

The Harvard Crimson

October 01, 2010

Study Claims Drug Legalization Could Save Money

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Legalizing drugs in the U.S. could save the federal government \$88 billion, according to Harvard economics lecturer Jeffrey A. Miron.

The findings, published by the Cato Institute, a libertarian think tank, show that legalizing drugs would save the federal government an estimated \$41.3 billion in drug prohibition enforcement expenses.

Legalizing drugs—including marijuana, heroin, cocaine, and synthetic drugs—would also generate tax revenues of about \$46.7 billion, Miron argued in the paper, which he co-wrote with Katherine Waldock, a doctoral candidate at the NYU Stern School of Business.

Miron, also a senior fellow at the Cato Institute, said he did not think the proposal to legalize drugs would lead to higher demand, because current drug laws are mild and ineffective in deterring drug use.

“In most cases if you are charged with simple possession, you don’t get arrested, you pay a fine of \$100 dollars,” Miron said.

The paper proposes that tax revenue would come from regular income, sales, and a sin tax. The proposed sin tax would discourage irresponsible drug use but punish responsible use, Miron said.

He compared the sin tax on drugs to a tax on Ben & Jerry’s ice cream.

“Some people misuse Ben & Jerry’s,” Miron said. “They eat too much, get fat, and use publicly funded health care.”

Miron argued that a black market for drugs would not emerge if drugs were taxed at a rate comparable to alcohol or tobacco.

While Miron said he does not expect his report to change existing drug laws, he said he hoped his findings would plant the idea of legalizing drugs.

“People who already believe drugs are evil won’t be swayed,” he said. “The numbers might change the minds of a few people who are on the fence.”