

## What Can the Cannabis Industry Learn from the Repeal of Alcohol Prohibition?

*“Those that fail to learn from history are doomed to repeat it.” -Winston Churchill.*

In 1920, the 18th amendment to the United States Constitution, which banned the manufacture, transportation, and sale of intoxicating liquors, was implemented, after being passed by the U.S. Congress and two thirds of state legislatures.

In the 1930’s, on the heels of the repeal of alcohol prohibition, the federal government turned its sights on another perceived “evil” product, cannabis. Also known as marijuana or marihuana. Over the next several decades, the federal government effectively prohibited the sales of cannabis products, culminating with President Nixon insisting that marijuana be placed in the most restrictive category of illegal drugs, as part of his grand “War on Drugs”.

Prior to these “moral” actions, both alcohol and cannabis had been used globally for centuries without issue. Many of the founding fathers, including George Washington and James Madison grew hemp, a variety of the cannabis plant, which was an important agricultural product.

Almost 100 years ago, under the leadership of newly elected President Franklin D. Roosevelt, the federal government ended the failed “Great Experiment”, also known as federal alcohol prohibition. In 1933, first through executive action, then continuing with federal legislation, and state legislative action, the federal government ended the prohibition on manufacturing and selling of alcohol consumer products, and implemented a system of comprehensive federal regulation of alcohol production and sales. This system of regulation, implemented 90 years ago, has been so successful that the basic framework of the system remains in place today. [Every comprehensive cannabis reform bill on the docket in Congress proposes that the same federal regulatory agencies that regulate alcohol, would implement and oversee federal cannabis compliance.](#)

History indicates the similarities don’t stop there. The parallels to alcohol prohibition, and repeal are undeniable, and provide a road map of what to expect. (See chart below.)

	Alcohol	Cannabis
Adult-use substance used for millennia	X	X
Prohibition implemented for “moral” reasons	X	X
Illegalization created a black market and strengthened organized crime	X	X
Executive action and legislation loosened, gradually leading to the end of prohibition	Beer that contains 3.2% alcohol allowed 9 months before prohibition completely repealed	2018 Farm Bill passes allowing .3 percent or less THC
Legalization creates jobs and opportunities in time of national depression/recession	X	X
Federal prohibition repealed and left to the states to regulate	X	PROPOSED
Requires federal tax, federal license	X	PROPOSED
States can regulate	X	X

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“It’s not necessary to recreate the wheel,” states Verde Compliance Partners Director Jim McCoy, a 32-year veteran of the U.S. The Department of Treasury Alcohol and Tobacco Tax and Trade Bureau (TTB) and Bureau of Alcohol Tobacco and Firearms (BATF). Jim continued, “TTB successfully regulates adult-use products, and the FDA successfully regulates medical products. Federal licensing, taxation, trade practice rules and more are already created and can be easily applied to cannabis.”

Therefore, it is important to understand these federal systems because current cannabis businesses will have to adjust their operations to comply with new laws, regulations, and regulatory agencies.

Preparation will be key because when prohibition ends, [there will be a short window to comply](#). Learning the “ins and outs” of the multiple federal agencies, and policies, in such a short time, will be very difficult. Working with a team that has decades of experience working at, and with these agencies can ensure that the process goes smoothly, and will improve your business ability to succeed as things rapidly move forward.

Although no one can see the future, with four bills in Congress calling for cannabis to be regulated like alcohol and tobacco, we now have the framework regarding how the federal government will regulate the manufacture and sales of cannabis. Combining this information, along with our decades of experience and knowledge of federal regulation and agencies, Verde’s team can help your business navigate the change to a fully legal, legitimate, and successful consumer products business.

### **About Verde Compliance Partners**

Verde Compliance Partners is a national consulting firm focused on guiding clients through federal cannabis permitting, taxation, and regulatory compliance. Our firm prepares and navigates cannabis businesses through the regulatory, legal, and administrative requirements necessary to comply with current and future federal regulations. With decades of experience in high level positions at the U.S. Treasury Department Alcohol & Tobacco Tax and Trade Bureau (TTB), and its predecessor, the Bureau of Alcohol, Tobacco, and Firearms (ATF), the Verde team is uniquely qualified to prepare cannabis industry stakeholders for the implementation of federal regulation.

### **Jim McCoy - Director of Operations**

Jim spent 32 years with the Bureau of Alcohol, Tobacco, and Firearms (ATF) and Alcohol and Tobacco Tax & Trade Bureau (TTB) where he served in various positions. For the past ten years he has assisted numerous alcohol and tobacco industry members with federal permit, product, tax, and operational compliance issues. He is sought after by cannabis processors, CBD processors, and alcohol and tobacco producers for guidance with regulatory matters.

### **LOY A. HAYNES (Tony), Federal Compliance Manager**

Tony chaired the ATF Task Force to centralize the licensing and taxation functions of the ATF/TTB, U.S. Treasury, in Cincinnati, OH. He retired from government service in 2000, overseeing this function as the Director of the National Revenue Center. At the operational level, he held many high level regional and field positions to include Chief of Field Operations, in New York City, responsible for compliance, audit, and trade practices for the Northeast Region and the Caribbean.

### **Harry Bernstein - Executive Director**

As general counsel of a beer and wine wholesale distributor for nearly two decades, Harry handled all legal matters including, contracts, franchise agreements, labor negotiations, as well as state and federal licensing and compliance. For the past 21 years, as an attorney, he has assisted individuals with health care matters and special needs planning, including representing clients at federal administrative hearings at the Social Security Administration.