Proposed Models of Marijuana Distribution in Canada: Public or Private?

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A number of Canadian provinces have, in the wake of the decision to legalize recreational marijuana, deliberated on the various methods of distribution to utilize. While both the public and private distribution models have their inherent merits, it is important to recognize the flaws certain distribution models will have in the Canadian psychoactive substance market. The inception of a cannabis market will be the first of its kind since the end of prohibition in Canada. A proper examination of the implications created in a Canadian context following different ideological methods of distribution implemented is necessary to create a broad picture to keep Canadians fiscally as well as socially informed. While this paper takes a clear argumentative stance on which model of distribution Canada should ideally follow, it is hardly an entirely comprehensive reading on the subject, making broad strokes in describing the implications of undertakings by the respective governments and corporations mentioned.

Cannabis, having been originally banned in Canada in 1923, has its date for legalization set for July 1, 2018 by Justin Trudeau's Liberal majority government. This has spawned numerous debates surrounding how the proposed legalization will affect public health and safety, including what the age of consumption should be. Perhaps most importantly however, legalization begs the question: who should be able to sell and therefore profit off of the public's recreational consumption of Marijuana? While the federal government is tasked with decriminalizing the drug itself, it is in the hands of the provinces and territories to put forth legislation outlining who will be able to sell Cannabis. There are two main actors poised to be permitted to distribute Marijuana in the provinces and territories: private enterprises and provincially owned retail outlets. While some provinces already have alcohol distribution infrastructure in place in the form of Crown-owned Liquor Control Board Outlets (LCBOs), other provinces do not. Though this may seem like an issue for the provinces in question that do not already possess the necessary infrastructure (namely Alberta and Saskatchewan), one need only look to the continuously increasing and record-breaking profits recorded by provincially owned LCBO outlets, as well as publicly owned psychoactive substance distribution systems in other jurisdictions. As cannabis is, along with alcohol, a psychoactive substance, a parallel can be drawn between the distribution models of the two substances, in order to evaluate what will happen in the case of legislation being enacted that allows a state-monopoly over recreational, retail cannabis sales.

The distribution model that will best benefit the Canadian public is one where cannabis is distributed through provincially or territorially owned and operated dispensaries, following a model of public ownership. This is because of the track record that private enterprises have of condoning and incentivizing substance abuse and the greater net economic gain a public model will produce versus one that is private. In addition, the argument that privatization is necessary in certain provinces because they do not already have the necessary infrastructure to take on public distribution of cannabis is comprehensively refuted due to the simple fact that retail start-up costs are nominal in comparison to the amount of profits the provinces in question would gain from Cannabis sales. This can be seen through numerous case studies examining other psychoactive substances akin to marijuana and the respective distribution methods implemented in different jurisdictions.

If private-corporations are allowed to participate in, and therefore, manipulate a recreational psychoactive drug market, it would lead to promotion of products ultimately damaging to individual consumers' health. Structured to pursue nothing other than endlessly increasing profits, corporations often fail to consider the adverse affects their products can have on the average consumer, or downright disregard the unwanted and harmful effects which befall them. In some specific cases, it has even been found that in some jurisdictions, marketing by alcohol companies is still able to effectively target impressionable youth: "even though the alcohol industry's voluntary rules prohibit advertising on broadcast, cable, radio, print, and digital communications if more than 30% of the audience is under age 21, this standard permits them to advertise in media outlets with substantial youth audiences" (Richter and Levy 2014, cited in Barry and Glantz 2016, 2-3). This proves that private corporations care little about the effects their products can have on their customers, marketing even to groups proven to be especially vulnerable. Contributory to this fact may be the "revolving door" which plagues American politics; that is, the fact that legislators are lawfully able to move from public office to private corporations (often taking up lobbyist positions). This presents a clear problem for the argument in favour of privatized cannabis markets; if politically influential individuals are able to unethically convince, or even coerce policymakers into making decisions that affect the Canadian public, it could prove detrimental to Canadians as a whole. While some argue that individuals should be entirely responsible for their own choices through voluntary self-regulation, this claim fails to address the simple circumstance that certain individuals are more at risk than others, and reflects lack of consideration of the fact that "evidence from several studies shows that these voluntary systems do not prevent marketing content that affect young people" (Jones SC, Hall D., Munro G. 2007, cited in Anderson, Chisholm, and Fuhr 2009, 2238). Promotion of neoliberal policy which allows for complete and total consumer responsibility under the guise of individual choice is simply a marketing ploy to deceive ignorant consumers into purchasing private corporations' products. Often times it is the youth that ultimately fall victim. Luckily, private corporations are not the only actor positioned to be able to distribute marijuana. In Canada, where there is a belief that individuals ought to have the option to consume cannabis, but where there is also justifiable fear that a private model of distribution may lead to over-incentivization of an ultimately harmful product:

