Design Considerations for Legalizing Cannabis: The 14 P’s

Beau Kilmer, PhD

Co-Director, RAND Drug Policy Research Center
Interim Director, RAND San Francisco Bay Area
Senior Policy Researcher, RAND Corporation
Professor, Pardee RAND Graduate School
Also based on interactions with decision makers

- Washington State Liquor Cannabis Board
- State of Vermont
- New York’s Regulated Marijuana Workgroup
- Uruguay’s Junta Nacional de Drogas
- Canada’s Legalization Task Force
Design considerations: The 14 P’s

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3. Power
4. Promotion
5. Prevention & Treatment
6. Potential for expungement
7. Policing & Enforcement
8. Penalties
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Price of cannabis matters for many outcomes

- Size of illicit market
- Consumption
- Tax revenues
- Profitability of licensed businesses
  - Employment
  - Wealth generation
Reduce the risk of arrests and violence
  – Reuter & Kleiman, 1986

Increasing returns to scale if large grows allowed
  – Caulkins, 2010; Kilmer et al., 2010

Easier to leverage changes in technology

Competition will drive down costs
Colorado prices for pound of cannabis dropping

Source: Colorado Department of Revenue, 2018
Price drop is especially severe in Oregon

Source: Cannabis Benchmarks, September 2018
Retail prices falling in Washington

Source: RAND analysis of Washington’s Traceability System
Federal legalization = Dramatic market changes

- Federal prohibition creates headaches for cannabis companies, but it keeps many in business
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- Can produce all of the THC consumed in US on a few dozen farms in Iowa . . .
  - Caulkins, Kilmer, & Kleiman (2016)
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- . . . or in another country

- And if Amazon is eventually allowed to distribute . . .
Options to elevate price

- Reduce competition
- Levy taxes, but beware
- Set minimum price
- Set the price
- Government stores
Concluding thoughts

- Many choices, must acknowledge the tradeoffs
- Overall consequences of changes in cannabis policy will depend on the use of other substances as well
- Reasonable people can disagree about cannabis policy