market for the spirit that was once significantly easier to distribute and distill. The lack in change would begin to bring rise to other problems related to gin and compel others to implore the government to regulate further with other Gin acts.

IV. *The Gin Act of 1736* –

The Gin act of 1736 was very similar to the Gin act of 1733, it had very similar rule and it also did not affect consumption in the long run. Penalties were again charging distributors in public without a license £10 (£2,339.01 today) but with the addition that the distilling fees were increased to £50, which would be £10,596.89 in 2018. Although the act created a larger incentive to tell on retailers (which in the future would create backlash amongst the citizens) nothing would affect the mass consumption in the long run. Violence quickly escalated against enforcers and informers and as quoted in Jessica Warner and Frank Ives' Study *Vox Populi and the Unmaking of the Gin Act of 1736*, “a licentious, riotous, seditious, and almost ungovernable spirit in the people” further showing a growing hatred for the regulations being put in place at the

time. The only implementation of legislation were still only on license fees and distilling fees which did nothing for the supply or demand for the spirit

V. Gin Act of 1751 –

There were several gin acts between the years of 1736 and 1751 but they varied with small changes in the incentives of consuming and producing hard spirits. It wasn't until the Gin Act of 1751 that made a lasting effect that would follow in the decrease of consumption of gin. The reason for these regulations making a difference was that the “proper” rules were finally put in place. (Ashton, 2013.) There were several key elements that helped lower the consumption of Gin in 1751. First was the actual act that prohibited distillers from selling to unlicensed merchants, restricted retail licenses to substantial property holders and charged high fees to those merchants eligible for retail licenses. Another was the combination of a bad crop during 1751 along with the change of calendars. The U.K changed from the Julian calendar but changed to the one used in continental Europe; however, this would put them 11 days ahead which in the short run took a large toll on their wages and monthly rental fees. Along with the surrounding prices of increased the people were no longer incentivized to consume or distribute the spirit any longer. After it was apparent in crime rates and promotion of prostitution the government felt the need to step in to help citizens of London with the drink they once promoted. It was the time between 1736 and 1751 that show an increase in what is considered “bad” for society and when government increased regulations and rules till there was an actual change.

VI. Gin and Art-

With the Gin Craze came a number of depictions of men and women in the streets and it was usually in a very drunk state. Women were often depicted giving children gin or neglecting

them because of the hard spirit, the most famous at the time is the image *Beer Street* and *Gin Lane* by William Hogarth. The painting depicts two variations of drawings next to each other. The first being a happy, nourished and lively on the English ale that used to be the norm of the people. The next drawing being that of *Gin lane* where the people are laying in the streets and clearly addicted to the hard spirit that is clearly destroying any sort of happy or lively atmosphere that once was. It is important to see the depiction of how common people felt about not only consuming gin but what came with this mass consumption. This would develop in a broader sense and would arise in different organizations that would press the government to enforce acts that would eventually play a role on the consumption of gin but set up a regulated sense of social norms and acceptability's. Art, poetry and other forms of art would pave the way for social norms, not only portraying the glimpse of what common folk thought but eventually lead to government intervention on how one should behaving in public.

VII. Social Reform-

With the creation of new booming and industrialized cities came a whole new way of living, and most importantly a new income for those who had only been able to work and survive in the agricultural/domestic economy. The gin act was in the midst of a time when people began succumbing to their temptations and delved into the pleasure they desired. The religious way of living heavily relied on the Christian faith which in London during the 18th century was most of the population. This in turn left it up to the Christian faith on how society should be which would begin to be undermined through the heavily growing industrial and urbanized city of London. Things such as cursing, prostitution, gambling and drunkenness were only some of the things that would begin to be looked down on. One of the core reasons for the observation and need for

reform stems from a social hierarchy that felt jeopardized because of the beliefs that were quickly changing with the change in urbanization. Before this period of time people rarely worked for wages, this would bring larger amounts for spending and machines that would produce cheaper goods, including the good that is gin. Every class was entitled to make a profit and this began to scare the traditionalists who once held a certain amount of power that would up until this point inherit it. These would hold true through the 18th century and begin to influence what other thought but the actions people would take to impose government intervention upon the problems that began to stem from society. Market actions can successfully affect the experience of the good and this is one of the methods the English Government used to change the preference of more people during the 18th century. In a time that was in the midst of the industrial revolution, there was an incredible shift in the way people began to think and feel for their country. England became a place of technological advances that had never been seen before, a country of manufacturing and no longer a domestic economy. Although many factory workers were poor and worked 16 hour days it was still possible and important to support your country. Much like the Revolutionary war people were able to show their patriotism with the boycott of certain goods from foreign nations. French brandies were swapped with English made gin, and luxurious drinks that were made outside of the country were no longer just for the elite, the hard spirit would be affordable to all including the poor which was a huge factor at the time.

