

## **The Value of American Thirst**

The American Prohibition of alcohol was a policy born from political pressure. The growing influence of the Anti-Saloon League (ASL) as a lobbying force culminated in the passing of the 18th Amendment – prohibiting the production, transport, and sale of intoxicating liquors – in 1920. The policy resulted in so much crime, corruption, and financial loss that it is still the only Constitutional Amendment to be repealed in American history. Besides failing to significantly curb alcohol consumption, Prohibition spurred the rise of organized criminal syndicates that became so rich and powerful that criminal influence pervaded all levels of American government and law enforcement.

### **Americans Find Loopholes**

Incentivized to find other means of making revenue, American brewers found their solution in malt syrup. Although selling beer was illegal, selling malt syrup to brew beer at home was perfectly legal. Consumers added the malt extract to water and made “real foamy, alcohol-rich beer” (Okrent). The legal loophole allowing the sale of home brewing materials kept American brewing companies profitable and American beer consumers quenched. Anheuser-Busch alone sold over six million pounds of malt syrup per year and maintained such revenue through the duration of Prohibition (Okrent).

Unlike brewing beer, distilling alcohol at home was still illegal. However, Americans found that they could still purchase home stills “at many hardware stores, while instructions for distilling could be found in public libraries” (Lerner). The Volstead Act also allowed religious groups to purchase wine for their rituals. This gap in Prohibition resulted in a sudden increase in attendance in churches and synagogues as well as a surge in the “number of self-professed rabbis who could obtain wine for their congregations” (Lerner).

The Volstead Act also permitted the medicinal use of alcohol. This stipulation of Prohibition prompted “fifteen thousand physicians” to line up and receive permits to fill prescriptions for medicinal alcohol “before Prohibition was six months old” (Okrent). For the duration of Prohibition, a “patient” could fill his or her prescription for “one pint every ten days, and a doctor could write a hundred prescriptions a month” for medicine such as “Paul Jones Rye, Old Pirate Rum, Red Star Gin, White Star Brandy, or top-of-the-line Broad Ripple

bourbon” to cure their ailments (Okrent). The permission of medicinal alcohol gave the American public its only legal access to hard spirits and provided new revenue streams for enterprising physicians. Outside these loopholes, the American public would need to satisfy its thirst through bootleggers.

## **The Rise of Organized Crime**

Prior to Prohibition, criminal organizations focused on gambling and prostitution businesses. By nature, these vices have a limited audience. Alcohol, however, had been a staple. The Volstead Act prohibited the sale of alcohol, but it did not change people’s attitudes toward it. To criminals, the Volstead Act opened a new and very lucrative opportunity to supply a strong demand. Trafficking alcohol became known as rum-running and bootlegging.

Unlike gambling and prostitution, bootlegging alcohol required “transportation and distribution networks that would make crime not only organized but interregional” (Okrent). Essentially, criminal organizations now had incentive to create elaborate networks that resembled a business supply chain. Meyer Lansky, who primarily worked on gambling enterprises, “launched his bootlegging business from the car and truck rental operation he ran from a garage underneath the Williamsburg Bridge,” whose cars enabled the transportation of alcohol from distant cities (Okrent). Another bootlegging operation in “Cleveland, using planes as well as boats, ferried” liquor across lakes to connect with drivers ready to move the product to “various Ohio and Pennsylvania affiliates, as well as Lansky’s New York operation” (Okrent).

Alliances among criminals from New York, Chicago, Philadelphia, Cleveland, and Detroit were “the first manifestations of a crime syndicate operating on a national scale,” allowing mob leaders from major cities to coordinate their activities and protect each other’s interests (Okrent). Not only were these criminals operating at a much greater scale, but their internal organization was also becoming more sophisticated. These syndicates adopted “self-enforcing strict rules to keep the cartel running,” and memberships within the organizations “were held stable to keep relative power unchanged; the status quo of leadership within Families was endorsed and insurrections were repressed collectively” (Mastrobuoni & Patacchini). Since these organizations could not rely on legal systems to resolve conflicts, they found ways to resolve them internally. In one instance in Philadelphia, conflicts “between rival gangs were arbitrated in a netherworld” negotiation with its “own

mob-selected judges, lawyers, and others who would arbitrate and deliver decisions that would be obeyed “without question” (Okrent). Such meetings demonstrated a new level of organization and sophistication among criminals in America. Prohibition became “the finishing school, the college, and the graduate school for the criminal syndicates of America” (Burns).

However, not all conflicts among criminal organizations could be resolved through internal discussions and other under-the-table negotiations. Dean O’Banion, the leader of Chicago’s North Side Gang, was “assassinated in his flower shop by members of Johnny Torrio’s gang, sparking the bloody gang war of the 1920s in Chicago” (McCabe). The subsequent leader of the North Side Gang, Hymie Weiss, attempted to kill Al Capone in 1925 but failed. This conflict between Capone’s Chicago Outfit and its rival North Side Gang culminated in the St. Valentine’s Day Massacre, a killing that “left seven gangsters dead on the floor of a Chicago garage” and became “vivid evidence of an escalation in violence” (Okrent). Throughout most of America’s history, there have been “two periods with high homicide rates in U.S. history, the 1920–1934 period and the 1970–1990 period,” with the period between experiencing “relatively low or clearly declining” rates of violent crime (Miron).

