MICROECONOMICS 3

DEBATE MATERIAL – LEGALIZATION OF MARIJUANA

Introduction to the topic

Cannabis plants have been known since the times of Chinese Emperor Shen Nung (2727 BC)[1]. For centuries they have been used, in different forms, in clothing, automobile, boatbuilding, construction, paper, food, and fuel industries. As they contain many curative substances, they can also be used in the production of medicines, e.g. anti-anxiety drugs, painkillers, or muscle relaxants. However, marijuana – produced from cannabis – is also a well-known intoxicant. The components responsible for psychoactive effects of cannabis are the so-called cannabinoids. The most popular of them, Δ^9-THC, causes human organisms to react with relaxation, euphoria, a sense of novelty, skewed perception of time and space, stimulated appetite and increased sexual sensations[2].

Prohibitions on marijuana due to its negative effects have, in principle, become common in the first half of the 20th century. Recently, a debate has been taking place whether marijuana should be legally available to possess, consume, cultivate, sell, etc. Several countries have already undertaken specific actions aimed at liberalization in this field, e.g. in 2001 regulation decriminalizing possession and personal use of marijuana and other drugs entered into force in Portugal (i.e. possession and personal use are no longer considered as criminal acts and fall under administrative, not criminal, regulation), similarly – with regard to quantities below 3 grams – marijuana was decriminalized in 2003 in Belgium. In December 2013 Uruguay decided in favor of the greatest degree of legalization so far, extending it to production, sale, and consumption of marijuana (implementation of this decision is still in progress). The current year is a particularly interesting moment to take a more detailed look at this problem. In 5 American states (Arizona, California, Maine, Massachusetts, and Nevada) votes will take place in November 2016 regarding legalization of marijuana for recreational use (in the case of positive results these states will join Colorado, Washington, Oregon, Alaska, and Washington D.C., where marijuana is already legal), and in another 4 states (Arkansas, Florida, Montana, North Dakota) votes will concern legalization of marihuana for medical use. Canadian government has also announced far-reaching legalization of marijuana in 2017[3].

Also in Poland an initiative has recently been undertaken to legalize medical marijuana (it is said to help in curing or mitigating various symptoms of e.g. drug-resistant epilepsy, multiple sclerosis, atherosclerosis, different cancer types, Alzheimer's disease, and AIDS). A draft act regarding these issues has been prepared by the so-called Medical Marijuana Coalition (Koalicja Medycznej Marihuany – KMM, http://medycznamarihuana.org.pl/) and was submitted to the Polish Sejm on February 1, 2016 by Piotr Liroy-Marzec (member of the Kukiz'15 parliamentary club). Although the draft raised several controversies from the legal perspective (in particular, a critical opinion of the Sejm Bureau of Research), on September 5 it was sent to the Health Committee of the Sejm. Earlier, in March 2016, the Ministry of Health allowed for refunding products containing cannabinoids imported from abroad
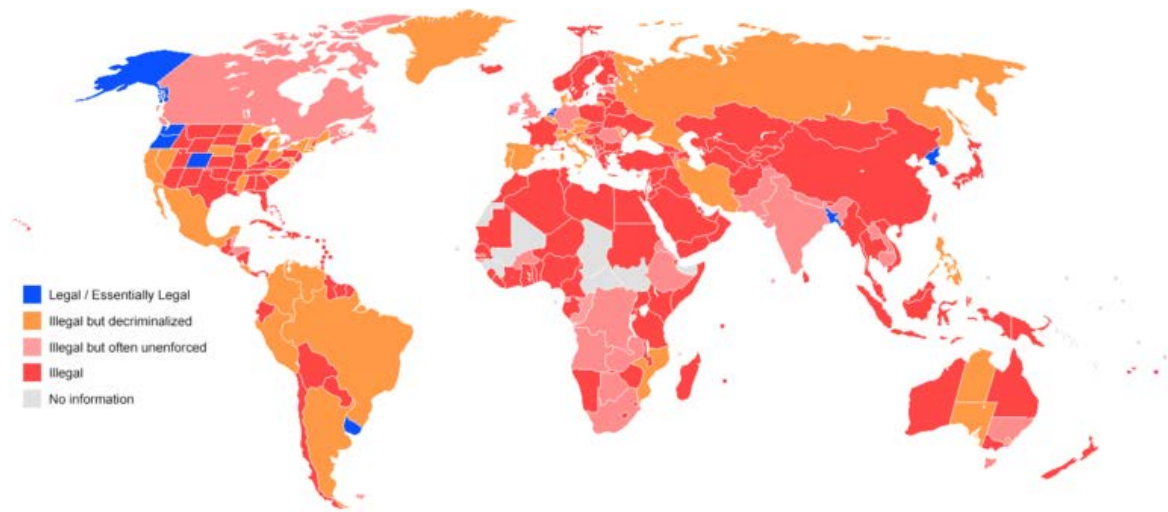
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[1] https://www.deamuseum.org/ccp/cannabis/history.html
[2] https://pl.wikipedia.org/wiki/Konopie_siewne (in Polish)
[3] http://www.cbc.ca/news/politics/philpott-un-marijuana-legislation-legalize-1.3544554