With the government in support, the increase in jobs from grain production and the affordable price of gin, the change in preference is a completely rational shift in consumption. Once many realized that the costs did not outweigh the benefits many took actions to try and bring an end to the mass consumption. Socially wives complained of beatings, employers complained about their stores and equipment of being destroyed and how the money being given

to workers were only used to buy more of the spirit. This in turn made people push the Gin acts so that the government would step in and create a more acceptable way to act in public. Tickets issued to people for urinating or being drunk in the street and for distributing gin were now fined heavily. This would ultimately tie the government into controlling the consumption of alcohol and creating laws that would reduce not only the consumption but acts taken in public so it would further enforce a more “civilized” attitude, this has never been seen before.

A large part of understanding why and how people began to change their preferences and choices was a shift in the indifference curve. This is determined by the income effect, this shows the change in a consumer’s optimal consumption changes as their income changes and this will then change the quantity of a good purchased. Whenever the income has changed the consumers constrained budget shifts outward and when it has changed by decreasing, it shifts inwards. This all applies to a positive income effect. If a consumer experiences a negative income effect. Once a consumer’s utility has increased, their optimal consumption point shifts and is now located in a different area, one that it is optimal for them to reduce their quantity so that it is now an inferior good, and in the case of negative income effect, the income effect is negative for the given good.

With the rise of the industrial revolution people’s income significantly increases, it is shift from the domestic economy to the industrial economy that allows people to have a larger income and therefore effects their prices and quantity of a good purchased, in this case gin. Once gin became a higher price but their income did not rise it was considered an inferior good, and the people of England

VIII. Baptists and Bootleggers-

In the beginning of the Gin Craze it is easier to break up certain parties into the categories of Baptists and bootleggers because there were less committees, acts, substitutions and in general the public was less sure than it is today in what they wanted and how to go about getting it. With the lack of rules and regulation it was much easier to properly separate who would benefit from certain implementation and who would suffer and vice versa. It is not until the breakdown that we are able to measure exactly at what costs certain actions were to people and how to properly categorize where we will be determining loss and gains in this paper.

Bootleggers:

IX. Government Officials:

One of the main reasons the gin craze became a craze or even appeared within England was to boost and stimulate the economy. The production of grain would rise and help generate jobs for more farmers, manufacturers but also help with the increase of consumption leading to the increase in tax revenue. Although for the beginning the gin craze the taxes on the beverage were relatively low, there were now more “common” people drinking the beverage so essentially the revenue would balance out if it was high with only a few consuming the product. It wasn’t until late into the gin craze that government might be seen as Baptists. Once the cost outweighed the benefits they would soon start to implement Gin acts, tighter regulations on arrests and the way gin was manufactured and distributed.

The second large addition to stimulating the job market within England was lessening imported goods, which would also be a huge benefit to the economy. England was no longer reliant on France for their imports of liquor because they were now in control of their own production.

X. *Pubs and Bars:*

With the large consumption of gin within the lower classes this gave rise in profit to bar and pub owners. Taxes and costs of upkeep in running bars would no longer outweigh the benefits of owning a bar, they would begin to make a lot of money based on the deregulation and increase in consumption. It is not until later when the government begins to create stricter rules and implements heavy taxes on these institutions that we will begin to see a shift in where pubs and bars lie on the Baptist bootlegger scale.

XI. *Farmers, Manufacturers, and Distributors:*

The rise in production and distribution would now help lower class men and women generate an income that relied heavily on the public's heavy consumption of gin. With the increase in grain production this would keep cheap prices for manufacturers and distributors which in turn would allow the public to consume gin for a significantly cheap amount. It is with grain that there was a reduction of costs for farmers yes, but it was highly beneficial to government officials because they no longer paid large tariffs for imported goods but towards the end of the craze we would see this become something that was no longer beneficial, and would not outweigh the high costs of having a large consumption gin.

XII. *Actual Bootleggers:*

Towards the middle and end of the gin craze, the government began to implement rules and regulation to try and lower and shift the consumption of gin by making bars and pubs close early or only serve a certain amount of liquor. Of course, with those dependent or addicted this would open a market, a back-market for gin. Although there were penalties for the improperly

distribution of the product it was very hard to enforce and therefore the benefits outweighed the costs. Bootleggers did not profit until the government stepped and began to create strict regulation, many bootleggers were in support of the acts being put in place because they would continue to profit the more the government involved itself.

