

The Legalization of Cannabis in the United States and Uruguay: Initial Findings¹

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ABSTRACT

The revenue share created by the cannabis industry in the economy and in tax revenues remains modest. Moreover, current data does not take into account the long-term costs of the reforms for society as a whole, since it does not include undesirable effects such as car accidents, hospitalization, and decreases in productivity. We must wait several years before a thorough evaluation of the costs and benefits of the reforms can be carried out.

Keywords: Legalization, Cannabis, USA, Uruguay, Initial Findings

La legalización del cannabis en los Estados Unidos y Uruguay: hallazgos iniciales

RESUMEN

La porción de los ingresos creada por la industria del cannabis en la economía y en los ingresos fiscales sigue siendo modesta. Además, los datos actuales no tienen en cuenta los costos a largo plazo de las reformas para la sociedad en general, ya que no incluyen los efectos indeseables, como los accidentes automovilísticos, la hospitalización y la disminución de la productividad. Debemos esperar varios años antes de poder llevar a cabo una evaluación exhaustiva de los costos y beneficios de las reformas.

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Palabras clave: legalización, cannabis, Estados Unidos, Uruguay, hallazgos iniciales

美国和乌拉圭大麻合法化：初期结果

摘要

大麻产业的收入在经济收入和税收中所占份额依旧不多。此外，现有数据并未将改革对社会造成的长期成本作为整体进行考虑，这是因为长期成本不包括例如车祸、住院治疗和生产力降低等不良效果。在有关改革成本和利益的全面评价得以实施之前，还需要几年时间。

关键词：合法化，大麻，美国，乌拉圭，初期结果

Following in the footsteps of Colorado, Washington State, and Uruguay, an increasing number of states in the USA² and countries around the world are changing the legal status of cannabis. The first data on these developments is now available, and can be used to provide an initial progress report on cannabis legalization. While this *Sécurité Globale* special report focuses on the initial impact that cannabis legalization has had on crime and delinquency in Colorado and Uruguay, the aim of this introduction is to present a brief overview of the preliminary results in terms of consumption and public health, as well as the economic repercussions. This data was collected for the Cannalex project, the result of a collaboration between the French National Institute for Advanced Studies in Security and Justice (Institut national des hautes études de la sécurité et de la justice, INHESJ) and the French Observatory for Drugs and Addiction (Observatoire français des drogues et des toxicomanies, OFDT) with financial support from France's High Council for Strategic Education and Research (Conseil supérieur pour la formation et la recherche stratégique, CSFRS).

The aim of this study, which was embarked upon at the same time as these cannabis reforms were implemented (between 2015 and 2017), was to give a synopsis—strengthened in particular by encounters in the field with both government

2 Ivana Obradovic, *Actualité de la régulation du cannabis aux États-Unis* (OFDT, 2017). Available at: <https://www.ofdt.fr/BDD/publications/docs/eisxiox3.pdf>.

and civil society actors—of the cannabis regulation processes underway in Uruguay, Colorado, and Washington State. Cannalex also aimed to measure the initial consequences of the reforms in terms of politics, economics, health, and crime. Given the newness and the changing character of the policies implemented by these three states, the conclusions drawn from this study can only be provisional.³

The Political Factors behind Legalization

The processes that led to the introduction of these new regulatory policies for “recreational” cannabis vary greatly. In Uruguay, the regulation came from above (deputies, government) and was based on a political call for a necessary “modernization” of society along with changes in values (abortion, same-sex marriage), with the majority of the public in opposition. On the contrary, in the two American states studied, the change in the legal status of cannabis came through direct democracy (via a referendum proposed by popular initiative), after intense mobilization of one part of civil society through sustained lobbying and campaigns, which benefitted from significant financial support (from George Soros’s Open Society Foundations).

Moreover, this legalization of recreational supply and demand took place in a context where access to cannabis for medicinal purposes had already been authorized. These very distinct processes still have some limitations. In Uruguay, the lack of consensus on the part of the general public and the political classes has resulted in the implementation of the reform facing multiple forms of resistance, in particular among the healthcare and education professions. Conversely, in the two American states, and especially in Colorado, local governments were overridden by the will of the people and had trouble establishing “responsible” regulation since they lacked a model that had already been tried and tested elsewhere in the world.

Two “Models” of Cannabis Regulation: Colorado vs. USA

The processes of transforming the legal status of cannabis were therefore different in the two US states and in Uruguay, and expectations about legalization were no less divergent. Whereas Uruguay legalized recreational cannabis in the name of protecting the population from illicit markets that were the source of violence, the two US states emphasized not only civil liberties but also the potential tax revenues that would help finance education and prevention programs. Finally, the way in which the regulations are actually implemented reveals profound differences.⁴ In Uruguay, the government plays a central role in the

3 See the final report: *Une analyse comparée des expériences de régulation du cannabis (Colorado, État de Washington, Uruguay)* (INHESJ and OFDT, 2017). Available at: <https://www.ofdt.fr/BDD/publications/docs/CannalexRFS.pdf>.

4 Michel Gandilhon, Ivana Obradovic, Nacer Lalam, Déborah Alimi, and David Weinberger, “Col-

process: it controls production, prices, the nature of the varieties produced, and their THC (Tetrahydrocannabinol) levels, as well as supervising distribution.

