

anywhere. There is an occasional reference to the military government but this is as close an identification of the governmental authority as one gets. General Pinochet was responsible for many very bad things; it seems to me appropriate that he be recognized for the good things that would not have happened except for him.

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The Economics of Prohibition

Mark Thornton

Salt Lake City: University of Utah Press, 1991, 153 pp.

Some of the strongest arguments against making drugs illegal come from economics. In arguing for legalizing drugs, I have often referred people to my article "A Humane Economist's Case for Drug Legalization" (Henderson 1991). But what has been needed is a *book* that pulls all these arguments together. The ideal book would, in a clear and compelling way, explain the economic effects of prohibition. (I use "prohibition" to refer to making any good illegal and "Prohibition" to refer to the Prohibition era early in this century.) Such a book would draw not just on recent evidence about illegal drugs, but also on the U.S. experience with Prohibition. The ideal book might also discuss the main economic literature on prohibition. *Undoing Drugs* by Daniel Benjamin and Roger Leroy Miller (1991) does some of this but not all; nor does it argue for legalization.

I had hoped that *The Economics of Prohibition*, by economist Mark Thornton, would be that ideal book. Almost all the elements are there: the economic analysis, the evidence from the Prohibition era, the discussion of the economics literature, and the case for making drugs legal. Unfortunately, one important element is missing. The book is badly written. The style is slow and boring; the reader often has trouble knowing where the author is going or even why some point is relevant; arguments and facts are presented incompletely.

Thornton shows how making a good illegal reduces the supply and therefore raises the price. One result, which is intended by prohibitionists, is that users of the good demand less of it. But Thornton, drawing on terminology from Austrian economist Israel Kirzner, points to four categories of unintended consequences of prohibition, all of which stem from interference with the free market's discovery process. Unfortunately, having laid out the four categories, Thornton does not do much with them.

On one unintended consequence of prohibition—drug potency—Thornton has a nice discussion. He shows, using standard economic analysis, that making drugs illegal causes the mix of drugs sold to be more potent. The idea, drawn from work by Armen Alchian and William Allen, and by Yoram Barzel, is that prohibition acts like a tax. If the

government imposes the same per-unit tax on beer and whiskey, the price of beer, though still lower than the price of whiskey, becomes higher relative to the price of whiskey. Buyers would rationally respond by increasing the percentage of whiskey in the mix of liquors they buy. I communicate this subtle economic insight to noneconomists with the old saying: "You might as well be hanged for a sheep as for a lamb."

Thornton presents data from Clark Warburton, the main economist who made a sustained argument against prohibition towards the end of that era, showing that the price of beer did increase substantially relative to the price of whiskey. He also quotes prohibition advocate Irving Fisher's reference to the "well-known fact that prohibition has been more effective in suppressing the drinking of beer than of whiskey."

Unfortunately, the data that Thornton presents on potency during Prohibition are on the ratio of expenditures on beer to expenditures on spirits. But expenditure is not the same as quantity. It is price multiplied by quantity. What matters for Thornton's point is the ratio of the quantity of beer purchased to the quantity of spirits purchased. Yet he does not present data on the ratio of quantities for the Prohibition era. The closest he comes is to present a table of quantities of various alcohols consumed between 1840 and 1919. But because this whole period predated Prohibition, his data are useless for assessing his argument. Thornton does present data, though, showing that marijuana has become more potent as drug enforcement has increased.

Thornton also has an interesting discussion of the connection between crime and prohibition. He quotes the following statement from one modern author: "A major wave of crime appears to have begun as early as the mid 1920's [and] increased continually until 1933 . . . when it mysteriously reversed itself." Thornton points out that the crime wave coincided with Prohibition (1920-33) and that the reversal followed the end of Prohibition. He believes that this is no coincidence. His argument here is a little vague. He does not make clear *why* crime increased. Was it due to violations of the Prohibition law? Or was it for some other reason? Thornton argues, plausibly, that drug prohibition in recent years has raised drug prices so high that many buyers commit crimes to pay for drugs. He tells how crime increased in the 1960s, 1970s, and 1980s as enforcement of drug laws increased. But he never makes clear whether he is arguing that the same thing happened with alcohol during Prohibition.

Thornton also attributes much of government corruption to prohibition. He tells how corruption grew during Prohibition and cites similar evidence for the current drug prohibition. Thornton notes, for example, that federal convictions of corrupt public officials increased from 44 in 1970 to 1,067 in 1988 and cites a Department of Justice study that claims that 75 percent of state and local law-enforcement corruption is directly related to prohibition.

Thornton's material on the various interest groups aligned on either side of prohibition is also interesting. He tells how physicians and phar-

macists united early in the century to end competition from alcohol and from the patent-drug industry. He then argues that marijuana's competitors would also have had an interest in campaigning to make marijuana illegal. Marijuana, claims Thornton, "has been one of the most important crops in human civilization." It has been used to make fiber, medicine, and oil. Thornton notes that E.I. du Pont de Nemours, which produced artificial fibers and petroleum-based drying oils, would have gained from the elimination of competition from marijuana. Yet Thornton never tells us whether Du Pont *did* lobby against marijuana.

Thornton's book contains much valuable information on prohibition and cites many sources. But the economically literate book on prohibition that makes a case for legalization has yet to be written.

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