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Legalizing Marijuana in Washington And Colorado Could Decrease Cost For

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In a huge victory for the pro-pot movement, Washington and Colorado became the first states in the U.S. to legalize marijuana for recreational use on Tuesday. The unprecedented win could bring even more welcome news for marijuana users, as some say that *legal* pot could also mean *cheaper* pot for consumers.

That's right -- many speculate that the price of marijuana will go down significantly as the industry enters a new legal environment. A report by Dale Gieringer, director of California NORML, a non-profit lobbying group working to legalize marijuana, shows that legal marijuana in an open market could cost as little as \$3 an ounce -- 100 times less than its current price of about \$300 (H/t: Slate).

A decrease in prices would be partly due to the fact that it would cost substantially less to grow marijuana in a legal environment. Without fear of getting punished criminally, pot producers could eliminate the costs of growing marijuana in secret. Marijuana could cost as little as 20 cents per pound to produce, according to Slate.

But the real cost of marijuana will of course be impacted by how the states decide to tax pot on the open market. In Washington, marijuana will be taxed at the steep rate of 25 percent three times over, with the tax being charged when the grower sells it to the processor, when the processor sells it to the retailer and when the retailer sells it to the user, CNN Money reports. Estimates indicate that the state stands to earn \$500 million in tax revenue, according to WPTV.

In Colorado, taxes won't be as harsh as in Washington. Amendment 64 limits taxes to 15 percent of the wholesale price of marijuana through 2017. The Colorado Center on Law and Policy estimates that marijuana sales would generate as much as \$60 million a year in tax revenue for the state, the Denver Post reports.

It's hard to predict how demand could change now that marijuana is legal, which makes it tough to estimate exactly how much prices will change, the Associated Press reports. "It's difficult to size up a market even if it's legal, certainly if it's illegal," Jeffrey Miron, a Harvard University economist who has studied the national tax implications of the legalization of several drugs told the AP.

During the Prohibition Era (1920 - 1933) when alcohol was illegal, the price of the banned substance increased substantially, according to the Economic History Association. Despite the uptick on price, Americans were hardly deterred from drinking as U.S. consumption of alcohol hardly declined. Today, many regard the "noble experiment" as a complete failure. Prohibition not only removed a significant source of tax revenue, but it increased government spending and led many drinkers to switch to more dangerous substances like cocaine, the Cato Institute Policy Analysis reports. Although the passing of Amendment 64 will make it legal immediately for Colorado adults to possess, grow, consume and give away marijuana, it could take almost a year before pot is sold in stores, the Colorado Independent reports. Seeing marijuana on store shelves could take as long as a year in Washington as well.