Baptists:

XIII. Women and Children:

The people who began to feel the gin craze heavily in the beginning and throughout were women and children. It was a period in time when the family as a unit needed to produce a certain amount of income to survive. With the cheap price of gin, many would spend their paychecks on the liquor instead of food or shelter. This began with the neglect of not only basic needs, but would soon turn into abuse. Men would often beat women and children, family members would be kicked out of homes leading to a rise in orphans, and people on the street. Eventually these reasons would be a driving force into the implementation of gin acts to try and regulate consumption in the hopes of reducing these problems.

XIV. Police:

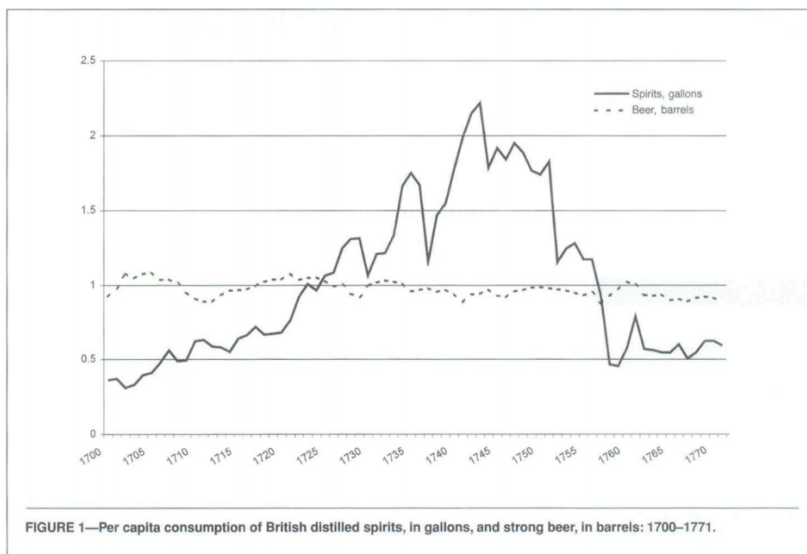
This is an interesting force that presents itself because it lies in the category of Baptists, although many police officials would also consume gin, because they were still of working class. This is the first time in history where there was a development in what was appropriate in the public eye. With the rise in consumption this would also bring rise to burn factories and homes, abuse, crime, arson, desecration of public areas and outward disobedience in general. Police were not inclined to treat these dunks like Baptists by any means, but it did put them in a position

of support for acts that would hopefully reduce the consumption of gin and lower the rates of crime within the London community.

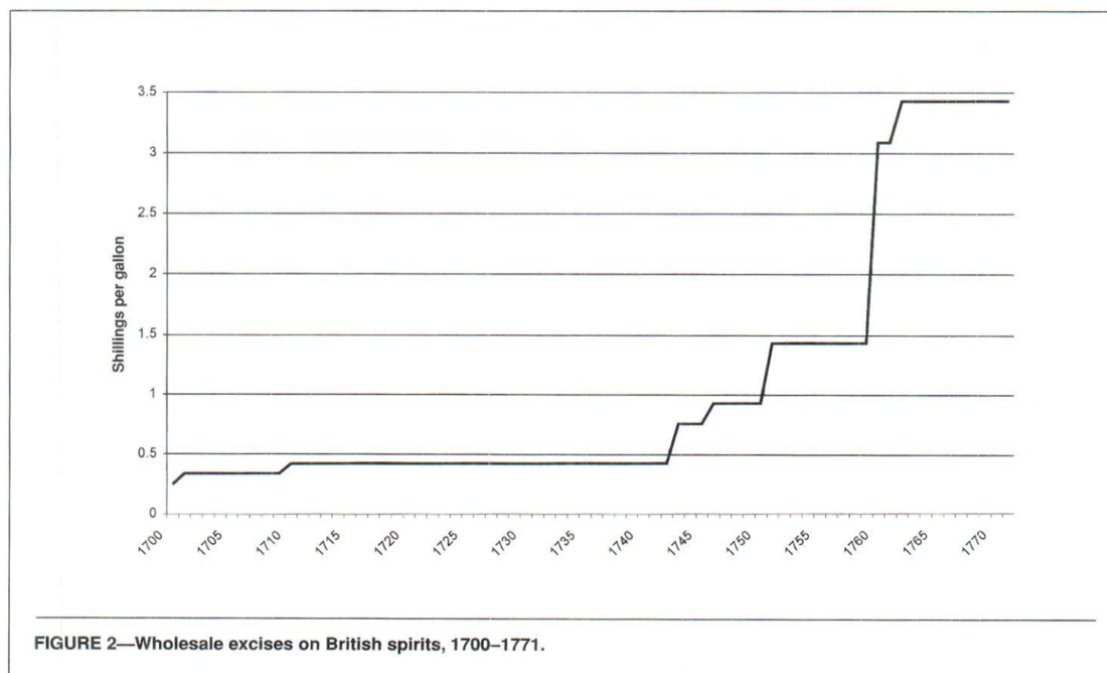
One of the most interesting aspects to the category of Baptists is that it was mostly compiled of common people. Government regulation or implementation of certain aspects it hopes to improve rarely accomplishes what it sets out to do. The people who at first benefited from this low cost substance would eventually begin to bear the cost heavily and be lead to try and reform their own society. It raises the question of how much regulation is necessary but also to what aspect the government is truly looking out for its citizens and the tipping point of the cost where it is usually necessary for non -governmental officials to step in and demand reform.

