



Could Marijuana Legalization Do the Canadian Economy More Harm Than Good?

Description

While many consumers and companies are excited that marijuana sales will be legal in October, it may not all be good news. With legalization paving the way for more people consuming pot, it could create big problems both in Canada and south of the border.

Many lessons can be learned from Colorado

In an interview with *BNN Bloomberg* recently, Bill Ritter, former governor of Colorado, noted many downsides that have come with being the first U.S. state to legalize pot, one of which was that the state became a destination for those looking to smoke and grow pot. This has even attracted criminal organizations that tried to set up illegal grow-ops with the expectation that legal enforcement would turn a blind eye.

Many people were simply ignorant to the fact that although marijuana was legalized, it didn't mean that it was available to sell and grow in any way, shape or form. Enforcement is still necessary, and the former governor noted that a reduction in policing is one of the biggest myths associated with marijuana legalization.

Normally, places that look to legalize pot have already made steps toward decriminalizing it, and so the net impact of legalization will be minimal, perhaps even non-existent. Colorado has definitely benefited from an increase in marijuana sales as a way of generating tax revenues for the state, but it has not seen the black market disappear.

He also mentioned that there was a lot of consolidation that happened in the early stages, which is what we're also seeing here in Canada. While **Canopy Growth Corp.** ([TSX:WEED](#))(NYSE:CGC) has been [critical](#) of some of the valuations companies have paid to acquire smaller players in the industry, it too recently made a purchase that wasn't exactly [cheap](#).

The company has slowly been expanding into various areas of the country as well as worldwide as marijuana legalization continues to make headway in various different markets.

Pot a problem for travelers

The U.S. still takes a hard line on the Schedule I drug, and Canadian travelers have been turned away at the border for admitting to smoking pot, while one investor has even received a lifetime ban. This could create a big problem for the country as business professionals, (not just those involved in the marijuana industry), could be adversely impacted.

Ultimately, until the U.S. moves to soften its stance on marijuana, which could still be years away despite the progress individual states have made, these problems aren't likely to disappear anytime soon.

The problem for pot stocks is that this could deter Canadian investors from investing in the industry as it is starting to have wide-ranging effects. Once legalization occurs and we see more users and investors in the industry, we'll likely see more of these situations pop up, which could have a very bearish impact on stock prices.

While pot will definitely give tax revenues a big boost, there could be some nasty side effects.

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Date

2025/08/28

Date Created

2018/07/17

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