Good example of the economic effects of legalization of marijuana research paper

\n[toc title="Table of Contents"]\n

\n \t

\n[/toc]\n \n

The marijuana legalization issue was first debated over 100 years ago by BIHDC (British Indian Hemp Drugs Commission). This commission resorted to a defined conclusion that; cannabis sativa (marijuana) was detrimental to human health, and the best way out was to impose high taxation to this drug. Prohibition of this drug was inevitable; the best solution was to tax the crop highly. This resolution failed after several years of attempts. Marijuana remained a legal drug in India until the year 1989 when it was phased off by the single convention international narcotics treaty (Gahlinger 2004). Over the recent past, an acute usage of this drug is rising rapidly. Many economies face adverse effects its consumers. This is due to the side effects that I caused by this drug. These economies are left with no option but to legalize the drug and impose high taxation rates on it. Through the various researches that were done by scholars, these benefits can be estimated to be approximately $8. 9 trillion across all the global economies. This proofs to be a better option, since; most of this revenue can help to balance off the

budget of these economies.

In USA, heated debates over legalization of marijuana is on the rise. Most of the states are for the idea that, marijuana should be decriminalized while other states does not support the idea. Some of the states that support this idea are; California, New York, Alaska, Ohio, Nevada, Colorado, North Carolina, Maine and Mississippi. These states have one thing in common; they believe that if marijuana is decriminalized, then all the social costs that are used across all the prisons in America will be reduced significantly. They also hold to believe that; marijuana legalization will have a positive on the federal government economic trend and help to balance the government budget.

An American press known as ' Gallup poll' shows positive trends on the research on opinions on whether this drug should be legalized. According to a recent poll, 50% of Americans believe that cannabis sativa should be decriminalized and allow trade men and women to trade on the drug. This poll shows a positive trend, for instance, in the year 2011, 34% of American citizens believed that the drug was fit to be legalized. This poll rose to 44% in the year 2013. Legalization of marijuana seems to be around the corner, and all the necessary laws need to be discussed and amended before the drug is decriminalized.

The possible concerns about the drug should be on whether consumers will be addicted by using the drug. Like other drugs such as alcohol, the future of using marijuana is uncertain. The extent of health effects that it brings along with its usage is unknown. However, experts believe that; unlike other drugs, marijuana users can quit easily from using it with few instances of

withdrawal symptoms. Some of the withdrawal symptoms include; nausea, sleep disturbances and depression. This can only affect an individual over a short period. Marijuana is believed to have some medicinal properties. Experts confirm that, this drug contains ingredients that can be used to relieve pain, control nausea, stimulate appetite, and decrease ocular pressure. Scientists are researching research on the possible long-term effect of continued use of this drug on.

Elasticity and estimated demand

Demand analysis should be established first before any possible decriminalization procedures. The continued prevalence, impact, and price of marijuana need to be taken into consideration before this drug is legalized. Illegality of this drug affects its demand acutely. The penalties that are put in place does not allow this drug to be traded easily. Nevertheless, most drug traffickers are successful in trading this drug due to the prevalence of tipping off the law custodians; hence, this drug can be available in most places easily.

Legalization of marijuana translates to the fact that; there would be an increased excitement on the usage of this drug. This means that, there will be a short-term demand of marijuana. Going forth into the long-term perspective, most drug users may opt to withdraw from using this drug and appreciate their former drugs due to addiction. This will cause a sharp decrease in demand of marijuana; thus, market prices will be affected greatly. This means that; most traders who are trading this drug will withdraw from the business due to the accrued losses that they will incur.

This will affect the influx of government revenue, since, most marijuana businesses will shut down. There is an acute trade-off balance between legalization of this drug and the certainty of the future demand for this drug. The projection that; legalization of marijuana leads to increased demand for this drug seems to be uncertain. Decriminalization of this drug will prevent some of the consumers from further use of this drug. This can be because of a myriad of factors. A strategic cost benefit analysis (CBA) needs to be done to estimate the extent of the influx of benefits from that of costs. Two major factors can contribute to more costs and fewer benefits. The first one is; legalization of marijuana will increase demand and thus, the prices will reduce significantly. Secondly, prohibition of this drug will decrease the consumption level of the consumer, due to the fear of the possible penalty that a consumer can be subjected to in case one is found guilty. Understanding the basis of marijuana prohibition will form the basis of understanding the consumption patterns of consumers if the drug is legalized.

