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Marijuana Legalization Advocates Say Alcohol Regulation is a Model to Follow!

By Pamela Erickson

Who would have thought that marijuana advocates would look to the alcohol regulatory system as a model for pot! What happened to all those who say alcohol regulations are antiquated or an affront to personal freedom? Nevertheless, here are some of the elements from alcohol regulation that are being adopted for recreational marijuana:

1. **First is the recognition that potentially harmful substances should not be sold in the commercial marketplace “like tires and mayonnaise,”** as a Costco representative once said. When the alcohol market has been deregulated as it has in the United Kingdom, consumption and serious problems have increased. In fact, those states that sell alcohol in state or state contracted stores may be a good model for marijuana because they mute some of the problems with commercial entities that push for high profits. In such a state system, the primary consideration is public health and safety.
2. **Alcohol regulation focuses on market structures and licensees are given specific responsibilities designed to reduce problems.** After Prohibition, there was a strong desire to avoid the market place problems of the past where large national manufacturers owned chains of retail establishments that sold alcohol very aggressively. This scenario created major social problems. To help states design regulations, John D.

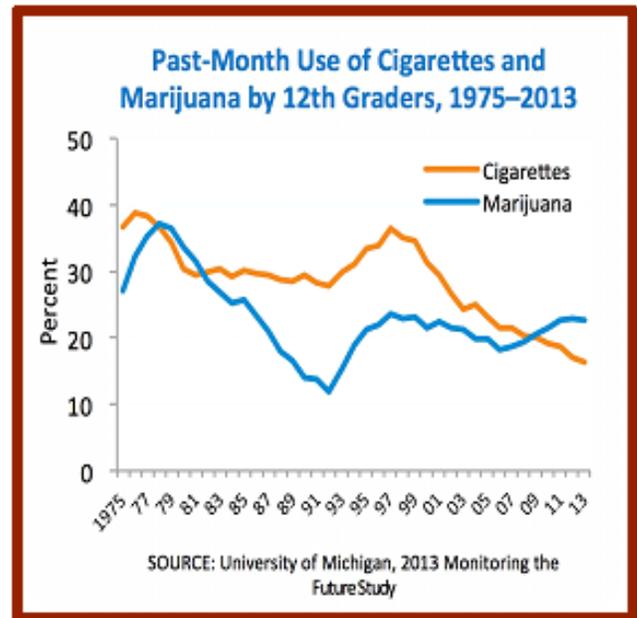
Rockefeller commissioned a research report called, *Toward Liquor Control!*. In that work, the authors strongly condemned the Tied House system that bound manufacturers and retailers. The three-tier regulatory structure was developed to counteract tied arrangements. The three tiers are designed to operate independently to prevent a few large companies from dominating a local community. Within this system licensees have specific duties. Wholesalers are tasked with collecting the excise tax, tracking all products and operating according to fair trade practices. Retailers must ensure sales are not made to underage or intoxicated customers. Washington State has adopted a three-tier structure for its marijuana regulatory system. Colorado has taken the opposite direction by requiring licensees to be vertically integrated, that is do both growing, processing and retailing. The theory is that it's easier to control a company that does everything from “seed to sale.” That may work as long as all “seed to sale” activities are in-state. Should that ever change, a different market structure may be needed. The reason is that it is difficult for one state to regulate what happens in another. Some level of federal regulation also may be needed. For alcohol, there is substantial federal regulation of manufacturing since most alcohol producers are multi-state and today are global companies.

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3. **Specific measures are needed to eliminate the black market and ensure a high degree of integrity and transparency from licensees.** After Prohibition, a lot of effort was made to get rid of the criminal element. Licensing is required for any business working in the alcohol industry. To obtain a license, business owners are subject to criminal background checks and financial disclosures. Business activities are regulated and locations inspected. It took many years to eliminate illegal alcohol and we still have instances of bootlegging today. The same will likely be true of marijuana. Illegal marketers can sell the product cheaper as they have no taxes and no real capital investment. They are not curtailed by regulations and can operate freely across state lines and national borders.

4. **Pricing is critical.** Free market advocates dislike any government effort to control price, but it has been critical for alcohol regulation. Prices that are too low increase consumption as it has in the United Kingdom. Prices too high incentivize bootlegging. In Colorado, the tax rate for medical marijuana is much lower than that of recreational marijuana. So, people have flocked to the medical side thanks to its ease of qualification. For alcohol, price is regulated through taxes and measures which prohibit deep discounting especially for volume purchase.

5. **Limits on access help reduce problems.** For alcohol, research has demonstrated that fewer outlets, curtailed hours and days of sale mean fewer problems. Over time the tendency is to increase outlets and hours/days of sale. This makes the regulator's job more difficult as it adds to the enforcement burden. Both Washington and Colorado regulate hours of sale; Washington controls the number of outlets, but Colorado allows local communities to do that.



6. **Well-enforced age restrictions are critical.** There was a time when alcohol age restrictions were not considered very important; and, they were very poorly enforced. Too many people believed underage drinking was just a rite of passage. But, then youth consumption and binge drinking skyrocketed. That coincided with new research on the adolescent brain which visually portrayed the damage caused by regular drinking. Now we understand that the same thing happens with adolescents who regularly use marijuana. Over the past four decades, we have made great strides in reducing underage drinking and other drug use **except marijuana**. Youth use has increased and now surpasses underage smoking rates.

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So we need to take a lesson from the alcohol field that when adults portray a product as harmless, kids will act on that idea.

These are just some of the aspects of alcohol regulation that are common to both alcohol and the new marijuana regulation. Many challenges remain.