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High times with legalized pot? It all depends

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Thursday, July 8, 2010

(07-07) 18:46 PDT SAN FRANCISCO -- If recreational marijuana is legalized in California, prices of the drug could plummet 80 percent and the number of dope-smokers would rise, but the amount of money the state would bring in through taxes and fees is a big question mark, according to a study released Wednesday.

What's more, while the state could save more than \$300 million a year by not enforcing laws outlawing weed, it may lose that much or more in federal funding if Washington decides to punish California's defiance of the U.S. prohibition of dope, the study found.

The upshot of the six-month study by the nonpartisan Rand Drug Policy Research Center is this: It's anybody's guess as to whether the state will suffer or prosper if voters approve Proposition 19 on the November ballot. The measure would allow local governments to regulate and tax pot sales and controlled cultivation, and to let adults over 21 possess as much as an ounce.

"There is just so much uncertainty, that while we could look at the data and create a scenario that could be very good from an economic standpoint, we could also create a very bad one," said Rosalie Liccardo Pacula, co-director of the Rand center in Santa Monica. "The overall effect is a bit of a mystery."

Foes of the ballot measure say legalizing casual cannabis use will lead to pot farms everywhere, rampant drug use and dangerous dopers on the highway. Proponents say cannabis is no more dangerous than alcohol, and that bringing California's biggest cash crop - an estimated \$14 billion a year - out of the shadows of illegality will create jobs and inject millions of dollars into governmental coffers.

Pacula and her four fellow researchers, who included UC Berkeley law Professor Robert MacCoun, wrote that it is entirely possible that the state Board of Equalization was right when it estimated the state could reap \$1.4 billion in taxes if a now-stalled bill in the Legislature to legalize pot is passed.

But given that the industry is largely still illegal, despite the decriminalized medical marijuana trade, fully assessing whether that figure is realistic is not possible, they said.



It's even tougher to predict Proposition 19's economic effects, the study said, because each of the state's 478 cities and 58 counties would be allowed to decide for themselves whether to tax or ban pot.

On one hand, the researchers said, a Wine Country-style tourism trade could be a bonanza to a marijuana-growing area such as Mendocino, and the craft of making pot-infused food could thrive. Legality would also bring social acceptance, driving up use, which in turn would drive up sales and tax revenue.

At the same time, however, the very act of legalizing pot would drive down the price of high-grade marijuana from about \$375 per ounce to as little as \$38 per ounce, Pacula said. That would depress the expected tax revenue, unless demand goes up astronomically.

The Rand study said marijuana consumption could rise by 50 percent or more if pot is cheaper and more readily available.

Pacula added that if local jurisdictions tax marijuana heavily, growers might be driven back underground - again, undercutting tax revenue.

"There is no place in the world where the wholesale production of marijuana is legal," Pacula said. "So the economic literature that exists about marijuana usage in relation to prices and changes in law is all about small changes, not the wholesale changes like what is being proposed."

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