XV. Relative Price Theory-

Relative price theory explains the ration between the prices of two goods or the ratio between a good price on the market and an average weight of all other goods that are on the market. The theory allows the possibility of increasing desire or preference of something while also allowing a signal to the person providing the good. Relative price is a good way of understating how to produce and knowing what to produce.



The Graph above highlights the price of gin that would begin to steadily increase for about 45 years and then begin to gradually decline in 1751 after the Gin Act of 1751 made it too expensive to consume Gin. Beer stayed at the same consumption but it is Gin that was cheaper for a large portion of time and that is why the consumption continued to skyrocket.



Above is another Graph showing the price of gin all throughout the Gin craze. Although different acts tried to reduce the consumption of Gin it was still very cheap and therefore consumption did not decrease until it became an inferior good in 1751 and the price continued to rise. It also was the act that was the latest implemented therefore people began to see the negative side to Gin and was getting featured in propaganda as an evil drug taking over England. We see this in the price moving up to 1.5 shilling in 1751 and then continuing to rise (M.D. George, *London Life in the Eighteenth Century*, 2nd ed. (Harper, 1964).

Not only was it price but the social reform backing this decrease in consumption.

A large portion for the shift and decrease in consumption of gin were not only the laws which began to increase the price of gin but it was the higher prices of other goods such as bread.

At the end of the Gin craze due to many spoiled crops the price of bread shot up and people no longer had extra income to be spending on gin especially with it being more expensive. With this people had to choose whether to starve or stay sober. This is important because as innovations are made and people begin to once again have enough money to buy their necessities but also have some to spend you would think we would see another craze much like the one in the early 18th century. (Ashton, 2013)

XVI. Rational Choice-

Rational choice theory states that people choose what they want due to their preferences and knowledge of a certain situation. It assumes that people make decisions that are efficient to them. When the price of something goes down people will tend to buy more or of equal value of the good, when the price goes up less will be bought. With the gin craze this is exactly what happened to the hard spirit. There was an increase in demand, so the supply met that. Irrationality assumes that although there is perfect knowledge and people have their preference in order they choose to consume something different for what seems to be no apparent reason. This change in consumption did have a reason, it was not something everyone decided to just do. Heavy taxes were put only on ales and wine so people consumed more gin because it was cheaper. The English government at the time made this possible, with a decrease in imported liquors this stimulated a new way of creating an English made spirit that would also increase grain production within the country. Although someone may have preferred ale to gin, many preferred the cheap price of gin over their preference of ale which is a rational choice and one made on the margin as it should. It is important to understand this because legal actions were taken through acts to slow down this consumption. Although the purchasing of gin was rational, there were too many problems that took place throughout society due to it. Rates in crime, abuse

and public drunkenness all occur with the rise in consumption of gin. Although it became something the people heavily demanded its benefits did not outweigh the cost.

The mass consumption of Gin was something that lasted half a century. It was a drink heavily demanded and that would only increase every year at a steady rate. It is a drink that correlates with crime, prostitution, accidents and many other terrible topics society tries to avoid. Through history it is depicted in art and stories because of the massive role it played on society for a period of time. It is also important to understand that although it is considered a craze, the price in the actual Gin did not rise or alter too much to the point where it was economically efficient to change preference. It was a steadily consistent rational choice but it was seen as an unexplained and unstoppable epidemic. What was rational choice eventually lead to the first intervention the government would make on spirits to effect mass consumption, it is the mass consumption that lead to legal and social reform which was the first of its time but would have lasting effects for years to come.

