

Essay on legalizing marijuana would generate billions in additional tax revenue a...

[Business](#), [Company](#)



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The Huffington Post

Caroline Fairchild

Summary

In this article, Caroline Fairchild addresses the controversial issue of legalizing marijuana from the economic viewpoint. According to Fairchild, the legalization of marijuana is associated with more positives than negatives. According to the information provided by the article, the cost benefit analysis justifies the legalization of the drug for recreational purposes. The main players in the article include the federal government, the state government, the lawmakers, the consumers of marijuana and economic analysts. The article prominently cites the work done by Cato research, a renowned think tank in favor of the legalization efforts. Additionally, the works of Carl Davis are cited. According to Davis, a higher-ranking analyst affiliated with the institute on taxation and economic policy, there is some uncertainty surrounding the legalization debate.

The article quotes Davis as having said that no one is sure of the size of the marijuana market. Fairchild also quotes Davis as having said that the impact

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on prices of legalization was not known with certainty. For this reason, there is some reason to doubt the legalization benefits, according to Davis.

According to the author, the legalization of marijuana is estimated to generate a possible \$8.7 billion in both state and federal tax revenue every year. As with many contemporary studies, Fairchild considers the legalization of marijuana to be comparable with alcohol and tobacco, saying that upon legalization, marijuana will be taxed in a similar way with the common intoxicants – alcohol and tobacco products.

In the article, Fairchild notes that legalizing marijuana will not only be fiscally important because of the tax revenue collected, but also because a lot of money will be saved in terms of the resources used in regulating marijuana through enforcement, imprisonment and so on. Fairchild also mentions the two most noteworthy among the states that have legalized marijuana – Washington, DC and Colorado. She says that the two will be used as a litmus test of the fiscal benefits of the legalizing marijuana before other states consider taking the bold step. As at now, notes Fairchild, Washington estimates that the positive impact of legalizing marijuana will add up to 1.9 billion within the first five years. As one would expect, Fairchild does not leave out the opponents' views, which hold that the negative social impact of legalizing marijuana outweigh the positive economic impacts.

Implications for Practice

The passing of marijuana laws will no doubt have both positive and negative impacts. This essentially meant that there will be losers and beneficiaries or winners in the event that the state governments opt to legalize marijuana.

Among the primary beneficiaries will be the government. As discussed in the article, the government revenue will increase tremendously, both at the federal and the state levels. Such increase in government revenue can potentially eradicate problems associated with a deficit or balanced budget. Second class of beneficiaries is the class of the actual users. Apparently, there are law abiding lovers of marijuana, who do not currently use it, because they do not want to violate the public law. Upon such legalization, the users will be among the winners. All farmers and businessmen dealing in the processing and distribution of marijuana will be economically empowered because marijuana will be a big business.

It goes without saying that all people and institutions that directly or indirectly depend on government sponsorship will benefit greatly because the otherwise constrained resources of the government will be expanded tremendously. The main losers in the economic sense will be the organizations that process such substitutes as alcohol. Alcohol companies will face serious competition from marijuana, and this may have a negative impact on the returns. From the social viewpoint, the losers will mainly be the teenagers that are prone to peer influence, especially at high school level. Similarly, families may suffer serious faults if the spouses hold different opinions with regard to the recreational drug.

Implications for Theory

The legalization of marijuana will no doubt have a great impact on stock market reporting (Brigham 43) because new companies will emerge, whose main purpose will be to process and/or distribute marijuana products. With

the emergence of such companies, the stock prices of companies dealing in the processing and/or distribution of substitutes. This means that the introduction of the marijuana manufacturing organizations will pose tight competition which will affect the stock prices (Brigham 8) of the substitute processing companies. Being in the industry as a legal recreation product, marijuana will set competitive standards that will potentially scare away new investors to companies. Companies that are inclined to risk aversion (Brigham 238) may not be willing to venture into a market where competition is stiff between such noteworthy products as marijuana and alcohol.

Future Direction

Considering that rate at which marijuana's economic and recreational benefits are becoming supported by research and scientific studies, it is likely that the global scene will embrace legalization. I predict that marijuana will be legalized in almost all parts of the world, and this will be a big boost on the economy since it will generate taxes, save government money spent on regulation and enforcement and regulation, and provide employment opportunities for the jobless people who may be willing to work in the processing companies. However, in my opinion, there is going to be a serious clash of ideas between the economic and the social considerations of the legalization idea.