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Pot Can't Solve California's Budget Problems (But It Should Still Be Legal)

Posted by [Jeffrey Miron](#)

On November 2, California will vote on Proposition 19, a ballot measure that would legalize marijuana within the state. One frequent argument for legalization is that it will generate a fiscal windfall by reducing expenditure on marijuana arrests, prosecutions, and incarceration and by allowing the state to collect tax revenue on legalized sales. California sorely needs this boost, since it is facing a budget shortfall of roughly \$20 billion for fiscal year 2011.

How big might this windfall be? In a [recent study for the Cato Institute](#), Kate Waldock and I conclude that California could, under some assumptions, save \$960 million in expenditure and raise \$352 million in tax revenue from legalized marijuana. Some of these assumptions are problematic, however.

The first issue is that our estimates examine the scenario in which all states and the federal government legalize marijuana simultaneously. That will not happen in the short term, even if Prop 19 passes. In particular, the federal government may try to prevent implementation of the California measure, making it difficult to collect tax revenue.

The second issue is that, whatever the federal government's response to Prop 19, achieving the savings in criminal justice expenditure will be difficult politically because it involves laying off police, prosecutors, prison guards, and the like. So, these savings may not occur. If these criminal justice resources are redirected to better uses, such as targeting violent crime, Californians may still benefit, but this will not show up in the state budget.

The debate about Proposition 19 should therefore focus on issues other than any budgetary impacts. The most important consideration is that, in a free society, adults should be able to consume marijuana so long as they do not harm others. Thus laws against driving under the influence, or minimum purchase ages, or sin taxes, are defensible at least in principle. An outright ban on marijuana is not.