Part 2:

I. The U.S. Prohibition: The Beginning -

The prohibition movement began much earlier than some may realize, it was in the 1820's with the revival of the Protestantism. The followers thought of the consumption of alcohol to be sinful and destructive to the ever-growing society. Maine would be the first state to pass prohibition law in 1846 and other states would soon follow before the beginning of the civil war. The Prohibition Party was founded in 1869 with the goal to ban the manufacturing and sales of intoxicating liquors. Many of the group's supporters came from small towns and rural communities who often associated with the Protestant Evangelical churches which heavily dominated most of the areas. Another driving force for the prohibition and the indoctrination of

the eighteenth amendment can be seen recognized in the Anti-Saloon League which was established in 1893. The league was an interdenominational Protestant organization which was devoted to advancing prohibition through the use of political means and law. Many of the problems the league associated alcohol with were the rising number of “aliens” entering the country many of whom were Roman Catholic. This fear paired with the rise in increasing urban areas continued to push small town members of the league to push for prohibition. Saloons and other public drinking establishments still carried the association of gambling and prostitution which was even more frowned upon by the church at this point in time. Employers would see this as an opportunity to solve industrial accidents and increase the efficiency of workers. When the United States entered the first World War Congress prohibited the manufacture and importation of distilled liquors in order to aid the war effort. The president was also authorized to lower the alcohol content of beers and wine and to restrict or forbid the manufacturing of them. The league would use organization and persuasion tactics to push the election in supporting dry candidates that were running for office. They were incredibly successful between 1906 and 1913 and finally when the prohibition took effect in January of 1920 when 63% of the total population (thirty-three states) had prohibited all intoxicating liquors.

Many prohibition supporters were surprised initially after the eighteenth amendment was enacted, they expected alternative goods such as clothing and household goods to skyrocket. Property owners/ land owners thought the price or rent and real estate to skyrocket as saloons closed and neighborhoods “improved”. Many also believed that a new way to entertain the everyday American would come to pass such as movie theaters, chewing gum, soft drink companies but this did not happen. Amusement and entertainment industries declined, and restaurants too began to close down for they could not make high enough profits without the sale

of now illegal liquor beverages. This would also leave thousands jobless not only in breweries, distilleries, and saloons but waiters, barrel makers, truckers and others heavily related on the consumption of alcohol. States tax revenue also became a huge unintended consequence, a huge part of tax revenues came from the excise taxes on liquor, one example being that 75% of New York tax revenue was from liquor. The federal government lost a total of 11 billion in lost tax revenue while to enforce it cost 300 million, although the cost is below breaking even this would have a more lasting consequence in that the federal government would rely heavily on income tax to fund their future budgets.

II. *The Volstead Act-*

The Volstead Act, formally known as the National Prohibition Act, was enacted into U.S. Law in 1919. The act was to provide and help with the enforcement of the eighteenth amendment, prohibiting the manufacturing and sale of alcoholic beverages. At first the act was vetoed by president Woodrow Wilson, but then became a law congress vetoed to override the veto. The act charged the I.S. Treasury Department with enforcement of the new restrictions. The Volstead act defined beer, wine and other types of spirits illegal if the alcohol content of the beverage was more than one-half one percent. The act was a legal definition of what an intoxicating liquor was. One of the loopholes within the act was allowing alcohol for religious and medical purposes which is where there was an influx of people taking advantage. There was now a large incentive to be a priest, rabbi or pharmacist.

III. The Eighteenth Amendment –

The eighteenth amendment prohibited the manufacture, sale or transportation of intoxicating liquors but did not prohibit the consumption, private possession or production of one's own consumption. The importance of the eighteenth amendment must be seen in its historical context, The Amendment establishing income tax (1913) removed the obstacle of the prohibition which was the source of revenue the government made on alcohol taxes. The income tax made the prohibition financially feasible, and brought together many third party activists who would be opposed to alcohol to help advance their ideologies and causes that sometimes had little to do with liquor.

IV. *Unintended Consequences:*

There was a change socially due to the loopholes within the Volstead Act which heavily helped evade the dry era. Whiskey was often proscribed by pharmacists to help cure influenza and anxiety and bootleggers quickly used this as their front raising the number of registered pharmacists. Americans were also allowed to drink and obtain wine for religious purposes which gave a rise to the enrolment of churches, synagogues while many also became self-proclaimed rabbis and priests to reap the benefits of obtaining alcohol. Grape juice fermentation was also an at home attempt to make wines and other liquors, but the quality of these liquors were still dangerous and bad killing on average 1000 Americans every year due to drinking tainted liquor.

With the prohibition enacted, it was proven only to work in small towns and rural areas, this was much harder in highly populated urban areas. Illegal suppliers were quickly found in high demand for providing alcohol, with the urban cities mostly being populated by immigrants who morally did not understand what was wrong with consuming alcohol. Bootlegging by the

organization of criminal groups was one of the largest unintended consequences of the prohibition throughout the 1920's. Other consequences were the illegal importation, manufacturing, distribution and sales of liquor. Another was the consumption of medicinal substances that alcohol was found in and sold at local drug stores, and unfit for high consumption. Many others began distilling their own liquors from corn and wheat but could cause blindness, paralysis and death because the product could be dangerously impure.