Pacula (2001) though his research established that, marijuana consumption is perfectly inelastic. The level of elasticity of demand in respect to the price level is -0. 065. This simply means that; a 1% increase in price of this commodity will lead to 0. 065% decrease in demand for marijuana, for instance, if price is increased by 16. 7% then, the demand for marijuana will fall by 1%. This study also established that, price fixation was irrespective of the age of the users. It is believed that, the demand of marijuana will largely be determined by the price. Consumers will respond to the consumption of this commodity depending on the price.

Determining Price and Taxation

Legalization of marijuana provides a stable of revenue to the government through taxation. Taxation on distribution and retailing of this commodity will attract hefty taxation. This leads to a heavy influx of revenue into the national revenue kitty. Huge taxation rates can be imposed on marijuana with respect to the fact that; the price of this commodity will be kept at a competitive rate that is relatively lower to that of other intoxicants like, cigarettes. Taxation on marijuana provides the consumers with perfect substitutes to the common drugs like, alcohol and tobacco.

An analysis of how this commodity will be supplied into the markets and retailed can be assumed similar to that of other legal drugs. Nevertheless, since it is a new drug, then heavy taxation should be imposed indefinitely. The cost of production for marijuana can be compared to that of tobacco; there is no distinct difference that marijuana should be produced at relatively higher or lower costs. Therefore, price of this product should be fixed at a rate that does not exceed that of tobacco. Another factor that should be of major interest is that; marijuana is of different types, thus contains different qualities. Therefore, when setting up the prices for this commodity, special attention ought to be paid on the various classes of this commodity.

A competitive market price for marijuana should be set at a relatively affordable rate compared to that of substitutes like tobacco. The manufacturing coats as well the marginal costs of producing this commodity are relatively similar to that of tobacco cigarettes. Therefore, when setting up the price for this product, then special attention should be paid to this effect. In USA, taxation rates vary across the states due to a myriad of

factors. For example, New York has the highest taxation rate of $4. 45 and the lowest being Missouri with $0. 19. This difference in taxation rates is attributed to the economic development of a given state. The approximate average rate of state taxation is $1. 69 for every pack; this includes a national tax of $1. 03 and other additional varying state taxes. With the average total cost of $5. 65 and the approximated average state as well as the national tax on cigarettes being $2. 80. The projected marginal cost per pack of cigarettes is $2. 75 by approximation. This statistics can be applied when manufacturing marijuana. These two products are similar in production but different in tastes and consumption. Therefore, comparing their production costs will lead to effective determination of free-market price and not the competitive rate that the price of marijuana should be set and retailed at.

Using intoxication analysis, alcohol is the most intoxicating drug in this category of drugs. Tobacco cigarettes follow being the most intoxicating commodity that is inhaled. Marijuana contains different types of commodities with different intoxication rates. Alcohol retails at a much higher price compared to that of tobacco cigarettes due to its intoxication level. A marijuana product that contains high intoxication level should be set at a higher price from that with low or little intoxication capacity. Relatively, a marijuana product that has high levels of intoxication should attract high taxation levels. This helps to avert possible chances of setting up market price that is equal irrespective of the intoxication capacity.

Social Cost

Social cost is the trade-off balance that a new commodity that is being introduced into the market comes along with. Therefore, the social cost of legalizing marijuana is going to be determined by the consumption behavior from the consumers. An increased consumption of marijuana leads to high social cost and vice versa. The possible projections on the social costs that come along with the consumption of marijuana cannot be easily. This is one of the gap that experts are still researching on. Generally, consumption of marijuana comes along with impeccable side effects of the nervous and mental system. This affects the person to reason effectively and might lead an individual to committing criminal activities. This is a social cost to the entire society. Given the fact that the individual is arraigned in court and jailed for the criminal activities, the society will run short of labor if more and more marijuana users are arraigned for these criminal activities.

Another possible social cost that an individual is subjected to be; internal costs. Respiratory effects due to continued smoking of marijuana is one of the main internal social cost that an individual is exposed to. Legalization of cannabis will reduce the cost of respiratory problems. Insurance firms will outline some of the possible insurance policies that accommodate for every marijuana user. This insurance policy can be used across all the health facilities to treat oneself in case of complication that arises out continued usage of marijuana. Another possible development gap is the use of technology to develop better filtration apparatus. Legalization of marijuana will provide the scientist the capacity to research and develop on modern apparatus that can be used to filter out the possible dangerous substance in

the marijuana that is being smoked. This legalization of marijuana will contribute immensely to researching of better marijuana products that harmless but has higher levels of intoxication. In addition, legalization of marijuana will lead to research on better consumption methods that are not detrimental to the user.

