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Lower Taxes Tapped a Beer Revolution

When Ford was president there were 50 breweries. Now, there are 2,300.

By TOM ACITELLI

Today there are more than 2,300 breweries in the United States—where beer production is second only to China's—but it wasn't long ago that American beer was an international punch line. Embodied by yellowy lagers in aluminum cans, nearly all domestic beer was made by a handful of breweries like Miller and Anheuser-Busch. As recently as 35 years ago, there were fewer than 50 breweries in the whole country, and the fastest-growing type of American beer was light, which Miller introduced in 1975.

The story of the U.S. ascent to the top tier of world beer began in the late 1970s, when brewing was liberated from government taxation and regulation that had held it back since Prohibition.

In 1976, Henry King, a gregarious World War II hero whose favorite drink was a whiskey-based Rob Roy, trained the attention of his U.S. Brewers Association, the industry's biggest trade group, on Congress. The brewing industry had been trying unsuccessfully for years to get Washington to lower excise taxes on beer produced by smaller brewers.

King was determined to change things. In an impressive feat of bridge-building, he lined up support from the industry's labor unions as well as its owners. Steelworker and glassworker unions called in favors; the big brewery owners wrote personal checks. These owners, whose excise taxes would remain the same, figured that by helping their smaller brethren, they would ultimately help themselves by inspiring more beer consumption in an American alcohol market suddenly awash with California wines.

Brewer Peter Stroh—whose family name was a mainstay of Midwestern beer—lobbied a fellow Michigander, President Gerald Ford, to sign the bill that King's efforts finally steered through Congress. H.R. 3605 cut the federal excise tax on beer to \$7 from \$9 per barrel on the first 60,000 barrels produced, so long as a brewery produced no more than two million barrels annually. (There were few breweries that did, which was another reason King's association went to bat for the tax cut.)

The tax cut unleashed a revolution in American brewing. Hundreds of smaller breweries began to open across the country selling what came to be called craft beer. But as significant as the numbers was the rise of American brewers and consumers as the industry's tastemakers. Nowadays, craft-beer startups in places like France, Italy and Japan are less likely to look for inspiration in the traditional pilsners and heavy ales of Northern Europe than in the hopped-up India pale ales of California and the smooth bitters of New England.

Some of the stars of American craft beer, such as Ken Grossman of Sierra Nevada and Sam Calagione at Dogfish Head, got their start with home brewing—an activity that until the late 1970s was illegal in the U.S.

The repeal of Prohibition in 1933 legalized home winemaking, but, because of an oversight, did not legalize home-brewing of beer. Stores that sold supplies for winemaking also sold supplies for making beer at home, and the government did little to enforce the anti-home-brewing law.

Still, the air of illegality discouraged many who might have taken up home-brewing, and importers were reluctant to bring home-brewing supplies from Europe. Enthusiasts in the U.S. kept their interests underground, usually sharing information only with a small circle of other home brewers. Who knew when the government might start enforcing the home-brewing prohibition?

Gradually, though, the secretive home brewers grew bolder. In the 1970s—about when Henry King was lobbying Congress to cut the beer tax—home-brewing clubs in California, where America's craft-beer revolution began, joined with trade groups representing the winemaking shops that sold home-brewing supplies. They lobbied California Sen. Alan Cranston to introduce legislation legalizing home-brewing at the federal level.

Cranston introduced legislation that was reconciled with a House bill in August 1978. President Carter signed the law that October, and it took effect the following February. Home-brewing of up to 200 gallons a year per household was suddenly permitted.

Following the federal example, state legislatures also began rewriting their bans on home-brewing, and it is legal now in every state except Alabama. The result: Home-brewing took off, helping to spur the movement toward craft beer that had been touched off by the beer tax reduction. The beer industry swelled in the 1980s and 1990s, producing thousands of jobs and tens of millions of dollars in annual tax revenue.

The rise of American beer wasn't an accident. It was spurred by efforts to cut taxes and regulation that unleashed entrepreneurship. Too bad Washington doesn't raise a toast to that idea more often.

Mr. Acitelli is the author of "The Audacity of Hops: The History of America's Craft Beer Revolution," just out from Chicago Review Press.

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