### **The Corruption of Law and Justice**

Despite the violence (or sometimes because of it), gangsters became extremely wealthy during the Prohibition era, enabling them to exploit law enforcement. According to Emory Buckner, the United States Attorney for the Southern District of New York, the total annual revenue of bootlegged liquor was estimated to be \$3.6 billion in 1926, nearly the same amount as the entire federal budget for the same year (Okrent). With such vast sums, criminal organizations had the financial means to influence law enforcement and politicians.

Bootleggers incentivized all levels of law enforcement to facilitate deliveries, protect speakeasies, and evade arrest. Because the money offered to them was often far greater than what they earned as police officers, the temptation to take bribes was usually too great to deny. In one sector of Philadelphia, investigations into the bank accounts of police officers revealed some “ranking captains and inspectors who, on annual salaries ranging from \$2,500 to \$4,000, had amassed bank accounts approaching \$200,000” (Okrent). In Seattle, former police officer turned bootlegger Roy Olmstead “bought local officials wholesale... sheriffs’ deputies, members of the police department’s so-called dry squad, city council members, the

chief of police, even the mayor Doc Brown” (Burns). The practice of bribing the police became so commonplace that even criminals stopped being discreet about such payments. According to the records of one syndicate, its accountant “didn’t bother to disguise a payable they recorded in their ledger book: ‘Cops, \$29,400’” (Okrent).

Ironically, even agents of The Bureau of Prohibition were easily turned. According to historian Michael Lerner, it was so easy to bribe an agent that “in the first year they had to fire about half of the agents” who were “coming to work with fur coats and diamond rings and new cars, things they clearly couldn’t afford on a bureau salary” (Burns). In fact, the organization had become so corrupt that it “had to be reorganized to reduce corruption” (Thornton).

Since bootleggers were only benefitting from alcohol sales because it was illegal, it was in their interest to support Prohibition. Naturally, gangsters spent money on election campaigns supporting “dry” politicians. Seattle bootlegger Olmstead contributed \$6000 to “the 1926 reelection campaign of the U.S. Senate’s most effective dry, Wesley L. Jones” (Okrent). Perhaps the most unethical among politicians during the Prohibition era was “Big” Bill Thompson, the mayor of Chicago. Thompson was a self-professed drinker, claiming to be “wetter than the middle of the Atlantic Ocean,” but still gave overwhelming support to “dry Senate candidate Frank L. Smith in 1926,” in order to keep Prohibition alive (Okrent). This shift in political support is not surprising since Thompson was handsomely paid by Al Capone. Thompson, whose portrait hung behind Capone’s desk, left behind “nearly \$2 million in cash and cash equivalents at his death” despite his annual salary of \$18,000 (Okrent).

### **Political and Public Blindness to Crime**

The amount of untaxed revenue made by criminal organizations would have been nearly impossible to foresee. For context, the first American company to reach \$1 billion in market capitalization was U.S. Steel in 1916; American Telephone and Telegraph reached the \$1 billion mark in 1924, General Motors reached it in 1926 (Taylor). By Buckner’s estimation of \$3.6 billion made by illicit alcohol sales in 1926, the overall bootlegging business was worth more than some of the largest American companies combined. That scale of money involved in criminal activity was unprecedented.

The supporters and drafters of the 18th Amendment were so focused on eliminating the ills of alcohol that they failed to see the full extent of the economic consequences that

would arise from banning a product that had always had high demand. Their main financial concern was the loss of tax revenue from alcohol sales, which accounted for “30 percent to 40 percent of the government’s income” (Bishop-Henchman). The introduction of the federal income tax in 1913 removed this concern, making dry supporters confident that Prohibition would not result in significant economic loss.

What dry supporters failed to foresee was the innovative cooperation, organization, and ruthlessness of criminal syndicates to exploit the 18th Amendment as the most lucrative opportunity in criminal history. Besides bribery, what made bootlegging so easy was that the public did not care much about violating the 18th Amendment. Drinking was not perceived as a crime; in fact, drinking became “a status symbol,” indicating one’s connections or knowledge on obtaining illicit goods (Burns). In other words, there was little social pressure for criminals to stop supplying alcohol.

## **Conclusion**

With billions of dollars at their disposal, criminal organizations could easily afford to pay off, or at least support, dry politicians in Congress to ensure continued support for the 18th Amendment, while also paying wet local politicians and members of law enforcement to facilitate, or at least not interfere with, bootlegging operations in their cities. Such arrangements allowed most trafficking of alcohol to occur without much hindrance. Most violent confrontations did not occur between criminals and law enforcement but rather between rival gangs.

With the onset of the Great Depression, income tax revenues declined. Prohibition was no longer an ideological issue but a financial one that “cost the federal government a total of \$11 billion in lost tax revenue, while costing over \$300 million to enforce” (Lerner). The 18th Amendment’s final failure was a financial one. Once Prohibition was repealed, tax revenues from liquor sales “jumped from 2 percent in 1933 to 9 percent in 1934,” representing about a tenth of federal income (Boudreaux). Although the lucrative bootlegging business had ended, criminal organizations had enough cash to endure economic recession with “sophisticated black-market business schemes and money-laundering tactics” that allowed them to shift “their operations away from alcohol and into secondary businesses like drugs, gambling and prostitution” (Roos). The booze never stopped flowing. The government lost billions of dollars while its most corrupt members became rich. Not only did the 18th Amendment fail to stop the very behavior it was designed to deter, but it also incentivized the

rise of organized crime syndicates whose power and influence remained after Prohibition's repeal. All this happened because policymakers underestimated the American thirst for alcohol, which Americans clearly valued more than the law.

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