

Study presents strategy to stamp out illicit market for cannabis amid wave of policy shifts in North America

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It's been five years since Canada stepped into the forefront of cannabis legalization, setting a significant precedent in the realm of drug policy.

With Canada and 24 US states now embracing recreational cannabis, the battle against the illegal market remains a key concern, one highlighted in the federal government's final report on the Cannabis Act.

A new study involving a McGill University researcher dives deep into the heart of the matter: can legal cannabis compete with the illicit drug trade, and if so, how? By analyzing supply dynamics and [consumer preferences](#), the researchers crafted a clear roadmap for policymakers. The paper is [published](#) in the *Journal of Economic Behavior & Organization*.

Key findings reveal that while legalization can drive out [criminal activity](#), it also leads to a surge in consumption. However, raising the legal price can offset this increase, as consumers respond to price changes. Meanwhile, combining legal market improvements, such as higher quality products, with tougher enforcement against illegal dealers can effectively nudge consumers towards legal sources, found the team, including scholars from City, University of London and the Toulouse School of Economics.

"Our research shows that a balanced approach, which includes the provision and smart pricing for high-quality legal cannabis and strong actions against the illegal market, can meet many policy goals. These encompass maximizing benefits for consumers, keeping enforcement costs low, and reducing the harm caused by illegal cannabis," explains Tiffanie Perrault, a postdoctoral researcher at McGill University's Department of Economics and the study's co-author.

As more countries consider cannabis legalization, these findings underscore the importance of implementing evidence-based strategies that prioritize consumer safety and [public health](#) while mitigating the risks associated with the underground market.

More information: Emmanuelle Auriol et al, Weeding out the dealers? The economics of cannabis legalization, *Journal of Economic Behavior & Organization* (2023). [DOI: 10.1016/j.jebo.2023.09.027](https://doi.org/10.1016/j.jebo.2023.09.027)

Provided by McGill University

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