

Oregon's marijuana legalization prompted big drop in sales in Washington's border counties

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Three days after recreational marijuana sales became legal in Oregon, sales across the border in Washington, where retail availability already existed, dropped by 41 percent, reports a team of University of Oregon economists.

The study also suggests that illegal cross-border movement, or diversion, of legally produced marijuana sold at retail outlets across state borders is a real concern but not occurring at alarming levels.

The *National Bureau of Economic Research* published the study this week as part of its working papers series.

"We found that the majority of marijuana sold in Washington is actually staying there," said study co-author Benjamin Hansen, a health economist at the UO. "We found that prior to Oregon's legalization 11.9 percent was potentially being diverted out of Washington overall, and it dropped to 7.5 percent after Oregon's legalization."

The research tapped a naturally occurring experiment to explore the issue of small-scale trafficking due to cross-border shopping by Oregon residents in Washington, said Caroline Weber, a professor in the UO's Department of Economics.

Washington was one of the first states to legalize recreational marijuana. The state's regulatory and tracking requirements covering production to sales provided a wealth of data, she said. The UO team studied Washington's sales for the two months before and after Oregon's legal market opened on Oct. 1, 2015.

In doing so, researchers were able to address one of the key concerns of the Cole Memorandum issued in 2013 by then-Deputy Attorney General

James M. Cole. It called for federal law enforcement officials to monitor the diversion of sales across borders as states moved to legalize medical and recreational marijuana.

"There has been a lot of debate about a federal crackdown on marijuana," Hansen said, referring to signals expressed by the Trump Administration. "Our study says that 93 percent of marijuana sold in Washington is probably staying there now. There's probably not a lot you can do about the remaining share that is being diverted at this point. This is just the likely consequence of partial prohibition."

The diversion data also included the flow of retail-sold marijuana in Washington to neighboring Idaho and to British Columbia.

Because federal law still classifies marijuana as a Schedule 1 drug, grouped with heroin and methamphetamines, illegal cross-border movement could be targeted by law enforcement. One such method is by using randomized traffic searches along state borders.

Prior to Oregon's market opening, an average of 1,662 retail sales transactions occurred daily in Washington's Clark and Klickitat counties, just across the Columbia River from Portland. Given that 293,840 vehicles went between Oregon and those counties daily in 2015, according to the Oregon Department of Transportation, "a policy of randomly searching border-crossing vehicles could expect to find diverted recreational marijuana in just 0.47 percent of stops," the researchers concluded.

"You might expect larger diversion when states around a legalized one are not allowing recreational or medical market sales," Hansen said, adding that California, based on this study, likely will experience far less diversion because all of its

neighboring states allow for some form of legal marijuana use.

The analysis by the team, which also included UO economist Keaton Miller, also found that randomized searches along Washington's Spokane and Whitman counties with Idaho, where marijuana is illegal, might expect to find illegally transported marijuana at most 4 percent of the time.

In the two months prior to the opening of Oregon's recreational market, 5,624 kilograms (12,398 pounds) of marijuana were sold in Washington; 670 kilograms (1,477 pounds), or 11.9 percent, went across state lines. Factoring in the 41 percent drop in sales along the Oregon border and no decline elsewhere in Washington implies that only 7.5 percent is illegally leaving Washington today, the research team concluded.

"Given the data available, we've been able to study this natural experiment to speak to a question that a lot of people in [law enforcement](#) and government care about," Weber said. "If we had instead found that 60 percent of Washington's marijuana was being diverted, then it would have suggested a whole different approach to thinking about legalization moving forward."

Small amounts of illegal, small-scale trafficking is to be expected as long as the U.S. does not have uniform policies, Hansen said.

Based on the data, the researchers concluded, people seem to prefer purchasing recreational [marijuana](#) in legal recreational markets instead of through the black market or as [medical marijuana](#) or growing their own.

"People value being able to go to a store, seeing the variety of products that are offered there and purchasing it in a retail store," Weber said.

More information: Paper access:
www.nber.org/papers/w23762

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