



## Could Legalizing and Taxing Drugs Lower the Deficit?

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BY: PAUL SOLMAN

*Paul Solman frequently answers questions from the NewsHour audience on business and economic news on his Making Sen\$e page. Here is Friday's query:*

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Meg Ford: Could legalized and taxed drugs provide enough revenue to help lower the deficit?

Paul Solman: Well, any new taxes would lower the deficit. Your implicit question, I take it, is: will legalizing these drugs lower the deficit *enough to notice*.

It turns out that two years ago, the libertarian Cato Institute did a study that speaks directly to your question: "The Budgetary Impact of Ending Drug Prohibition" by Jeffrey A Miron and Katherine Waldock. It can be accessed [here](#).

The relevant paragraph:

"The report... estimates that drug legalization would yield tax revenue of \$46.7 billion annually, assuming legal drugs were taxed at rates comparable to those on alcohol and tobacco. Approximately \$8.7 billion of this revenue would result from legalization of marijuana and \$38.0 billion from legalization of other drugs."

How significant a lowering would \$47 billion a year represent? Depends on your point of view. As a percentage of the total deficit, a measly three percent. But looked at in terms of what \$47 billion buys, let me quote the Wall Street Journal's David Wessel, author of the new book "Red Ink." This is from a "budget tour" of Washington that he took us on recently, and that will appear on the NewsHour any day now. Wessel was talking about aircraft carriers.

"The Congress has told the Navy they have to have eleven aircraft carriers. That's about ten more than any other country has and the Navy says we need to replace one aircraft carrier every five years for the rest of my life and then some. Each aircraft carrier is eleven billion dollars...It's as much money as we spent to replace 750,000 shoulder, knee and hip joints for people on Medicare."

So if we're talking about \$47 billion in new revenues from legalizing and taxing drugs, make that more than *three million* joint replacements. Or paying completely for the Departments of Energy or Homeland Security. Or more than doubling the National Institutes of Health. Not to mention what it could do for Big Bird, of course.