During the prohibition large corporations such as The Root Beer Company, James Horton of the Horton Ice Cream Company, U.S. Steele Corporation, Coca-Cola and Welch's Grape juice all contributed substantially because of the expected benefit of the prohibition (Thornton, 2014.). Soon with the organization rising there was no choice for saloon owners to partake in criminal and unlawful activity, they paid bribes to police officers and elected officials, and expanded their income through money from prostitutes, gamblers and pickpockets. The problem became over competition, unable to make a living honestly they became forced to be dishonest.

Baptists:

V. Baptists and other faiths:

“Protectionist measures, subsidies, and local monopolies tended to promote the production of alcohol products, while taxation and regulation tended to control their use (Meier, 2016.) While this is true, another form that tried to limit the consumption of alcohol was religious groups which has and continues to play an enormous role on the consumption of products deemed as bad addictions, such as alcohol, drugs and gambling. This escalated from the time of the Gin Craze and would continue to rise during the Prohibition during the 20's but found its roots during the beginning of the civil war. Northern evangelicals, from Baptist, Congregationalist, Methodist and Presbyterian churches and their goal would be to prepare the

world for a world of Jesus's return. In the hopes of doing this, there would be an increase in repulsion and repression of alcohol and also would try to gain the help of the state with officers with the promise that this temperance would improve civilization and the economy. These religious groups would be paired with the Washingtonians at first, which was a group that consisted of former alcoholics and were somewhat the original Alcoholics Anonymous with similarities in structure and principles. These are crucial aspects of the prohibition to understand because there is a clear transition from voluntary to forceful means of temperance. Prohibition groups were at first unsuccessful with their method of social reform, Thornton explains, "The history of this phase is characterized by temperance forces organizing coalitions in order to pass restrictive legislation, such as local opinion, quantity sale requirements, and local prohibitions. These restrictions ultimately failed to achieve their intended results proved difficult to enforce" (Thornton, 2014.). This would also lead to a number of unintended consequences such as poor quality alcohol, an increase in drinking and drinking establishments that took part in unlawful activity.

VI. Third Party Movements:

A major factor in the way in which the prohibition was finally accomplished was the rise in third-party movements and one of those being the Prohibition Party. It joined together with other movements that partook in dialogue and movements that would take on child labor laws, women's suffrage, direct election of senators and income tax. The combination of this would soon be applied to major political parties and this is how laws regarding many of these issues would come to pass. The Prohibition Party would join with The Anti-Saloon league and the Women's Christian Temperance Union. Soon with a ton of money allocated from membership fees and donations the league would campaign for the prohibition with "The Church

against saloon” this would not target any individual but a system in general that upper to middle class rural citizens were already wary of (Miron, 1998)

Women for prohibition was a popular movement among many because they believed they would be the prime benefits due to the fact that males more specifically husbands were those who suffered the most from intemperance.

Another foundation to the movement was that of immigration and this is a key reason the prohibition finally took off and could Segway into politics. Many of those who opposed the prohibition were immigrants, many of who lived in the urban areas of the United States. The goal was largely conservative with “an attempt to fix society, enforce middle-class morality, and protect the old-stock American way of life” (Thornton, 2014.). The third party was responsible for the success (for a short period of time) of the prohibition, but it also developed commercial rent seekers, those of which who were all in competitive industries to that of alcohol.

VII. *Transaction Costs-*

Throughout the prohibition within the U.S. we see a strong rise in the consumption of alcohol. Above shows Fishers Alcohol Price Index from 1920 to 1930. This shows money the government spent on trying to regulate alcohol within the states, be in in trade, in fine and penalties etc. This reflects how much money was essentially wasted with little to show for actually regulating alcohol.

**Federal Expenditures upon the Enforcement of Prohibition
(thousands of dollars)**

Year Ending June 30TH	Bureau of Prohibition	Coast Guard	Indirect Cost	Total Cost	Fines and Penalties	Total Net Expenditures
1920	2,200	0	1,390	3,590	1,149	2,441
1921	6,350	0	5,658	12,008	4,571	7,437
1922	6,750	0	7,153	13,903	4,356	9,547
1923	8,500	0	10,382	18,798	5,095	13,703
1924	8,250	0	10,381	18,631	6,538	12,093
1925	10,012	13,407	11,075	34,494	5,873	28,621
1926	9,671	12,479	10,441	32,591	5,674	26,944
1927	11,993	13,959	11,482	37,434	5,126	32,272
1928	11,991	13,667	16,930	42,588	6,184	36,404
1929	12,402	14,123	16,839	43,364	5,474	37,890
1930	13,374	13,558	17,100	44,032	5,357	38,675
Total	101,493	81,193	118,747	301,433	55,406	246,027

(Thornton, 2014).

Below shows Fisher's Alcohol price index in 1916 and 1928, this shows the average price per quart and the increase in price. With this it is also possible to visualize the alcohol that did not have a price yet but were then invented due to the prohibition.

