Marijuana on Main Street?
Estimating Demand in Markets with Limited Access

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Abstract

Marijuana is the most common illicit drug with vocal advocates for legalization. Among other things, legalization would increase access and remove the stigma of illegal behavior. Our model of use disentangles the role of access from preferences and shows that selection into access is not random. We find that non-selection-corrected demand estimates are biased resulting in incorrect policy conclusions. Our results show the probability of underage use would increase by 38% and more than double in most age groups under legalization. Tax policies are effective at curbing use where over $8 billion in annual tax revenue could be realized.

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