

# What if we legalized all drugs?

*How does a \$50 billion boost to the US economy sound? Not bad? Well, what about all the new addicts we could see pop up on the streets? Theoretically, it's all possible.*

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Every year, about 2 million people in the U.S. are arrested for drug offenses, including using or selling marijuana, heroin, cocaine or methamphetamine. About a third of the country's prisoners are held on drug charges or for crimes attributed to drug abuse.

## **But what if we legalized all street drugs?**

More kids would decide to try drugs "just once," and more would get hooked. Some lives would be ruined. But other lives would be saved. Gang murders would fall sharply. Thousands of people now in jail would be free to find work and feed their families. We'd save billions on the war on drugs, and a new drug industry would create jobs and loads of taxable revenue.

Of course, it may sound like madness. And the gut feeling among many people is that it would be disastrous.

Don Semesky, the former chief of financial operations for the Drug Enforcement Administration in Washington, D.C., asks: "Have you ever seen a meth addict, with all those sores and rotten teeth? And what they do to their kids? Do you want the government to be responsible for that?"

Yet some economists, including American Nobel laureate Milton Friedman, have supported the idea of legalizing drugs. Friedman believed America's war on drugs was at the root of police corruption and caused thousands of unnecessary deaths, with few gains for ordinary citizens.

So just how would legalized drugs affect the economy and your standard of life?

## **Running some numbers**

Let's look at two scenarios: if marijuana alone were legalized and if all street drugs were legalized.

Either way, we assume there'd be strict regulation similar to that for alcohol and cigarettes, including age limits, licensing, quality control, high taxes and limits on advertising.

At first glance, on a "strictly numbers" basis, the effect on the country's pocketbook looks promising. We'd see:

1. Savings on drug-related law enforcement -- FBI, police, courts and prisons -- of \$2 billion to \$10 billion a year if marijuana were legalized, based on various estimates, or up to \$40 billion a year if all drugs were legalized, based on enforcement costs from the White House's Office of National Drug Control Policy. That's before the cost of overseeing the new drug regulations.
2. Increased productivity as fewer people were murdered, drug offenders were freed to find work and those stripped of their criminal record found it easier to get jobs (including running drug boutiques). However, how many of those now in prison would turn away from crime is unknown. Tax gains. Drug prices would have to fall sharply in order to squeeze out the black market. Still, Jeffrey Miron, a senior lecturer in economics for Harvard University, calculates the \$10 billion-plus U.S. marijuana market could reap \$6 billion in annual taxes. The \$65 billion market for all illicit drugs, he estimates, might bring in \$10 billion to \$15 billion in taxes.
3. A new legal drug industry would create jobs, farm crops, retail outlets and a tiny notch up in gross domestic product as the black market money turned clean. A 1994 study by the National Organization for the Reform of Marijuana Laws in Washington, D.C.,

suggested 100,000 jobs and 60,000 retailers could emerge from a legal marijuana industry.

So, seemingly we'd get a shower of money for the government coffers -- perhaps an initial \$50 billion under the "all drugs" scenario -- and gains for business and the community. But at what cost?

The answer is that it all depends, mostly on how many more people would use drugs, which drugs and how much more they used.

### **Give me a latte and a joint**

Currently, considering it can get you arrested (or kill you), drug use is surprisingly common. A 2006 federal government study said 20% of Americans 18 to 25 had taken an illicit drug in the month prior to the survey.

So what if a Starbucks-style chain of drugstores that fulfilled Abbie Hoffman's wildest dreams opened across the country? What if you could sit on a sofa, pick up a magazine and light up, or even shoot up, in a congenial atmosphere? Europe offers some clues. In 1976, the Netherlands decided to tolerate (though not legalize) the selling of small amounts of cannabis in licensed coffee shops. At first there was little change in usage. But between 1984 and 1992, as shops opened rapidly, smoking of the drug doubled among Dutch 18- to 20-year-olds.

"In that case, it looked like changing the legal status was of minor importance, but opening commercial outlets mattered," says Mark Kleiman, the director of the Drug Policy Analysis Program at the University of California, Los Angeles.

Moreover, what if drugs were glamorously promoted via YouTube or Facebook, or even big business? Peter Reuter, a professor of public policy and criminology at the University of Maryland, says it would be hard to block advertising because there's little proof that marijuana is harmful.

"I think we'd see a fair amount of promotion," he says. "Then you could have large increases in use." Kleiman adds, "Imagine what Philip Morris and MillerCoors could do if we gave them cannabis to work with."

### **Would addiction increase?**

One oddity that stands out in the research is that the Dutch are still only midrange users of marijuana by European standards. By some measures, they use marijuana far less than Americans, according to a recent World Health Organization survey. It's thought that this is due to differing social norms, which raises another point. If drugs were legal in America, this could send a powerful signal to kids that drugs are OK. Add this to the lower price, addictive effects of some drugs and easy access, and drug use could rise quite a bit. To offset this, we could run campaigns warning against the stuff. That might work. It might not.

The response from marijuana reform advocates is: "So what if use increases? It's harmless anyway." However, that remains unproved. Researchers worry about the high tar content, the risk of personal injury while someone is "high" and about any effects on students' work.

As for legalizing all drugs, Harvard's Miron argues that the increase in drug abuse would likely be small. "Millions of people don't smoke cigarettes. The same is true of alcohol . . . because they know that too much of it is not good for you," he says. People who are prone to abuse drugs are probably already abusing them, he adds.

That's hardly so, Reuter argues. Heroin and cocaine "are attractive drugs," he says. "Lots of kids would experiment, and maybe 3 or 4% would become dependent. So the increase in addiction might be very substantial."

### **The added costs**

Whichever case proved true, there could be extra costs to U.S. taxpayers for abusers' medical treatment, family support, petty crime and lost worker productivity.

Just how much is hard to say. And how these negative economic effects might net out against the positive effects is virtually impossible to say. Data on drug-use behavior are thin and often contradictory.

One school starts a certification process to sell medical marijuana, CNBC's Jane Wells reports.

Of course, everyone can have an opinion. Semesky says, "Nobody is going to be better off." The Office of National Drug Control Policy puts the cost of drug abuse at \$145 billion (.pdf file), including medical expenses and lost productivity. That's more than the cost of cancer. If drugs were legal, some of these costs would rise, some would fall. Semesky believes the net effect would be highly negative.

Miron says a small rise in drug abuse would be far outweighed by the gains from reduced violent crime, freed-up police resources, a more productive citizenry and reduced illness from bad drugs and dirty needles.

Rosalie Pacula, the director of the Rand Drug Policy Research Center in Santa Monica, Calif., says there are huge unknowns. But if you look at the effects of alcohol and tobacco abuse, she says, legalizing drugs would be "very, very risky."

### **Could this happen?**

How likely is it that street drugs would be legalized?

The possession of small amounts of marijuana has been decriminalized in 12 states, meaning offenders might get fined but won't be jailed or given a criminal record. Nonetheless, full legalization of marijuana is hardly likely. In a 2002 CNN/Time Magazine poll, 59% of respondents opposed legalizing marijuana, and 34% favored it. Although attitudes are getting more liberal, marijuana is not legal anywhere in the world.

As for other street drugs, don't even ask. The question of legalization is no more than an interesting academic exercise.

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