

Note: This report was presented to the transition team of Governor-elect Rod Blagojevich as part of the Stevenson Center Illinois Economic Development Policy Conference held on December 12 & 13, 2002.

A Report to the Illinois Economic Development Policy Conference On the Economic Impact of Policies Relating to The Cannabis Plant and Drug Prohibition

Introduction

At a time of national and state budget crises and tough decisions on prioritizing governmental expenditures, roughly \$30-40 billion of taxpayer money is spent in the United States each year on drug war policies.¹ The states shoulder a huge portion of this cost. These policies have continued at great expense with little positive effect, and a growing body of studies demonstrates that alternative approaches would be more effective for significantly reduced expense.²

As an additional cost directly related to drug war hysteria, governmental policies have often stood in the way of testing the potential economic and social benefits of such concepts as harm reduction, medicinal marijuana, and industrial hemp.

It is precisely in the current economic situation that re-evaluating current policies is particularly appropriate, not only for practical reasons, but also for political ones. When education and health budgets are cut, citizens rightly begin to wonder whether incarcerating a pot smoker at great expense is fiscally wise. As prescription costs rise beyond the capability of states and individuals to keep up, interest increases in investigating low-cost herbal remedies such as medicinal marijuana. When incomes in a farming state are endangered, citizens insist that all alternatives are explored, including industrial hemp.

Now is the time for a new perspective.

Drug Criminalization Costs

The 2002 budget for the Illinois Department of Corrections is \$1,303,219,800.00. It costs \$21,654 per year to incarcerate one offender (\$59,231 per year for juveniles). 26% of the adult population and 12% of the juvenile population are incarcerated for drug offenses.³ Roughly 1/4 of a billion dollars is spent in the State of Illinois each year to incarcerate drug offenders.

This still represents only a portion of the costs related to drug criminalization:

¹ "Illegal Drugs: Stumbling in the Dark," The Economist (July 26, 2001)
<http://www.mapinc.org/drugnews/v01.n1358.a08.html>

² See: Jacobson, Mireille, et al. Economics of the Drug War: A Bibliography. Sept. 1999.
<http://www.lindsmith.org/library/bibliography/economic/index.cfm>

³ Source: Illinois Department of Corrections Department Data FY02 (June 30, 2002)

1. Extensive law enforcement budgets are devoted to drug enforcement. In tight budget times this means that effective and critical enforcement needs such as thorough investigation of violent crimes, community policing, and counterterrorism efforts suffer. (One example is the report of FBI counterterrorism agents in Phoenix, Arizona who "complained bitterly about their efforts being given 'the lowest investigative priority' by a supervisor who preferred glamorous drug-fighting investigations."⁴)
2. The cost of prosecuting a single drug case can run \$15,000 or more. Drug prosecution causes overcrowded court dockets and diverts resources from prosecuting violent criminals. Public defender costs increase as well.
3. Individuals in poor communities are more likely to be incarcerated for drug offenses. This often translates to broken families, increasing welfare and foster care costs to the state. It can also mean broken communities with resultant economic and social costs.
4. Individuals incarcerated for drug offenses are not only costing the state, but they also are not productive tax-paying citizens. Incarceration provides a stigma that increases the difficulty in obtaining productive employment after release, which may drive some individuals (who would normally be providing income to the state through their payroll taxes) to work in the underground black market (for which the state receives no revenue).

A number of states are starting to connect these costs with serious budget considerations. In the past couple of weeks, officials in Kentucky, Oklahoma, and Virginia have announced plans or warned for the need of early releases of non-violent criminals due to budget considerations (Oklahoma is looking at early release for approximately 1,000 inmates). Other states, including Washington and Louisiana have already cut some drug sentences, and California and Arizona took similar approaches through referendum prior to the budget crisis.⁵

Medical Marijuana and State Health Costs

The cost of prescription drugs rose by 18.8% in 2000, and unfortunately, this was not particularly unusual. By 2030, the U.S. Census Bureau projects that the proportion of persons aged 65 and older will rise to 20.0% of the population from the current 12.7%.⁶ These two facts bring a sense of urgency to looking at all possible avenues toward alternatives to current prescription approaches.

One such alternative is medicinal marijuana. Despite self-serving claims to the contrary by the DEA, extensive medical and scientific evidence exists supporting the efficacy of marijuana as a medicine for a wide range of treatments, and while having some concerns, those concerns are less serious than those generally accepted for normal approved prescription drugs.⁷

Numerous states have also recognized the potential of marijuana as a medicine, through legislation or referendum, and a General Accounting Office report issued last week noted that those laws have had minimal impact on law enforcement efforts.

