

Policy will determine economic impact of legal marijuana, says sociologist

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The economic impact of legalizing marijuana in Oregon is difficult to estimate because the potential market will depend in large part on what kind of policies would be adopted if a proposed ballot measure passes in November, according to an Oregon State University sociologist who studies the issue.

"Marijuana is already a serious economic force in Oregon," said Seth Crawford, an expert on the policies and market structure of marijuana in Oregon. "When you consider the proposed excise tax and additional revenue from income taxes, it could become a sizeable income stream for the state."

Oregon voters will decide in November whether to legalize recreational marijuana production and use. Policymakers are trying to determine the [economic impact](#) of [legalizing marijuana](#) and Crawford's research was recently cited in an economic report commissioned by backers of the ballot initiative, as well as by the state legislative revenue office.

If marijuana is legalized in Oregon, the state could net anywhere from \$35 million to \$105 million in new tax revenue per year, Crawford estimated in research published earlier this year in the Humboldt Journal of Social Relations.

Any additional expenses generated from legalizing marijuana would be small in comparison to money generated from the taxes, Crawford believes. Police and court expenses would be lower if marijuana use was

legalized, he pointed out.

"From a purely economic standpoint, it's a net win for the state's budget," he said. "There are still going to be enforcement issues, but the costs are likely to be lower than what is spent on enforcement now."

The economic effect of legalizing marijuana will be determined in part by how much of the existing black market moves into the new legal market and by how much marijuana producers will be allowed to grow, Crawford said. Under the proposed ballot measure, the Oregon Liquor Control Commission would determine how marijuana would be legally sold and distributed.

"We won't know what's going to happen until those policies are settled, though the conversations have already begun in earnest," said Crawford, an instructor in the School of Public Policy in the College of Liberal Arts.

Crawford also serves on the state's Advisory Committee on Medical Marijuana, which advises the director of the Oregon Department of Human Services on administrative aspects of the state's medical marijuana program. He has provided expert testimony on marijuana-related policies in Oregon.

Crawford specializes in analyzing social networks and began studying the underlying structure of marijuana production and user networks as a doctoral student several years ago because there was no available data on Oregon producers or users.

In his study of Oregon's informal marijuana economy, Crawford surveyed Oregon residents 18 and older to collect information about marijuana use and sales patterns. He found that the average marijuana user pays about \$177 per ounce of the drug and uses about 6.75 ounces

per year.

Marijuana producers generally sell small amounts, earning less than \$10,000 per year; they generally are educated and employed in other legitimate occupations, Crawford found. His research also indicated that many marijuana producers in the current black market live in economically depressed regions of the state, particularly in southern Oregon, and use marijuana sales to augment low incomes.

"It's these small producers who have the most to lose in the policy development process," Crawford said. "If they're unable to participate in the legal market, marijuana legalization could result in increased economic inequality, particularly in traditional areas of production like southern Oregon."

Setting a high tax rate or imposing hefty capital requirements could serve as barriers for current small-scale marijuana producers to enter the legal market, Crawford said. In Washington state, the requirements to obtain a permit were so stringent that many were shut out of the market, he said.

Also, Washington's taxes and early supply woes put marijuana between \$420 and \$840 per ounce, while in Colorado, [marijuana](#) is slightly more than \$260 per ounce after taxes. At rates that high, there is a strong chance users won't actually enter the legal market; they'll continue making small-scale purchases from friends or acquaintances or grow their own, Crawford said.

"We don't know if people will go to retail stores," he said. "If the ballot initiative passes, the market will be shaped by policies adopted by the OLCC."

More information: "Estimating the Quasi-Underground: Oregon's

Informal Marijuana Economy" is available online:

www.humboldt.edu/hjsr/issues/issue

%2036/10_CRAWFORD_Oregons_Informal_Marijuana_Economy.pdf

Provided by Oregon State University

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