as direct imports[4]. According to the media, there are also plans to organize state plantations of cannabis for medical purposes (under supervision of the Ministry of Health and Ministry of Justice)[5].

Detailed solutions as regards legality of marihuana for recreational use differ greatly between countries. The general picture is shown by Figure 1. Countries in blue are those, where marijuana is legal (or essentially legal), and in red – those, where it is illegal. Additionally, in countries marked in orange marijuana is illegal, however has been decriminalized, and in countries in pink it is illegal, however this prohibition is generally not enforced. To illustrate, in Poland (according to the Act of 29 July 2005 on counteracting drug addiction[6]) import, production, intermediation in selling, as well as possession of marijuana is illegal and is classified as a crime. While possession is punished with up to 3 years of imprisonment, passing marijuana to another person can lead to 1 to 10 years of imprisonment (if it concerns a minor, then the lower threshold shifts to 3 years of imprisonment).

Fig. 1. Legality of marijuana in the world (as of July 2016)

Source: https://commons.wikimedia.org/w/index.php?curid=4986295 (multiple authors, CC BY-SA 3.0).

Advocates of legalization emphasize, inter alia, that existing prohibitions have failed in effectively restricting access to marijuana and its use, while they lead to billions of losses and hundreds of thousands arrests every year. According to Cathy Lanier, head of the Washington Police Department in 2015, "[a]ll those arrests do is make people hate us. (…) Marijuana smokers are not going to attack and kill a cop. They just want to (…) relax. Alcohol is a much bigger problem" [7]. From this point of view legalization would allow people to use a relatively safe substance without being threatened by an arrest, while governments could obtain additional revenues increasing the total funds available for redistribution directed at important social needs (it is estimated that legalization of marijuana in the US would give 17.4 billion dollars more in the public budget per year – half of this amount would be

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[4] http://www.mz.gov.pl/aktualnosci/komunikat-w-sprawie-refundacji-produktow-leczniczych-na-bazie-ziela-konopi-indyjskich/ (in Polish)

[5] http://zdrowie.dziennik.pl/aktualnosci/artykuly/530873,polski-rzad-poprowadzi-uprawy-marihuany-medyczna-marihuana-wiceminister-zdrowia-krzysztof-landa-rozmowa-dgp.html (in Polish)

[6] *Ustawa z dnia* 29 *lipca* 2005 *r. o przeciwdziałaniu narkomanii* (Journal of Laws of 2016, item 224 as amended).

[7] http://www.vox.com/cards/marijuana-legalization/case-for-marijuana-legalization

savings thanks to eliminating expenses on enforcing the ban, and the rest would be tax revenues[8]). An additional effect of shifting transactions in marijuana from the black market to the legal one could be the loss of profits by drug cartels and other criminal organizations, leading in consequence to restricting the scale of their activity in many different areas (not only in the drug market).

Opponents of legalization indicate primarily that unconditional consent for access to marijuana would make the latter too easily accessible, resulting further in an increase of its consumption and various kinds of abuse. In particular, this concerns aggressive marketing by large profit-seeking companies and its potential consequences. Other problems raised in the debate are, e.g., fears concerning easy access to products containing marijuana (in particular, food products) by children, or road safety arguments[9]. Nevertheless, maintaining a complete ban on marijuana is seldom the advocated panacea; many intermediate solutions are proposed, e.g. putting production and sale of marijuana in the hands of local governments, what should mitigate profit-seeking incentives and at the same time could grant the authorities more control over prices and identification of consumers. It is also a popular view that users of marijuana who do not undertake violent actions should not be punished (and particularly not by imprisonment), what would result in depenalization of marijuana. Other views support legalization of medical marijuana, while recreational use should remain prohibited.