In addition to its efficacy as a medicine, medicinal marijuana has the benefit of extremely low cost in comparison to prescription medicines.

⁴ "War On Drugs Trumped Fight Against Terrorism" by Arianna Huffington. Arizona Daily Star (June 6, 2002)

⁵ "Pressure on Prisons" by Phillip S. Smith, The Week Online with DRCNet, (Nov. 29, 2002)
<http://www.mapinc.org/drugnews/v02/n2177/a01.html>

⁶ "The Continuing Rise in Prescription Drug Expenditures" by Donald J. Sutherland. Institute for SocioEconomic Studies (June, 2001)

⁷ See Marijuana Myths, Marijuana Facts: a review of the scientific evidence by Lynn Zimmer, Ph.D. and John P. Morgan, M.D. (New York, The Lindesmith Center, 1997) for an extensive analysis and comprehensive bibliography.

Many of those opposed to legalizing medical marijuana point to prescription options such as Marinol as "alternative" approach. But according to a 1994 report in the Journal of the International Hemp Association: " the cost of a single dose of Marinol ranges between \$4.00 and \$8.00 and the average patient cost ranges from \$12.00 to \$32.00 per day. Since Marinol is expensive, narrowly prescribed and often less effective than crude Cannabis preparations, potent sinsemilla-type (seedless) marijuana remains the most viable form of Cannabis medicine, despite the fact that its illegality artificially inflates its cost."⁸

The Institute of Medicine further pointed out that "The poor solubility of Marinol in aqueous solutions and its high first-pass metabolism in the liver account for its poor bioavailability; only 10-20% of an oral dose reaches the systemic circulation. The onset of action is slow; peak plasma concentrations are not attained until two to four hours after dosing. In contrast, inhaled marijuana is rapidly absorbed."⁹

According to Lester Grinspoon, M.D., of the Harvard Medical School "In the new edition of our book Marijuana: the Forbidden Medicine, we list about 30 medicinal uses for marijuana. For example, the new anti emetic drug ondansetron costs \$120 to \$160 for oral administration but, because of nausea and vomiting, often requires IV administration which raises the cost to \$600. If marijuana were legal and available for use with chemotherapy, you could prescribe someone to smoke a marijuana cigarette about 20 minutes before their cancer treatment -- at a cost of \$0.30. That would prevent nausea just as well. Even if marijuana therapy was reimbursable under a patient assistance program, the extreme low cost would hardly endanger payment for other treatments."¹⁰

Medicinal marijuana has the potential to provide effective alternative drug treatments at greatly reduced cost. Additionally, with a regulated, legal system for growing and distributing medicinal marijuana, an additional potential for legal tax-paying jobs would arise to replace the non-tax-paying illegal drug dealers from which patients must now purchase medicinal marijuana.

Industrial Hemp as a potential for economic growth

The State of Illinois has, for some time, recognized that industrial hemp is worth considering as a crop. The legislature passed several resolutions setting up an exploratory task force (Illinois Industrial Hemp Investigative and Advisory Task Force) and urging the federal government to allow industrial hemp production.¹¹

According to the task force report: "Based upon the review of literature and testimony presented before the task force, the members find that there is potential for industrial hemp to be an important alternative crop in Illinois."¹²

⁸ Clarke, Robert C. and David W. Pate. Medical Marijuana, 1994. Journal of the International Hemp Association 1: 9-12.

⁹ Marijuana and Medicine: Assessing the Science Base, Janet E. Joy, Stanley J. Watson, Jr. and John A. Benson, Jr. ed., Division of Neuroscience and Behavioral Health, Institute of Medicine (Washington, DC, National Academy Press), p. 203

¹⁰ Grinspoon L. Personal communication. January 1997.

¹¹ SR49 (adopted 1999): Creates the Industrial Hemp Investigative and Advisory Task Force; requires the task force to report on the economic viability of industrial hemp production; requests the University of Illinois to work with the task force; HR168 (adopted 1999): Companion measure to SR49; HR553 (adopted 2000): Urges the U.S. Congress to acknowledge the difference between marijuana and industrial hemp, and to clearly authorize the commercial production of industrial hemp.

