



OPINION: Legalising marijuana would have huge benefits for the Australian economy, while cutting criminals out of the drug supply

By Paul Syvret

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GRASS, ganja, dope, whoopee weed, call it what you like. Despite decades of an increasingly expensive war on drugs, the use and availability of marijuana, and other, so-called harder drugs, is as widespread as ever.

In the US, conservative economic think tank the Cato Institute estimates this war on drugs costs about \$US41 billion (\$46.05 billion) a year in terms of enforcement. At the same time Harvard economist Jeffrey Miron estimates the US Government is forgoing \$US47 billion in tax revenues that could be collected via legalising drugs.

Still in the US, which has the highest rates of imprisonment in the world, about 40,000 people were behind bars for drug-related crime in 1980. Today that figure is more than 500,000.

Meanwhile, across the border in Mexico, rival drug cartels continue to wage bloody war for their slice of a wider global drug market estimated by the United Nations to be valued at close to \$375 billion a year.

In Australia the cost of enforcement runs by some estimates as high as \$4.7 billion a year, again with little impact on availability or use.

As Brisbane author and academic Dr John Jiggins has noted in the past, between January 1976 and December 2000, Australian governments spent \$13 billion prosecuting about 1.5 million drug offences with the purpose of reducing drug use. The impact of this was to create an "enormous black market, spiralling prison populations and a plague of heroin overdoses".

"The futility of prohibition," he argues, "was demonstrated even in 'successes' like the marijuana drought of 1977, which created the conditions for the heroin plague, and the heroin drought of 2001, which led to the current methamphetamine plague".

In the US, decades of drug interdiction and enforcement have resulted in what? Today America has the highest instance of illegal drug use in the world, ahead even of countries with quite relaxed laws, such as The Netherlands, according to the World Health Organisation.

It is a war both here and globally where the only winners are those reaping huge profits in the black market.

Drug enforcement in Australia runs by some estimates as high as \$4.7 billion a year, with little impact on availability or use. *Source:* Supplied

The futility of the situation is starting to give way to reason with, on January 1, Colorado becoming the first US state to allow the legal sale of marijuana for recreational purposes, 18 other states allow medical use.

Queues snaked around the block as about 30 shops in the state started selling a legal high for the first time since the 1930s. Marijuana is sold similar to alcohol, with stores licensed and regulated, their product only available to customers aged 21 or over. Sales are limited to an ounce for residents, or a quarter for non-residents. Similar laws come into effect in Washington State later this year, while other states, such as California are also expected to follow suit.

For state budgets groaning under the cost of drug enforcement and which will welcome the tax revenues flowing from marijuana sales, legalisation makes sound economic sense.

As conservative economist Bruce Bartlett, former adviser to US president Ronald Reagan, notes, economic icons, including Milton Friedman, Gary Becker and Robert Barro, have written many columns advocating legalisation "and I am not aware of a single economic analysis in opposition to legalisation".

"I think most economists believe it's just a repetition of the mistake of Prohibition," he says.

Here it is worth noting that marijuana's legal demise came into effect in the US at the same time the era of alcohol Prohibition was ending in the '30s. In fact, Prohibition, via the Volstead Act of 1919, was only made possible via an expansion of income taxes to replace lost revenue from alcohol, which, along with tobacco, accounted for half of all federal revenues at the turn of the century.

In this context Bartlett points out that "the principal opponents of marijuana legalisation are industries that presently benefit from it being illegal", including private prison operators and pharmaceutical companies.

The economic burden of the war on drugs is not one equally shared either, with much of the burden falling on poorer, developing nations where organised crime can thrive to the point where it is part of the societal fabric.

Economist Allison Schrager argues that "this is especially true in poorer countries where criminal organisations often substitute for the government".

Legalisation, she says, changes the equation.

"Taking the drug trade out of the shadows will be a game-changer for farmers in developing countries who grow drug crops. Either they'll face more global competition, which will drive down prices and may force them to start growing something else. Or, existing farmers will establish a comparative advantage in the cultivation of drug crops, similar to grape farmers in the Champagne region of France, and they'll take a higher share of the profits with more security."

There is little chance of that happening without advanced nations changing their approach to managing drugs and acknowledging that laws of supply and demand dictate that markets, similar to nature, simply abhor a vacuum.

"Legalising marijuana use is a step in the right direction," Schrager contends. "But, unless the production and sale of it and other drugs are legal and regulated, not much will change for those who pay the price for the war on drugs."