Fisher's "Alcohol Price Index," 1916-1928

	Average Price Per Quart 1916	Average Price Per Quart 1928	Increase in Price (%)
Lager beer	\$0.10	\$0.80	600(700)
Home Brew		0.60	
Rye whiskey	1.70	7.00	310(312)
"White Mule" (bootleg whiskey)		3.20	100
Gin	.95	5.90	520(521)
Gin (synthetic)	3.65		285
Brandy	1.80	7.00	290(289)
Port Wine	0.60	3.90	550(550)
Sherry	0.60	4.32	600(620)
Claret	0.80	3.00	200(275)
Average Percentage increase in alcohol price			360(467)

(Thornton , 2014.).

Below shows a table showing The Effect of Prohibition on Alcohol Expenditures, it is interesting because the Prohibition raised the amount spent for spirits to three billion dollars and then reduced that for beer to less than a billion dollars. Although this was the case it is also known as Fisher states, "well known fact that the Prohibition has been more effective in suppressing the drinking of beer than of whiskey" (Thornton, 2014.).

**The Effect of Prohibition on Alcohol Expenditures
(Millions of dollars)**

Year	Probable Max. Expenditure without Prohibition			Estimated Actual Expenditure		
	Spirits	Beer	Ration S:B	Spirits	Beer	Ration S:B
1921	2,212	2,307	0.49	528	136	0.80
1922	2,245	2,069	0.52	2,704	188	0.93
1923	2,279	2,100	0.52	3,504	250	0.93
1924	2,313	2,131	0.52	3,168	321	0.84
1925	2,347	2,162	0.52	3,312	398	0.89
1926	2,381	1,193	0.51	3,568	490	0.88
1927	2,415	2,225	0.52	2,896	595	0.83
1928	2,449	2,526	0.52	3,360	726	0.82
1929	2,483	2,287	0.52	3,616	864	0.81
1930	2,516	2,318	0.52	2,624	850	0.76

(Thornton, Mark. *Economics of Prohibition, The*. Ludwig von Mises Institute, 2014.).

Below shows the Per Capita Consumption Rate of Alcoholic Beverages in gallons from 1840 to 1919 you can slowly see the decrease in the numbers for consumption but this is because this is during the time when people are starting to make their own beverages which are dangerous and poisonous and highly potent. With the creation of these homemade and bootleg drinks, it now takes far less to get drunk approximately 10 to 1, meaning it only takes a tenth off the bootleg drink to get you as intoxicated as one full bottled spirit used to.

**Per Capita Consumption of Alcoholic Beverages
In Gallons, 1840-1919**

Year	Spirits	Wines	Beer	Total Alcohol	Total Pure
1840	2.52	0.29	1.36	4.17	1.36
1850	2.23	0.27	1.58	4.08	1.22
1860	2.86	0.34	3.22	6.42	1.62
1870	2.07	0.32	5.31	7.70	1.31
1880	1.27	0.56	8.26	10.09	1.06
1890	1.29	0.46	13.57	15.42	1.34
1900	1.28	0.39	16.06	17.73	1.38
1901	1.31	0.36	15.95	17.62	1.38
1902	1.34	0.62	17.15	19.11	1.49
1903	1.43	0.47	17.64	19.54	1.53
1904	1.44	0.52	17.88	19.84	1.55
1905	1.41	0.41	17.99	19.81	1.53
1906	1.47	0.53	19.51	21.51	1.64
1907	1.58	0.65	20.53	22.76	1.75
1908	1.39	0.58	20.23	22.20	1.64
1909	1.32	0.67	19.04	21.03	1.56
1910	1.42	0.65	19.77	21.84	1.64
1911	1.46	0.67	20.69	22.82	1.70
1912	1.45	0.58	20.02	22.05	1.66
1913	1.51	0.56	20.72	22.79	1.71
1914	1.44	0.53	20.69	22.66	1.67
1915	1.26	0.33	18.40	19.99	1.46
1916	1.37	0.47	17.78	19.62	1.51
1917	1.62	0.41	18.17	20.20	1.64
1918	0.85	0.49	14.87	16.21	1.13
1919	0.77	0.51	8.00	9.28	0.80

(Thornton, 2014.).

VIII. End of the Prohibition-

When the stock market crashed in 1929 the prohibition movement lost strength, for many argued that the ban was essentially ineffective due to the high rise in criminal production and sale in alcohol. The public's advocacy for speakeasy's bred and brewed a disrespect for law enforcement and government. Lastly, the prohibition lost full power when arguing that legalizing the manufacturing and sale of alcoholic beverages would provide needed jobs in a desperate time and hopefully stimulate the economy. Eventually it would be the twenty first amendment that would require ratification by state convention rather than legislators. Although the amendment did allow prohibition by states, by 1966 all states would repeal the provisions.