governments may avoid marijuana commercialization by implementing a state monopoly over its production and distribution, similar to Uruguay's regulatory structure for Marijuana and to the Nordic countries' alcohol systems, which are designed to protect public health over maximizing government revenue. The state would have more control over access, price and product characteristics (including youth-appealing products or packaging, potency, and additives) and would refrain

from marketing that promotes increased use (Room, 2014, Hogg, Hill, and Collin, 2015, Rehm and Fischer, 2015, cited in Barry and Glantz 2016).

While some may argue that this incentivization would never occur in a private market setting, one only has to look to the not so distant past to recognize that corporate advertising often fails to indicate the long-term health issues their products cause, which are well-documented in the case of the tobacco industry. The tobacco industry managed to entice millions of people into smoking their ultimately harmful product, selling billions of cigarettes through intense and often warlike advertising campaigns, in which they made no mention of the ultimately harmful effects of their products (Pierce and Gilpin 1995, 504). The resulting effect of this was multiple generations plagued by the effects of tobacco, nicotine, and heart/respiratory diseases, just to name a few. An analysis of advertising run amok in the tobacco industry as well as the lasting adverse public health implications it created presents a strong case against privatized distribution of psychoactive substances. Another model of distribution is needed in order to ensure Canadians never face the dire straits continuously enforced by corporate interests in privatized psychoactive substance markets.

A public model of distribution provides a solution that counteracts “the growing influence of the cannabis industry [which] may seek to exploit loopholes in advertising restrictions... thereby limiting the effectiveness of the regulation to provide a safe product for consumers” (Subritzky et al. 2016, 8). It allows for a best of both worlds situation, in that it provides safety from the motivations of corporate greed, while also providing the product to the public in a regulated manner that ensures no steps are taken to unethically incentivize unsuspecting consumers. In fact, in the case of alcohol: “there is strong evidence that off-premises monopoly systems limit alcohol consumption and alcohol-related problems if alcohol control is the central goal” (Alcohol and Public Policy Group 2010, 773). Applying this finding to future retail marijuana sales in Canada, if the end goal is to provide consumers with access to cannabis while at the same time mitigating the problems caused by its consumption, there is no doubt that control over the sales itself in the form of public dispensaries is the best option, as “research on regulatory changes in Uruguay, Colorado and Oregon, suggest that a state monopoly on cannabis markets may best serve to avoid negative public health impacts of psychoactive substance commercialization” (Kirst et al. 2015, 475). A strong, health-oriented policy framework is needed to ensure the safety of the everyday consumer, one which only a publicly controlled distribution network can provide. However, health implications are not the only aspect of marijuana distribution policy that should be taken into consideration when determining the model of distribution that is best for the Canadian public. The greater economic benefits to be had through a public distribution model should also be considered.