Organization of the debate

Two teams participate in the debate: the Supporters and the Opponents of legalization of marijuana. Prior to the debate each team should gather as many arguments supporting their position as possible. They should also specify the proposed regulation, e.g.: shall it apply to cultivation, consumption, trafficking etc.; which use of marijuana shall it concern; should some groups be excluded; are sanctions to be imposed (and if so, what kind), etc.?

The debate may but does not have to concentrate on the currently operative (Polish, EU, or US) law. It is also not necessary to use advanced knowledge concerning the current capabilities of medical science as regards diagnosing consequences of marijuana consumption, or its application in pharmaceutical industry, however general knowledge of this kind could be helpful. The debate should rather concern broader concepts which are significant for an economist, such as: the market mechanism and its failures – asymmetric information (including adverse selection in the market for marijuana), externalities, network effects, links between markets (including impact on the labor market), public goods (public heath), competition and its restrictions (e.g. state monopolies in cannabis cultivation), efficiency; comparative advantage; substitution (marijuana vs. other drugs, marijuana vs. alcoholic beverages), effectiveness of sanctions; taxation and budget revenues; etc.

Each of the teams – the Supporters and the Opponents, will be divided into three subgroups of more-less equal size: the Agitators, the Polemists, and the Legislators. The Agitators' task is to prepare arguments supporting their position. The Polemists' task is to foresee the argumentation of the opposing team and prepare to resist them. The Legislators' task is to formulate optimal (and conforming with the general position of the team – "for" or "against" legalization of marijuana) proposals of (legal) regulation. They should also be prepared to explain how their proposal solves the

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[8] Miron J. A., Waldock K., *The Budgetary Impact of Ending Drug Prohibition*, Cato Institute, 2010, http://object.cato.org/sites/cato.org/files/pubs/pdf/DrugProhibitionWP.pdf.
[9] Here an additional complication stems from the fact that existing ways of detecting whether someone is at a given moment under influence of marijuana, or not, are highly imperfect and this can lead to the problem of unjust arrests or traffic tickets.

signaled problems. It will be helpful to refer to existing legal solutions and gather data concerning their observed positive and negative effects. The selection process (selecting team and subgroup members) should be organized bottom-up (i.e. by the students); the course instructor will only intervene when this does not succeed.

Each of the six sub-groups should meet in the weeks preceding the debate and formulate its position. If they find arguments which are more useful for another sub-group, they should pass this information to that sub-group and may be given credit for it (see below). Each sub-group should delegate its representative who will speak on their behalf during the debate (it is possible to nominate more than one person but bear in mind that time will be limited). If, for some important reason (e.g. illness) the delegated representative will be absent at the debate, this obligation should be passed on to other members of the (sub-)group. For preparing the argumentation it will be necessary to refer to relevant literature, e.g. provided under the links at the end of this document. The course instructor may require that sub-groups submit outlines of their planned speeches/presentations prior to the debate. The instructor also decides whether slides should be used for presentations.

There are also 2 special roles in the debate: a moderator and a secretary.

The debate

The debate is conducted by the moderator, who at the outset specifies its rules, keeps the time, gives the speakers the floor (ensuring that speakers introduce themselves) and cuts them off. The course instructor and secretary assess the speeches and note good questions and arguments raised in the course of the debate by the audience.

The proposed agenda (the moderator may modify it provided that this is done in agreement with the participants and sufficiently in advance):

Agitators from the team of Supporters:	10 minutes
Polemists from the team of Opponents:	5 minutes
Comments/questions from the audience regarding these positions and short answers:	5 minutes
Agitators from the team of Opponents:	10 minutes
Polemists from the team of Supporters:	5 minutes
Comments/questions from the audience regarding these positions and short answers:	5 minutes
BREAK	
Legislators from the team of Supporters:	10 minutes
Legislators from the team of Opponents:	10 minutes
[The legislators may and should allow for modification of their proposal at the last moment (during the break?) based on unexpected arguments of the opposing team.]	
Comments/questions from the audience regarding these proposals and short answers:	5 minutes
Summary of the debate by the moderator, with support from the course instructor	
Distribution of points	

Rules regarding the distribution of points

After the debate in each of the 2 teams the Agitators (A) distribute 3 *group points* between the Polemists (P) and the Legislators (L) of their team. Only integers are allowed, i.e. an equal division is

not possible. Similarly, P allocate 3 points between A and L, while L allocate 3 points between A and P. Subsequently, each member of each sub-group divides *n+1 individual points* between *n* remaining members of this sub-group. The general rule is that nobody decides about the points that he/she will obtain but only about the distribution of points between other persons, whose work and its effects he/she could observe during the preparations and in the course of the debate itself. Moreover, the instructor may organize a (secret) ballot aimed to indicate the winner of the debate. After class, in coordination with the secretary and based on his/her and the secretary's notes, as well as the above distribution of group and individual points, the instructor grants points (the final debate result) to each student and possibly also announces the winner of the debate.