Conclusion -

It is important to see the correlation between two different forms on legal reform of alcohol both in the present and the past. First with the gin craze we see the government support and promote Gin but then soon see the unintended consequences in the labor market and socially. Numerous steps are taken to shed light on how gin is bad and portray it in a negative light via pamphlets, art and journals. This does nothing, so other acts are implemented so that it becomes harder to sell and purchase gin, but we see a black market rise. It is not until 1751, when the price of gin rises that we see a decline in the consumption.

With the Prohibition in the 1920's we see instead of the government, it is the people who support the notion of temperance and move forward with what would later become the prohibition. Again socially through pamphlets and speakers we do not see an extreme drop in consumption. There is impatience and a change legally, making it harder to sell or purchase alcohol. Much like the gin craze, there are unseen unintended consequences such as criminal activity, making of dangerous homemade alcohol and a shift to other substitutes such as

drugs. Once the stock market crashes, it is too costly to not have the jobs which alcohol production brings.

In either case we see that alcohol is a tricky subject to try and reform properly, slow and slight shifts are in my opinion like Thornton states, “Protectionist measures, subsidies, and local monopolies tended to promote the production of alcohol products, while taxation and regulation tended to control their use”. If there is something dangerous or a problem with an addiction that should be evened out to the tax on it. Extreme measures as shown often never work and rarely achieve what they mean too. Alcohol is something that should have only subtle and lenient legality because we see with the extreme there are too many unintended consequences that do not promote productivity and instead enforce abuse or open a different and worse market as a substitute.

Sources:

- “Alcohol in the 18th Century: European Expansion - Explore Alcohol History!” *Alcohol Problems & Solutions*, 8 Apr. 2019, www.alcoholproblemsandsolutions.org/alcohol-in-the-18th-century-european-expansion/
- Ashton, T. S. “An Economic History of England: the 18th Century.” *Questia*, www.questia.com/library/146715/an-economic-history-of-england-the-18th-century.
- Ashton, T. S. *Economic Fluctuations in England (1700-1800)*. S.n., 1989.
- Ball, Professor Michael, and David T Sunderland. “An Economic History of London 1800-1914.” 2001, doi:10.4324/9780203520116.
- Dingle, A. E. “Drink and Working-Class Living Standards in Britain, 1870-1914.” *The Economic History Review*, vol. 25, no. 4, 1972, p. 608., doi:10.2307/2593951.
- Maitland, William. *The History and Survey of London from Its Foundation to the Present Time: Including the Several Parishes in Westminster, Middlesex and Surrey, within the Bills of Mortality*. Filmed by the Genealogical Society of Utah, 1975.
- Meier, Kenneth J. *The Politics of Sin: Drugs, Alcohol and Public Policy*. M.E. Sharpe, 1994.
- Skog, Ole-Jørgen. “The Long Waves of Alcohol Consumption: A Social Network Perspective on Cultural Change.” *Social Networks*, vol. 8, no. 1, 1986, pp. 1–32., doi:10.1016/s0378-8733(86)80013-2.

Spring, Josephine A., and David H. Buss. "Three Centuries of Alcohol in Britain." *Alcohol Problems*, 1979, pp. 22–30., doi:10.1007/978-1-349-16190-4_3.

Taylor, Anya. *Bacchus in Romantic England: Writers and Drink, 1780-1830*. St. Martin's Press, 1999.

Thornton, Mark. *The Economics of Prohibition*. The Ludwig Moses Institute, 1991.

"Treaty between British Government and King Faisal., October 10th, 1922." *Gazetteer of the Persian Gulf, Oman and Central Arabia Online*, doi:10.1163/2405-447x_loro_com_080203.

Urban, Raymond, and Richard Mancke. "Federal Regulation of Whiskey Labelling: from the Repeal of Prohibition to the Present." *The Journal of Law and Economics*, vol. 15, no. 2, 1972, pp. 411–426., doi:10.1086/466744.

Warner, J., and F. Ivis. "'Damn You, You Informing Bitch.'" *Vox Populi and the Unmaking of the Gin Act of 1736.* *Journal of Social History*, vol. 33, no. 2, 1999, pp. 299–330., doi:10.1353/jsh.1999.0078.

Wilson, Thomas, and Charles Lawrence Scruton. Linnell. *The Diaries of Thomas Wilson: D.D., 1731-37 and 1750. Son of Bishop Wilson of Sodor & Man*. 1964.

Zieger, Susan Marjorie. *Inventing the Addict: Drugs, Race, and Sexuality in Nineteenth-Century British and American Literature*. University of Massachusetts Press, 2008.

