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Does the commercialization of cannabis represent a watershed moment for Canadian business?

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Response from Dr. Simon Sherry

Commercializing cannabis is not a watershed moment for Canadian business. Here are four reasons why.

First, the cannabis market is already at or near its ceiling. Canadians are far from an “untapped market” in terms of cannabis use. In fact, Canadians are already among the world’s heaviest cannabis users (United Nations Office on Drugs & Crime, 2018), and Nova Scotians consume the most cannabis per capita in Canada (Statistics Canada, 2018).

Second, cannabis legalization eliminates barriers to cannabis use (e.g., criminal penalties). But research shows cannabis legalization is unlikely to substantively increase rates of cannabis use (Wayne Hall & Lynskey, 2016).

Third, we are not creating a new cannabis economy. Rather, we are replacing an illegal cannabis economy with a legal cannabis economy. Illegal jobs will be lost, and legal jobs will be gained. And more jobs will be lost than gained, mostly because the legal cannabis economy will be more efficient than the illegal cannabis economy. For example, legal cannabis production (vs. illegal cannabis production) will better capitalize on economies of scale.

Fourth, various sources project cannabis market profits between \$5 and \$8 billion (Parliamentary Budget Officer, 2016), representing a small increase of around 2% to Canada’s gross domestic product. And even this increase may very well be an accounting illusion, as much of this \$5 and \$8 billion was already part of Canada’s economy in the form of illegal and unaccounted for profits.