



A budtender (right) shows cannabis to a customer at the Green Pearl Organics dispensary on the first day of legal recreational marijuana sales in California this week. Picture: AFP

Opinion: Legalising cannabis will boost tax revenue and create jobs

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PROHIBITION, as the United States discovered with its failed experiment nearly a century ago, doesn't work.

It is a blunt instrument that fails to tackle the demand side of the equation and serves only to force supply into the black market while starving government of tax revenue.

The same is as true for illegal drugs today as it was for alcohol in 1920s America, and many jurisdictions in the US have woken up to this.

Specifically, when it comes to the use of recreational marijuana, California – the sixth-largest economy in the world, with a population of 40 million people – is the latest to legalise the sale and consumption of pot, weed, wacky backy, or whatever you want to call it.

Canada is expected to legalise and license marijuana sales by mid-year, becoming the second country after Uruguay to do so on a national basis.

In the US, a recent report by BDS Analytics and ArcView estimates that, by 2021, US consumer spending on legal cannabis will be more than A\$25 billion, generating \$50 billion in overall economic impact, 414,000 jobs, and more than \$5 billion in tax receipts.



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Here we have belatedly legalised the use of medicinal cannabis – with the Federal Government due to boost the industry by clearing the way for commercial exports next year – but we still take a decidedly myopic and heavy-handed approach to the recreational use of the drug.

In Queensland, this saw more than 25,000 people arrested for cannabis offences in 2015-16, or nearly the same number of arrests as the larger states of NSW and Victoria combined.

This hardline approach, which does allow for diversionary therapy rather than a formal charge for a first offence of minor possession, has not reduced the incidence of marijuana use in Queensland, which remains steady at about 11 per cent – slightly higher than the Australian average.

Interestingly, according to the National Drug Strategy's latest (2016) household survey, about one in eight Australians used an illegal substance in the past year – the same proportion of Australians who smoke cigarettes on a daily basis.

The point is, we are arresting people for marijuana offences in record numbers but it is having little, if any, impact on consumption beyond perhaps inflating profits for the black market.

A 2016 report by Brisbane-based BG Economics notes: "An increasing number of countries and states are taking a more health-focused and less justice-focused approach to cannabis regulation on the back of the well-documented failed 'war on drugs', by either decriminalising recreational cannabis use or legalising it by adopting 'regulate and tax' schemes."

While the financial benefits of legalisation are hard to quantify and depend on pricing, licensing and tax regimes, BG concluded that legalisation would reduce the costs to society, particularly when it comes to the criminal justice system.

In addition, it would reduce the social cost to individuals, including improving job prospects, and would not lead to an increase in crime. That is over and above the jobs and tax revenue created through legalisation, and the diminished profits flowing to criminal interests.

BG principal Dr Stephen Thornton says he expects governments in Australia will closely watch the Canadian move, adding: "It wouldn't surprise me if at least one of our governments by 2020 is seriously exploring the benefits of legalising cannabis here on the back of what is learnt in North America."

If you can't eradicate the industry, the sensible alternative is to regulate and tax it.