



Legal Marijuana: High Times or Inflating Bubble?

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By Michelle Smith

Excitement over legal marijuana businesses is reminiscent of the dot-com boom, but it's not all high times, says [Politico](#).

On the first day of business, Colorado's legalized pot shops saw \$1 million in revenue. A week later pot stocks soared, up 1,700 percent in some cases.

The legalized marijuana market is expected to grow 64 percent this year, faster than the global smartphone market, projects ArcView Market Research, a company that provides data on the pot industry, says Politico.

Entrepreneurs and investors are already crawling all over the budding opportunities, and given the prospects, more people are expected to follow suit. But, Politico notes that with legalized marijuana comes many struggles.

Although pot is legal in Washington and Colorado, it's still illegal according to Federal law. And, many businesses have distanced themselves from the marijuana industry.

“Some check-the-box items that should take a couple of hours take a month,” says Brendan Kennedy, CEO of Privateer Holdings, a private equity firm that focuses on legal pot.

Many property owners don't want to rent space for pot businesses. From sales to payroll, much of the the pot business is limited to cash-only transactions because banks don't want to open

accounts or make loans. And, the Colorado Bar Association prohibits lawyers from getting involved with marijuana businesses, so pot shops can't even get help drawing up contracts, says Politico.

There's also a long list of requirements from regulators that must be met to allow marijuana businesses to operate without FBI raids. In Washington, for example, pot shops must be 1,000 feet from parks, churches and schools.

Compliance translates into costs, which makes competing with the underground market more difficult.

Legalized businesses are essentially gambling on consumers' willingness to pay a premium for legitimate products, says Politico.

“For this experiment to succeed, you have to undercut the black market. And you have to remove the inefficiencies and let capitalism work its magic. That means producing at scale,” says Kennedy.

Kennedy told Politico his firm envisions large corporations eventually moving into the market, creating another risk for small business owners.

But some expect the marijuana business to get easier as society, lawmakers and service providers change their attitudes.

It's not just entrepreneurs and investors who stand to benefit from marijuana. Legalization is a smart move for states, and more should follow Washington and Colorado, says [Fox Business](#).

Marijuana provides another industry to tax. The Tax Foundation estimates pot will mean an additional \$70 million in taxes for Colorado's coffers, notes Fox.

If all states were on board, savings from drug enforcement coupled with new tax revenues could total \$17 billion, Fox says the Cato Institute estimates.

Then there's the public health benefits. Some suggest alcohol and drugs, such as cocaine, are more likely to cause costly health problems. If pot is legal, people may opt for the better choice, Fox adds.