Economic benefits of legal recreational marijuana are broadly distributed, while costs are more concentrated among individuals.

We analyze the effects of legalizing recreational marijuana on state economic and social outcomes (2000–20) using difference-in-differences estimation robust to staggered timing and heterogeneity of treatment. We find moderate economic gains accompanied by some social costs. Post-legalization, average state income grew by 3 percent, house prices by 6 percent, and population by 2 percent. However, substance use disorders, chronic homelessness, and arrests increased by 17, 35, and 13 percent, respectively. Although some of our estimates are noisy, our findings suggest that the economic benefits of legalization are broadly distributed, while the social costs may be more concentrated among individuals who use marijuana heavily. States that legalized early experienced similar social costs but larger economic gains, implying a potential first-mover advantage.

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Article Citations

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