In discussion of who should be able to distribute recreational marijuana, a question arises: who should be able to profit off of the public’s use of a psychoactive habit-forming substance? If Colorado’s increase in revenue to \$193,604,810 in 2016 (Colorado Department of Revenue n.d.) is anything to go by, Canadians should expect to see a substantial bump in government revenues from recreational marijuana sales. Obviously, if there are to be revenues and profits from distributing psychoactive substances at all, it should ultimately be to the benefit of the public. As it has already been shown that a private cannabis market will be damaging to individuals’ physical and mental health, a privatized model of distribution will also be damaging to Canada’s citizens’ pocketbooks if followed. Drawing a parallel between marijuana and alcohol, it has been concluded that “the application of neoliberal ideals of consumer sovereignty, free market access at any hour of the day or night, and unrestrained market promotion tends to push upward the population’s alcohol consumption” (Room 2011, 147). This suggests that private, free-market cannabis, which is a

psychoactive substance similar to alcohol, would be consumed in greater amounts if privatization were to occur, which should not be the goal of our government. Continuing with this train of thought, something to ponder is that “as a quintessential habit-forming commodity, alcohol, along with other psychoactive substances, is... ideal for building and sustaining markets” (Room 2011, 141). Should neoliberal policy favouring a relatively free-market approach be embraced, not only will the public’s hard-earned dollars be concentrated into the hands of private corporations, but said policy would also allow for sustained profits for the corporations due to individual long-term use. While having continuous cash flow is obviously a plus for private businesses, overuse resulting from unethical incentivization would create a variety of problems for Canada’s already strained healthcare system. A different method of distribution is needed to safeguard these downfalls of a privatized model of distribution.

A government-owned entity would be accountable to the very people it distributes marijuana to due to the government itself paying the price for adverse health effects potentially resulting from overuse. Therefore, governments would have no need to over-incentivize people to the point to which it damages their individual health. A solution that benefits the greater population, rather than lining the pockets of corporate entities would create a state monopoly over retail-recreational substance distribution, as is taking place in Uruguay. Though there has been a temporary delay in formally establishing a monopolized retail distribution network, in an interview with the Magdalena Cerda, the president for Uruguay’s Institute for Regulation and Control of Cannabis, Augusto Vitale, stated that “setting up a new distribution system from seed to production to retail sales is complex, and the government is exercising caution to make sure they get it right” (Cerda and Kilmer 2017, 1). Taking the time to ensure proper controls are in place is in contrast to Washington and Colorado’s less than one year time period in which they processed their legislation to law. In Canada, it is vital to recognize that, unlike their proposed private-model counterparts, the government/state-monopoly model of distribution has a vested interest in making sure their distribution network has a high standard of quality control, due to the fact that the government, and therefore individual taxpayers, bear the fiscal consequences of increased healthcare costs and otherwise burdensome implications that may arise when policy is implemented hastily and without due care, which Uruguay is currently offsetting. An example of the lack of care for individual health in a privatized market can be seen in the United States, where “federal prohibition means there exist no standards for testing under frameworks established by the Food and Drug Administration” (Allen 2015, cited in Subritzky, Pettigrew, and Lenton 2016, 2), effectively allowing cannabis to hastily be sold without the rigorous testing normally assessed to other drugs. This will unquestionably result in higher individual healthcare costs. In another instance regulatory gaps in Colorado’s elementary and taxation-based privatized model of distribution have already been found: though “the law requires a 15 percent tax on wholesale [recreational marijuana sales]... because most cultivators must also distribute retail cannabis, in reality, no wholesale transaction between two parties ever takes place” (Pardo 2014, 733). This is obviously detrimental to the revenues that the state-governments are supposed to be deriving from corporations. Instances like this where private entities are able to effectively bypass tax law would prove even more burdensome to Canadians if a private model were enacted. This can be credited to the fact that unlike our American counterparts; we pay for a far greater portion of individual’s healthcare costs. If the relevant provincial governments were to rely on tax frameworks that were ultimately subverted by marijuana retail outlets, it would be incredibly detrimental to a province’s citizens as a whole, even more so than in the USA where it is already occurring in the private-model taxation based system. Exemplifying some of the pitfalls of a private and taxation-based model of distribution, Holder et al.’s 1995 study examined the resulting effects that would be caused by dismantling

Nordic countries' state-monopolies of retail alcohol sales to allow for private enterprises to enter the market. Holder et al. concluded that:

no potential change in the retail [state] monopolies would be neutral for (i.e. have no effect on) per capita consumption and alcohol-related problems. All projected changes would result in more deaths and injuries resulting from increased alcohol consumption. Since we based our estimates on conservative values and adjusted for unrecorded consumption, our final estimates of consumption and associated alcohol problems should be considered low. Higher consumption and higher problem levels are certainly possible (Holder et al. 1995, 1616).