¹² Illinois Industrial Hemp Investigative and Advisory Task Force Report

http://www.globalhemp.com/Media/Magazines/Global_Hemp_Magazine/2000/January/il_task_force_report.shtml

As a result of that report, the legislature passed a bill to provide for further study of the "feasibility and desirability of industrial hemp production in Illinois" through the University of Illinois. Governor Ryan vetoed the bill.¹³

Despite current governmental restrictions on hemp production, the global market for hemp-derived products is valued at between \$100 million and \$200 million annually.¹⁴ This is likely to increase significantly if those restrictions are lifted.

Commercial Cannabis product potential in North America includes:

1. "Seeds" (achenes): Confectionary, salad oil, body care "cosmetics," animal food, gamma-linolenic acid dietary supplements, specialty industrial oils.
2. Long ("bark") fiber: plastic-molded products, specialty papers, construction fiberboard, biodegradable landscape matting and plant culture products, coarse textiles, fine textiles.
3. Woody stem core: animal bedding, thermal insulation, construction materials.
4. (Perigonal) bract: medicinal cannaboids, essential oil, insect repellent.
5. Plant: alcohol, fuel, silage.¹⁵

As of May 2001, legislatures in Arkansas, California, Hawaii, Iowa, Kentucky, Maine, Maryland, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Oregon, South Dakota, Vermont, and Virginia had begun to explore (to greater or lesser degrees) the potential of industrial hemp industry in their state.¹⁶

Recommendations:

1. De-prioritize the criminal investigation, prosecution, and incarceration of non-violent drug offenders as a means to significantly reducing state costs. From the standpoint of political approach, this could be handled effectively through "focusing limited resources on violent crime, drug sales to children and anti-terrorism efforts." As a part of this effort, it would be worthwhile to investigate the controlled release of non-violent drug offenders currently incarcerated.

A portion of the cost savings could be re-invested into treatment and harm reduction programs, which are more effective in dealing with the medical and social problems of addiction, and which have proven to be cost-effective.

2. Work with the Governors of other states to pressure the Federal Government to respect the constitutional rights of individual states to test new policies and approaches regarding industrial hemp, medicinal marijuana, and drug prohibition in general.

¹³ HB3377: Amends the University of Illinois Act. Authorizes the University of Illinois to study the feasibility and desirability of industrial hemp production in Illinois. Requires the findings to be reported to the General Assembly by January 1, 2004. Provides that additional legislation is required for the commercial production of industrial hemp. Amends the Cannabis Control Act and the Cannabis and Controlled Substances Tort Claims Act. Provides that, for the purposes of those Acts, "cannabis" does not include industrial hemp used in the study by the University of Illinois. Effective immediately. Passed. Vetoed by Governor George H. Ryan August 3, 2001

¹⁴ Pinfold Consulting 1998; De Guzman 2001

¹⁵ "Hemp: A New Crop with New Uses for North America" by Ernest Small and David Marcus, published in Trends in new crops and new uses. 2002. J. Janick and A. Whipkey (eds.). ASHS Press, Alexandria, VA.

¹⁶ State Legislative Action for the Development of a Hemp Industry in the U.S. (5/3/2001)
<http://www.industrialhemp.net/state.html>

The states provide an extraordinary opportunity to test new ideas, and this notion is at the heart of federalism. Both the successes and failures of policy attempts in California, for example, can be extremely instructive to Illinois. As long as the federal government prohibits this "political research and development," the ability to develop and test new effective strategies will be severely hindered. As Supreme Court Justice John Paul Stevens wrote: "Denial of the right to experiment may be fraught with serious consequences to the Nation. It is one of the happy incidents of the federal system that a single courageous State may, if its citizens choose, serve as a laboratory; and try novel social and economic experiments without risk to the rest of the country."¹⁷

3. Explore the political viability of medicinal marijuana legislation, particularly as connected to the potential for reducing state prescription costs.
4. Encourage the state legislature to revive HB3377 to study the feasibility and desirability of industrial hemp production in Illinois, and sign the bill. It is essential that Illinois have a plan in place to take advantage of the economic benefits of the hemp industry once federal restrictions are lifted, or established programs in other states may prevent Illinois from being competitive in this currently limited, but potentially lucrative market.

Report submitted by: Mobilizing Activists & Students for Hemp (M.A.S.H.)

M.A.S.H. is a registered student organization at Illinois State University that works to educate the public about the cannabis plant. While this organization specifically focuses on laws prohibiting the use of industrial hemp and medicinal marijuana, it has interest in the ramifications of larger drug policy issues as well.

President: Eric Johnson

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¹⁷ Boy Scouts of America v. Dale (99-699)