



# America Began Alcohol Prohibition in 1919 but It's Edging Toward Ending Cannabis Prohibition in 2019

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What a difference a century makes.

One hundred years after the 18th Amendment took effect and prohibition of alcohol became the law of the land, 2019 is likely to be among the most significant years in U.S. history for the ongoing battle to end cannabis prohibition. That's not to say 2018 (or 2017 or 2016, and so on) wasn't important. But the cannabis industry seems poised for such significant growth that it's inevitable that every new year will outpace the previous one.

Here are some key themes and events sure to shape the industry in 2019.

## State Policy

The November midterm elections were a major victory for cannabis advocates, with **Michigan** becoming the first state in the Midwest to legalize adult use of cannabis, voters in **Missouri and Utah** approving initiatives to allow statewide medicinal cannabis use, and candidates from New Mexico to New York focusing their agendas on the economic impact and social justice ramifications of cannabis legalization.

We're watching closely what will happen here in New York, where Gov. Andrew Cuomo **made legalization of adult-use cannabis** a key piece of his agenda for the first 100 days of his third term. With Democrats taking control of the state Legislature in 2019 and neighboring Massachusetts seeing recreational dispensaries open for the first time in 2018, there will be both pressure and momentum for New York to follow suit.

New York has an opportunity to become a national leader in righting the injustices of the war on drugs, which for decades has unfairly targeted minority communities. In doing so, New York can become a leader among states that previously legalized adult-use cannabis. A few potential measures could include:

- Offering low-interest loans to minority- and women-owned certified businesses;
- Offering priority license registration to victims of the war on drugs;
- Mandating that cannabis companies provide annual diversity reports on their workforces and contracts;

- Allocating a portion of cannabis tax revenues to fund scholarships for formerly incarcerated individuals;
- Encouraging unionization to ensure that jobs in the cannabis industry offer fair wages and good benefits.

Doing so will set a national standard for equality and justice as more states come online.

Across the Hudson in New Jersey, adult-use legislation did suffer a setback last year. With that said, the Garden State will likely reconsider adult-use legislation early in 2019 and most believe it will succeed.

Tax revenues certainly will drive more states to consider adult-use legislation. A report from **the Cato Institute** projects that the legalization and fair taxation of cannabis could generate more than \$100 billion annually for federal, state and local governments. A similar report forecasts that up to **1 million new jobs could be created** nationwide within the first 10 years of adult-use legalization.

### **Federal Policy**

Although significant progress is being made at the state level, not much has happened on the federal level. With Democrats taking control of the House, there will be Congressional hearings on cannabis policy and multiple pieces of legislation that are supportive of the industry on issues such as banking and taxation.

The real question is whether there is any cannabis legislation that the Republican controlled Senate would pass and President Donald Trump would sign into law. I believe the answer is yes, and that bill would likely be modeled after the STATES Act, which defers the issue of cannabis policy to each state.

Passing the **STATES Act** should receive strong bipartisan support. An October **Gallup Poll** showed almost 66 percent of Americans support legalizing cannabis. Other national polls show almost 90 percent of Americans support medical cannabis.

Politically, by passing the STATES Act, Senate Republicans could prevent cannabis from becoming a problematic issue in 2020 and provide an opportunity for the party to demonstrate its commitment to state rights.

Let's not forget that during the 2016 presidential elections, Michigan, Pennsylvania, Ohio, Florida and Arizona were all red states that voted for Trump. In 2020, those same states will have robust adult-use and/or medical marijuana programs.

### **Hemp**

Hemp is inextricably tied to our country's history. After all, George Washington himself grew it at **Mount Vernon**. With the 2018 Farm Bill legalizing the cultivation of hemp, analysts suggest that hemp could boost local economies and has the potential to grow into a multi-billion industry. Legalizing hemp will allow more jobs and more products to be created here in the U.S. The real question for 2019 is: how will the FDA regulate CBD products?

### **Public Markets**

2018 was a year of excitement and milestones for investment in the cannabis industry. Canadian companies Cronos, Canopy Growth, and Tilray became the first “cannabis-only” stock listed on U.S. exchanges. Meanwhile, American companies MedMen, GTI and Acreage -- unable to list in the United States due to conflicts between federal and state laws -- listed on the Canadian Stock Exchange. The ironic trend of U.S.-based cannabis companies looking north to Canadian exchanges and Canadian companies looked South to U.S. exchanges will continue in 2019.

Perhaps the most important trend likely to continue in 2019 is the dissipating stigma around cannabis. Opinions change quickly when people see their own family and friends using cannabis. Consider the grandmother using cannabis to help alleviate chronic pain, one’s veteran brother-in-law using cannabis to more effectively deal with PTSD or even one’s next door neighbor that uses cannabis responsibly on the weekend to relax and unwind.

As cannabis is drawn further from the shadows, state and federal policy changes, hemp production and IPOs all become easier to accomplish. In 2019, we’re poised to see more positive steps in that direction.