

# Opinion: Will Rhode Island Surrender Yet Another Industry?

RI has an opportunity to take the lead in a new area of economic development and gain tens of millions of dollars in tax revenue, but it must act immediately before the initiative is lost to neighboring states. By taking a “wait and see” attitude, state legislators in the General Assembly will let the critical window of time slip away, surrendering much of that tax revenue to Massachusetts.

What is this new form of commerce? Legalizing - and taxing - the recreational use of marijuana, as several other jurisdictions have already done, including Colorado, Washington, Oregon, Alaska and the District of Columbia.

Arguments have been largely theoretical until now, despite the sweeping trend to legalize recreational use of marijuana in distant western states and the District of Columbia, but that is about to change for Rhode Island because there is every indication that Massachusetts and Maine will submit the issue to voter referendum in 2016. Polling hints that significant majorities approaching 60% are likely to vote “yes.” Connecticut and Vermont are widely expected to legalize recreational use shortly afterward if not in 2016, and they would also have to take into account what their neighbors do.

RI already faces the loss of tens of millions of dollars in gambling tax revenues because of competition from the opening of the first casinos just over the state line into Massachusetts, and letting another state take the lead on legalization will sacrifice tens of millions of dollars that will go to the first state in each region to run ahead of the crowd and encourage the nascent industry. Colorado imposes a series of taxes and fees on marijuana, a tiny tax rate (2.9%) applicable to sales for either medical and recreational use but a much higher tax rate (25%) applicable only to recreational use. According to official Colorado state government reports, as of March 2015 total revenue attributable to marijuana in the second year of legalization is running at the staggering sum of about \$10 million per month, approximately double the revenue in the same months one year earlier. OpenDoors, a Rhode Island group mainly concerned with prison reform, published a detailed analysis in April 2014 that estimates increased state revenues from direct excise taxes and indirect income taxes at between \$21 and \$82 million per year, although the recent numbers from Colorado now make that estimate seem too low.

Recreational use of marijuana, though illegal, is mainstream. According to the most recent data available as of 2011-2012 from the National Surveys on Drug Use and Health conducted by the federal government, in percentage of the population using marijuana monthly Rhode Island led the entire nation, 13.00%, and was second (after Vermont) for the 18-25 age group, 30.16%. The national average was 7.13% and for the 18-25 age group was 18.89%. By comparison, in Rhode Island the percentage of the population using *tobacco* monthly in the 18-25 age group is only 40.49%.

It is now beyond serious dispute that the “war on drugs,” insofar as it targets marijuana, has been lost. No matter what anyone asserts about the negative effects on health or otherwise, in a democratic society making criminals of a third of the young adult population is an abuse of the police power of the state, a point conceded now that possession of personal use quantities has already been decriminalized and is only a civil infraction, like a traffic ticket, in New York and every New England state except New Hampshire. Unfortunately, people with criminal convictions prior to this reform remain stigmatized and

the social consequences have been staggering, leaving many, mostly young men disproportionately of color, with criminal records that rob them of their chances for employment and education.

We should have learned this lesson from the disastrously misguided experiment with alcohol prohibition in the 1920s, but instead we replicated all of the same mistakes, creating and empowering a bureaucracy to magnify harms many orders of magnitude worse than the harms that would supposedly be prevented. We tried to eliminate alcoholism by criminalizing what is essentially a medical problem, and what we got was organized crime and so-called law-enforcement using tactics as bad as organized crime. Nearly a century after the repeal of alcohol prohibition in 1933, anyone of sufficient age can freely walk into a liquor store and buy a six-pack of beer that is taxed and regulated as to safety and purity. No sane person would advocate returning to the days of bootleggers sourcing doubtful liquor from anonymously operated backyard stills, with contaminants and adulterants causing tens of thousands of cases of permanent neurological damage such as “jake leg” paralysis.

Under the present de facto system where hundreds of thousands of RI adults are regularly buying marijuana on a healthy and active black market, minors have far easier access to illegal drugs than to alcohol. Liquor stores have a strong incentive to follow the rules and strictly comply with regulations, including enforcing age restrictions, protecting the supply chain from counterfeit or contaminated product, and paying taxes. Illegal drug dealers have no incentive to do any of these things.

Legalizing recreational use of marijuana is going to happen, and soon. There are enormously convincing public policy reasons to do it, there is an entire industry chomping at the bit ready to create thousands of new jobs, and the tax revenues from treating marijuana fairly and reasonably like alcohol will be too attractive to resist. The uncertainty is not whether it will happen, but when: will Rhode Island seize this once-in-a-lifetime chance to pioneer a new business sector, or will it be dragged into the new reality, kicking and screaming, by neighboring states? “Wait and see” is economic surrender, and refusing to decide is a decision that will have real and pervasive negative consequences.

*“Legality of cannabis by U.S. jurisdiction,” Wikipedia:*  
[https://en.wikipedia.org/wiki/Legality\\_of\\_cannabis\\_by\\_U.S.\\_jurisdiction](https://en.wikipedia.org/wiki/Legality_of_cannabis_by_U.S._jurisdiction)

*State of Colorado monthly revenue reports on marijuana taxes and fees:*  
<https://www.colorado.gov/pacific/revenue/colorado-marijuana-tax-data>

*OpenDoors RI marijuana policy analyses:* <http://www.opendoorsri.org/marijuanapolicy>

*National Surveys on Drug Use and Health:*  
<http://archive.samhsa.gov/data/NSDUH/2k12State/NSDUHsae2012/Index.aspx>

*Jake paralysis during prohibition, Wikipedia:* [https://en.wikipedia.org/wiki/Jamaica\\_ginger](https://en.wikipedia.org/wiki/Jamaica_ginger)

*Pat Oglesby, former chief tax counsel, U.S. Senate Finance Committee, on the economics of legalization:* <http://www.dailymotion.com/video/x2apwpm>