The course instructor grants points to the moderator and the secretary arbitrarily, depending on their work.

Useful sources

(You are highly encouraged to look for sources on your own – unexpected arguments will be most difficult to resist for your opponents!)

- *international literature*

Dills A., Goffard S., Miron J., *Dose of Reality: The Effect of State Marijuana Legalizations*, Cato Institute Policy Analysis Paper No. 799, 2016, http://www.cato.org/publications/policy-analysis/dose-reality-effect-state-marijuana-legalizations

European Monitoring Centre for Drugs and Drug Addiction (EMCDDA), *European Drug Report 2016*, http://www.emcdda.europa.eu/system/files/publications/2637/TDAT16001ENN.pdf

Global Commission on Drug Policy, *The War on Drugs and HIV/AIDS. How the Criminalization of Drug Use Fuels the Global Pandemic*, 2012, http://globalcommissionondrugs.org/wp-content/themes/gcdp_v1/pdf/GCDP_HIV-AIDS_2012_REFERENCE.pdf

Graham R., "Is Marijuana Good For Public Health?", *JSTOR Daily*, 8.10.2014, http://daily.jstor.org/marijuana-and-public-health/ (i liczne źródła tam przywołane)

Hughes C. E, Stevens A., "A resounding success or a disastrous failure: Re-examining the interpretation of evidence on the Portuguese decriminalisation of illicit drugs", *Drug and Alcohol Review*, 31, 2012, pp. 101-113.

Kaestner R., "Illicit drug use and labor market outcomes: A review of economic theory and its empirical implications", *Journal of Drug Issues*, 28(3), 1998, pp. 663-680.

Kaestner R., "The Effect of Illicit Drug Use on the Labor Supply of Young Adults", *The Journal of Human Resources*, 29(1), 1994, pp. 126-155.

Miron J. A., Waldock K., *The Budgetary Impact of Ending Drug Prohibition*, Cato Institute, 2010, http://object.cato.org/sites/cato.org/files/pubs/pdf/DrugProhibitionWP.pdf

Model K. E., "The Effect of Marijuana Decriminalization on Hospital Emergency Room Drug Episodes: 1975-1978", *Journal of the American Statistical Association*, 88(423), 1993, pp. 737-747.

Morselli C., "Structuring Mr. Nice: Entrepreneurial opportunities and brokerage positioning in the cannabis trade", *Crime, Law & Social Change*, 35, 2001, pp. 203-244.

Sabia J. J., Nguyen T. T., *The Effect of Medical Marijuana Laws on Labor Market Outcomes*, IZA Discussion Paper No. 9831, 2016, http://ftp.iza.org/dp9831.pdf

- *the case of Poland (medical marijuana) – sample materials (in Polish)*

Draft of the act on legalization of marihuana on the Medical Marijuana Coalition (Koalicja Medycznej Marihuany) website: http://medycznamarihuana.org.pl/projekt-ustawy-o-legalizacji-marihuany-medycznej/

Justification for the draft: http://medycznamarihuana.org.pl/wp-content/uploads/2016/08/uzasadnienie-do-projektu-ustawy-MM.pdf

Regulatory Impact Assessment for the draft: http://medycznamarihuana.org.pl/wp-content/uploads/2016/08/Ocena-skutk%C3%B3w-regulacji.pdf

The draft in pictures: http://medycznamarihuana.org.pl/wp-content/uploads/2016/01/obrazki.jpg

The official Sejm documentation: http://orka.sejm.gov.pl/Druki8ka.nsf/0/BDBC1E2893155799C1258025003BC113/%24File/812.pdf

General material concerning the case of Poland: Malczewski A., *Nielegalny rynek oraz redukcja podaży na narkotyki*, Centrum Informacji o Narkotykach i Narkomanii - Krajowe Biuro ds. Przeciwdziałania Narkomanii, 2010, http://www.cinn.gov.pl/portal?id=15&res_id=258540