While not exactly depicting the inception of a new recreational psychoactive substance market as will be the case in Canada with cannabis, Holder et al.'s study still reflects the correlation between increased health issues and privatized psychoactive substance markets. They found that detriments to both physical and mental health occur in far greater proportion following a privatized distribution system than in a public one. Due to the nature of the Canadian universal healthcare system, this would directly result in increased costs to Canadian taxpayers. It can then be clearly inferred that the countries in question are undoubtedly better off under a publicly-owned model of distribution, which, if followed by Canada, would result in lesser costs to the Canadian government and taxpayers in the form of healthcare spending. Canadian Government healthcare spending is already expected to cost an estimated \$224 billion in 2017, or approximately 11.5 percent of Canadian GDP (Canadian Institute for Health Information n.d.), a number most Canadians would surely rather see go down than up. Undoubtedly then, it would be better for Canadian citizens if the state were the only actor able to profit from cannabis sales. Although an elementary analysis of a privatized model of distribution may produce an idealistic conclusion in favour of a tax-based system, it is important in the case of Canada to consider the implications a free-market will have on our public healthcare system; that is, a likely hike in healthcare costs and therefore individual taxpayer contributions. Summed up nicely by Subritzky, Pettigrew, and Lenton; "a public health approach would aim to reduce cannabis consumption and as far possible prevent youth from early initiation to cannabis user careers. This is at odds with a profit centric model of distribution that exists to increase sales" (Caulkins 2014, cited in Subritzky, Pettigrew, and Lenton 2016, 3). The public model of distribution approach fosters accountability to those who provide us with consumer goods, which in the case of cannabis aids in ensuring the end user receives the highest economic and health benefits from the product they purchase.

Considering the circumstance surrounding the prairie provinces of Alberta and Saskatchewan, which, unlike their eastern and western counterparts do not have retail distribution networks in place at the provincial level, it may be difficult to understand how these provinces could create the necessary infrastructure required to maintain retail marijuana outlets. To those concerned with provincially owned retail outlets being a possible burden on the provinces that choose to enact a public model of distribution, I would simply encourage them to read into the continuous profits of the Liquor Control Board of Ontario, which in the 2016-2017 netted the Ontario government a whopping \$2.06 billion in yearly dividends (Liquor Control Board of Ontario n.d.), which is a \$125 million increase from the 2015-2016 fiscal year. In terms of increasing profits, equivalent bumps in government revenues can also be seen in other provinces. In addition, if one were to look stateside it is not difficult to see the incredible bump in government revenues resulting from legalization of recreational marijuana. The caveat is that if a private retail distribution were to be implemented in Canada as it has been in the United States, it would increase the costs of healthcare, which is funded by taxpayers, hence the need for a publicly owned model of distribution here. The bottom line is that when cannabis is legalized in Canada, it is commonly accepted amongst academics that

government revenues will drastically increase; the real debate is whether healthcare costs will increase due to corporate greed if a private model is enacted, and if this will offset the government revenues created.

In sum, the model of cannabis distribution that will best benefit Canada, as a nation, is a government owned monopoly of retail marijuana stores, following a model of public ownership, rather than a model focused on private entities driven by corporate greed. Canadians as a whole will earn a greater net economic benefit from both the profits of marijuana sales and lower healthcare costs. Adding to this, a model of public ownership is also necessary because of the adverse effects private enterprises have been recorded as having bestowed upon people throughout history and up to the present, largely stemming from misleading advertising campaigns and simple corporate greed, which is unlikely to be effectively deterred by regulation.

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