

Here's Bernie Sanders' Plan to Legalize Marijuana

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Yesterday, popular presidential candidate Senator Bernie Sanders released a detailed plan to legalize marijuana in the US. If elected, the senator pledged to declassify marijuana as a controlled substance in the first 100 days in office. Appropriately, Sanders released his national-level marijuana legalization plan at 4:20 PM EDT.

Marijuana legalization can't be classified as a fringe issue anymore. It has become one of the key points of debate ahead of the 2020 presidential elections.

How federal restrictions affect the cannabis industry

Currently, 33 states and Washington, DC, have legalized medical marijuana. Plus, 11 states and Washington, DC, have legalized recreational marijuana. According to Fox News, although all states have not fully legalized marijuana, the majority of them have either decriminalized it or allow the sale for medical purposes.

However, the federal government classifies marijuana as a Schedule 1 drug. According to Vox, this category results in higher restrictions on the usage of weed compared to that applied to Schedule 2 drugs such as meth and cocaine. Schedule 1 categorization also implies that the DEA (Drug Enforcement Administration) sees no medical value and the high potential for abuse in marijuana.

According to Vox, cannabis companies operating in marijuana-legal states face problems associated with banking and access to capital. Because banks won't work with federally illegal businesses, cannabis companies have to operate as cash-only enterprises. Further, these companies are not able to claim tax deductions, leading to significantly higher effective tax rates.

On October 2, BNN Bloomberg reported that Bank of New York Mellon restricts trading in US-listed cannabis companies. The ban also extends to Canadian cannabis companies with marijuana-related operations or business interests in the US. All these restrictions have resulted in a higher cost of capital for the US cannabis industry.

According to the Cato Institute, federal restrictions on the interstate trade of marijuana have restricted healthy competition in the US cannabis industry. The lack of interstate trade requires companies to operate vertically integrated businesses. In turn, this leads to duplication and affects the companies' margins. It also limits the entry of less-capitalized businesses. Finally, limited competition results in inflated prices for consumers.

For a look at several other benefits of full marijuana legalization in the US, please read Cannabis Legalization: Is It Time for the US to Act?

Bernie Sanders' marijuana legalization plan

The full legalization of marijuana at the federal level seems to be the only way to do away with these problems. According to Vox, this would require a reclassification of marijuana. In turn, this would require large clinical studies to prove its medical value. However, since it is a Schedule 1 drug, conducting such trials is challenging. Sanders' plan aims to solve this problem by legalizing marijuana with executive action.

Full marijuana legalization would have a positive impact on the overall cannabis industry in the US. Cannabis companies such as MedMen, CannTrust Holdings, and Curaleaf stand to benefit significantly from this move.

Aurora Cannabis (ACB) and Canopy Growth (CGC) have devised strategies to enter the US market after the potential federal legalization of marijuana. Aurora Cannabis announced a spin-off of its US-based subsidiary, Australis Capital, in June 2018. However, the company holds warrants in Australis, which can allow Aurora ownership after the federal legalization of marijuana.

In April, Canopy Growth announced that it would enter a definitive agreement to acquire 100% shares of Acreage Holdings. Acreage is a vertically integrated cannabis company with operations in multiple states in the US. The deal was valued at \$3.4 billion. Canopy Growth can exercise this right if the federal legalization of marijuana in the US is enacted.

Sanders aims to create job opportunities for minorities

Sanders is also targeting some social objectives through his marijuana legalization plan. According to his official website, the Democratic candidate plans to expunge all past marijuana-related convictions. He wants the legalization to benefit communities most affected by marijuana criminalization and the war on drugs. He claims that these mostly include African-Americans and other communities of color.

To that effect, Sanders has announced the use of tax revenues generated by the legal marijuana business to create a \$20 billion grant program. He plans to deploy these grants as capital for entrepreneurs from the affected minorities.

Senator Sanders also disclosed plans to create another \$10 billion grant program from marijuana-related tax revenues. He plans to use this money to ensure the reentry of people affected by the war on drugs. This money would be used for businesses with at least 51% ownership by individuals from areas disproportionately affected by drug enforcement. These funds could also be used to aid businesses that faced legal action for marijuana-related offenses.

Bernie Sanders' plan also includes skill development of previously incarcerated individuals for marijuana-related offenses. He would also direct the establishment of a targeted \$10 billion USDA grant program with revenue obtained from marijuana sales.

This money would help people affected by the war on drugs to start marijuana cultivation operations. Sanders also plans to develop another \$10 billion for an economic and community development fund to help people affected the most by the war on drugs.

Bernie Sanders plans to exclude Big Tobacco from the marijuana business

Sanders wants to ensure that the marijuana business does not evolve like Big Tobacco. According to his website, he would ban tobacco and cigarette companies from participating in the marijuana industry. He would also ban companies that allegedly produce cancer-causing products or those that have engaged in deceptive marketing.

Sanders plans to place a cap on market share and the number of franchises of a cannabis company. This proposal aims to prevent consolidation and anticompetitive behavior in the industry. Instead, he aims to structure marijuana businesses as nonprofits.

These plans may face opposition from cannabis and tobacco companies and the broader investor community. If these proposals become law, prominent Canadian cannabis players such as Aurora Cannabis, Canopy Growth, Cronos Group ([CRON](#)), and Aphria may have to limit their participation in the US cannabis industry.

Tobacco companies such as Altria ([MO](#)) and Imperial Brands may also have to exit from their marijuana businesses. In [March](#), Altria announced the completion of an investment in Cronos Group worth [2.4 billion Canadian dollars](#).

In return, Altria secured a [45% equity stake](#) in the cannabis company. Altria obtained a warrant, which can increase its ownership stake by up to 55% in the next four years. If Altria chooses to exercise this warrant, Cronos Group stands to earn up to 1.4 billion Canadian dollars.

Tobacco player Imperial Brands announced the [September](#) completion of an investment in Auxly Cannabis Group worth 123 million Canadian dollars. In return, Imperial Brands has secured debentures convertible into a 19.9% ownership stake in Auxly.