Another example of internal social cost is the claim that marijuana is a ' gateway drug', in that; it makes the user consume drugs that are dangerous to the well-being of an individual. Legalization of this drug will lead to believe that, marijuana is a better drug than alcohol or tobacco cigarettes. This is due to its low level of intoxications compared to its substitutes. Some of the social benefits of legalizing marijuana includes; legalizing marijuana will remove this drug from the black market. This removal will be effected respective to the type of laws that will be put in place. Black market trade affects growth in the economy; therefore, legalization of this drug will lead to increased revenue into the economy through taxation. All the possible revenue that is set for the department that fight against illegal trade can be channeled to some better projects that will realize long-term effects.

One of the chief external cost that is associated with legalization of marijuana is; potential increase in accidents risks generated by mental impairment that is brought along with the effects of consuming this drug such as; mental impairment. The accidents that are brought by mental impairment include; deaths, homestead fires and road accidents. All this accidents have one thing in common; loss of lives and property. From an economic perspective, lives lost will lead to reduced labor in the economy. Similarly, destruction of property leads to more losses than profits. Property

that is lost due to any type of accident from a person who is metal impaired is written off. This lead to a loss in the case of a business set-up. In the case where this drug would not have been legalized, the number of unnecessary accidents could be reduced. Therefore, the fact that legalization of marijuana will bring contribute to the development of a better economy, it should also be noted that, the side effects that cause the users to behave indifferently will lead to increased losses hence affecting the economic growth.

Enforcement Cost

Incarceration of citizens due to abuse of drugs affects the economy. According to ICPS (International Centre for Prison Studies) at King's college in London, USA leads in incarcerating its citizens due to substance and drug abuse especially marijuana. Due to the illegality of consuming this drug in America, most of the individual who are found selling this drug are jailed and prosecuted for going against the law. This cause a huge number of victims being deployed in the US prisons. This is not only brought about by selling and consuming these drugs. It can be because of the after effects of this drug that causes mental impairment. This affects the person's judgment, thus; it leads to an individual acting indifferently to the certain scenario. Due to this, a person may violate the rights of another individual, this leads to abuse of law, and hence a person is incarcerated. Most of the inmates in prisons are victims of drug abuse.

Legalization of marijuana leads to use the drug in the right way due to its widespread availability. This helps to reduce the number of victims that are incarcerated in prisons. This will significantly reduce the expenditure from

the national government on prisons. Most economies spend a great deal of money maintaining and up keeping of prisoners. This revenue can then be used for other investments that add value to the economy.

Conclusion

Legalization of marijuana adds value to the economy. It helps to reduce all the expense that are incurred in managing the illegal drug out of the economy. Marijuana is believed to contain some herbal ingredients. This serves as a drug that can be used to prevent certain diseases that are detrimental to the human welfare. by legalizing marijuana, better methods of consuming this drug will be developed with the presence of new technology. Marijuana falls into the category of drugs like; tobacco cigarettes and alcohol. It contains less intoxication to an individual as compared to other drugs. Marijuana does not because the individual to be addicted to it compared to alcohol or tobacco cigarettes. This explains the reasons as to why this drug should be legalized and allowed to be traded freely in the economy.

Another possible contribution of marijuana into the economy is cutting down on costs that are incurred in prisons due to victimization of using it illegally. Prisons will run short of victims of consuming the drug illegally. This will help in reducing the amount of revenue that is invested in maintaining the status and welfare of the prisons and the prisoners. Legalization of marijuana causes a positive contribution to the status of the economy. Marijuana is a drug that causes less intoxication; hence, this brings about positive attribute towards the welfare of a person using the drug. Legalizing marijuana will

contribute positively towards economic development and growth. Taxation is imposed on this drug will contribute to more revenue that can help to balance off the government budget.

Works Cited

Bates Simmons. The Economic Implications of Marijuana Legalization in Alaska. Alaska; Macmillan publishers; 2011. Print.

Gahlinger Peters. Illegal Drugs; a Complete Guide to Their History, Chemistry, Use, and Abuse. New York: Mc Graw Hill Publishers, 2010. Print.

Gumbiner Jones. Is Marijuana Addictive? Psychology Today, 2011. Print.

Harrison Leonards. Comparing Drug-testing and Self-report of Drug Use among Young Adults in the General Population. Washington D. C. Samsha publishers. 2010. Print.

Parke Reinhardt. Fromprison to Home; The Effect of Incarceration and Reentry on Children, Families and Communities. New York; US Department of Health and Social Services, 2013. Print.

Reuteman Richards. The Cost and Benefit Analysis Arguments around Enforcement. New York: CNBC, 2012. Print.