

# Legalization or Prohibition with Political Economics Approach

Ken Yahagi \*

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## Abstract

This paper provides a theoretical framework for a spread of legalization of illegal goods like marijuana for medical use by focusing on a budgetary motivation. This paper focuses on cost and benefit structures that are different between a prohibition regime and a legal regime. The mechanism for a rapid spread of legalization depends on a strategic relation between neighboring (two) regions that can choose legalized market and illegal market as in the United States. If there exist more legal firms, in some cases, one region prefers legalization and the other region does not. This means that although the government allows competition for more taxation revenues, support for legalization does not always lead to a wide spread. On the other hand, if there exists an introduction of legalized market with strict regulations, a strategic relation can lead to support of both of regions. In other words, even if there seems to be less taxation revenue because of strict regulations, coordinated strategies of neighboring governments may induce a wide spread of legalization. Moreover, only legalization with less competition can not contradict low consumption and taxation revenues. These interactive situations provide a mechanism for why not only liberal governments with open-mind attitudes but also conservative governments with strict regulations legalized the market for the medical marijuana as in the United States.

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\*Graduate School of Economics, Waseda University, 1-6-1, Nishiwaseda, Shinjuku-ku, Tokyo, 169-8050, Japan. Email: yhgkn@moegi.waseda.jp