In Uruguay, cannabis is not considered to be a commodity like any another, and a public health aspect is also present. By contrast, in the two US states, a significant amount of room has been left for market principles (for-profit regulation), and a full-fledged private cannabis industry is emerging, with its operators, financial specialists, law offices, and lobbyists. The dynamic of this new legal and economic sector is leading to an increase in production volumes and to a diversification in the supply of cannabis and its derivative products. It is therefore possible to distinguish between a Uruguayan “statist model,” where private supply is strictly supervised by the public sector, and an American “private commercial model,” which encourages a “responsible” industry with less regulation (based on the alcohol model).

An Increase in Consumption among People aged Seventeen and over

In the two US states, where people under the age of twenty-one are prohibited from using cannabis, public health officials focus on preventing minors from consuming it by restricting their access to supply (such as no stores near places frequented by young people, no advertising, and no marketing) and by investing in prevention and education. With this aim in mind, minimal visibility of cannabis in public spaces is required: consumption in the street is prohibited for everyone (including adults), as is the case with alcohol. According to the statistics, after three years of reforms, annual use of marijuana among minors (ages 12-17) has sharply declined in Washington State as well as in Colorado, even though it remains above the American average: 13.5 percent and 16.2 percent respectively compared to 12.2 percent nationally.

For young people aged 18-25, there has been a definite increase in cannabis use in Colorado and in Washington State. The use of cannabis by those aged twenty-six and over has significantly and even strongly increased in Colorado. All of this suggests that the legalization of cannabis, along with an increase in legal supply, has disinhibited a portion of adults. It is hard to say whether this phenomenon will last or if it is a short-term effect of legalization. Whatever the case may be, out of the fifty American states, Colorado and Washington State have risen to become the largest consumers of marijuana.

In Uruguay, the first years of implementation of the new regulatory policy—almost forty years after cannabis use was decriminalized in 1974—did not

orado vs Uruguay: Deux modes opposés de légalisation du cannabis,” *Drogues, santé et société* 1 (March 2018). Available at: <http://drogues-sante-societe.ca/colorado-vs-uruguay-deux-modes-opposes-de-legalisation-du-cannabis/>

modify the trend observed over the past decade, in other words the strong increase in cannabis consumption among the general population, and in particular among young people against the backdrop of a decrease in perceived dangers. It should be noted, however, that the main means of supply, its sale in pharmacies, was not yet in place when the last statistical measurements were carried out (in 2014).

The Initial Consequences in Terms of Public Health?

In the two US states, the most noticeable development in terms of public health has been the increase in cannabis use-related emergency room visits and hospitalizations. This trend is most pronounced in Colorado, even though these cases only account for a small proportion of hospital activity. It is primarily related to the consumption of “edibles,” which now make up nearly 40 percent of the cannabis market, and a lack of understanding of the effects of cannabis-infused products (which should not be ingested in large quantities over a short period of time before the first effects have been felt). In Colorado, tourists account for the majority of this population. There has also been an increase in the number of young children hospitalized due to accidental cannabis intoxication. However, despite its strong presence in the media, the occurrence of this has remained limited (to a few dozen cases).

The main concern of health professionals is the drop in demand for treatment for cannabis dependence. In fact, while the number of problem users of cannabis remains high, with 20 percent of consumers purchasing 85-90 percent of legally-sold marijuana,⁵ demand for treatment has fallen, at least in Washington State. The demand for treatment is stable in Colorado, except for with those over the age of twenty-five—which is hardly surprising if we take into account the doubling of monthly consumption in this age category since 2012—who now represent more than half of those being treated, compared to more than a third ten years ago.

Whatever the situation, it is hard to predict the long-term health effects of “models” that, given the diversity of the products on offer (weed, oil, edibles), are based more on a mass commercialization of THC (the active constituent of cannabis) than on a legalization of cannabis.⁶

A “Good Move” in Economic Terms?

In Uruguay, the state has played a large role in the country’s regulatory policy, in a desire to neutralize the black market with low prices (and therefore lower taxes). In the United States, by contrast, the supply of cannabis and its deriv-

5 Richard Hetu, “Cannabis: Éviter le piège américain.” *L’actualité*. July 17, 2017.

6 Ben Cort, *Weed, Inc.: The Truth About THC, the Pot Lobby and the Commercial Marijuana Industry* (Deerfield Beach, FL: Health Communications, Inc., 2017).

atives has been largely left to the private sector, which has employed the same strategies for expanding the market as those used for alcohol. A veritable “green capitalism” has emerged in the two states, where the cannabis sector has created jobs as well as increasing sales and generating large profit margins.

This picture should be qualified, however. The revenue share created by the cannabis industry in the economy and in tax revenues remains modest (less than 1 percent of the GDP of the two states), especially when compared to the traditional economic dynamics of the two states (Boeing, Microsoft, Nintendo). Moreover, current data does not take into account the long-term costs of the reforms for society as a whole, since it does not include undesirable effects such as car accidents, hospitalization, and decreases in productivity. We must wait several years before a thorough evaluation of the costs and benefits of the reforms can be carried out.