

FINAL WORD ↔ BY TIM ROWLAND

The Wages (and Revenues) of Sin

It isn't often that a new industry is created with the snap of the fingers. Trains, planes, and automobiles grew by fits and starts; casino gambling took decades to gain acceptance. Even the Internet and racy tech industry have evolved with some modicum of order and progression.

Technically, of course, the marijuana industry has existed from time immemorial. But seemingly overnight it's gone mainstream. A majority of the states have passed some form of—let's say—"marijuana modification law," either permitting its use for medicinal purposes (wink) or "decriminalizing" it (an inartful way for lawmakers to allow it without being damned by conservative constituencies to the fires of Hell). And, of course, Alaska, Colorado, Oregon, and Washington (both the state and, sorta, the District) have outright legalized it.

George Carlin once said that the reason marijuana hadn't been legalized long ago was that no one could remember where they left the petitions. Today, weed fans are getting the issue on the ballot right and left. As many as 11 states could put legalization on next year's ballot, including Ohio—yes, Ohio! Imagine strolling into a strip mall in the heartland and walking out with a bag of "sticky icky."

Marijuana, reports the *Huffington Post*, was America's fastest growing industry coming into this year, and needless to say, the nation has barely scratched the surface of its economic potential. Already, annual sales are approaching the \$3 billion mark, nearly 90 percent of which is coming from just three states: California, Colorado, and Washington. Cannabis partisans believe that by the time legal marijuana

goes national it will be bigger than the entire organic food industry.

A number of grower/distribution companies have sprouted up to meet the growing demand. (Sorry.) Grass, at least this kind, does not grow in amber waves on the open plain; it's produced in sprawling warehouses under grow lights and climate control. The warehouses employ a modest number of workers but cost millions of dollars to get up and running.

The enticement for state governments is tax revenue. Colorado, for example, collects a standard 2.9 percent sales tax on pot, plus a 10 percent marijuana sales tax and a 15 percent wholesale excise tax. The excise tax, targeted to school construction, is projected to bring in \$30 million this year, more than double all of 2014.

Jobs, tax revenue, economic stimulus, a good buzz—what's not to like? That answer will lie largely with state governments, which are never ones to leave well enough alone. To placate the church ladies and social fretters, state and local governments are assuring one and all that the industry will be "heavily regulated."

Those who wonder why this isn't good need only look at the tortured past—and present—of America's liquor laws, a monolithic patchwork of statutory schizophrenia nearly two centuries in the making. It's true

that in the early 1800s America was basically a gang of drunks, in the days when impure water would kill a person faster than rot gut. But the regulatory cures were largely a swill of well-documented failures—many of which continue today.

Consider a few examples from my neck of the woods. A West Virginia bottler of fine, craft-made liqueurs was nearly driven out of business last year by a law prohibiting on-site tastings—unless the company first sold the product to itself and paid the requisite liquor tax. This was somewhat less burdensome than neighboring Maryland, which, for on-site tastings, would have required the company to maintain a vineyard—never mind that none of its products were made from grapes.

The same sort of nonsense may soon enough be applied to weed, and we've seen a few examples already. Maryland initially drew its medical marijuana regulations so tightly that no growers felt it worthwhile to enter the market. (The law was loosened a year later.) Illinois' \$200,000 licensure fee and \$2 million surety bond for growers of medical marijuana have proved to be too rich for many would-be producers.

But if there's a silver lining in this smoke—er—cloud, it's that lawmakers who pose as enemies of vice can contort themselves to hold out their hands to collect the taxes that licensed vice creates.

There's another benefit to lawmakers, though few seem to realize it (in public at least): legalization not only raises revenue, it also frees up revenue that would otherwise be spent on law enforcement and imprisonment. This is probably the greater bonanza for the states, which spend anywhere from \$1.2 billion to \$6 billion putting stoners behind bars.

So we face the classic golden-goose situation. Marijuana, it seems obvious, can provide a solid public revenue stream and simultaneous cost-savings. But it'll only do so if states don't spend the money on thick reams of unfathomable rules and regulations, and the bureaucracy it takes to enforce them. R

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