

The Effect of Marijuana Decriminalization Laws on Labor Market Outcomes

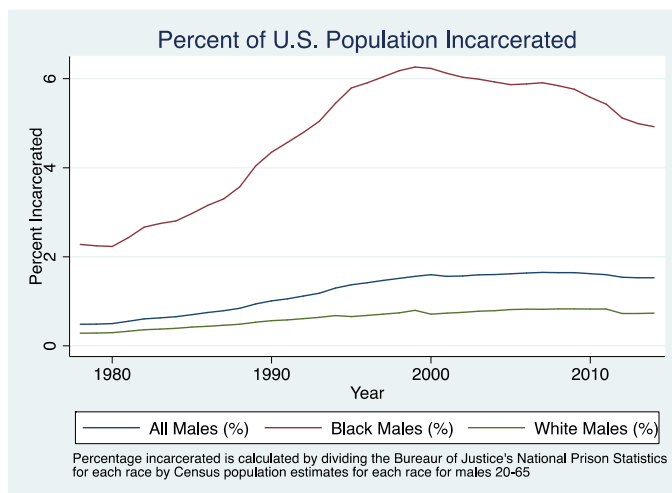
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Introduction

Between 1976 and 2016, U.S. incarceration swelled by nearly 500%. While similar numbers of white and black men were incarcerated during this period, black men were incarcerated at about five times the rate as white men when adjusting for population. As much as 6% of the U.S. black male population was behind bars at any given point from the late 1990s through the mid 2000s. Arrests for marijuana possession are an important contributor to the growing incarceration rate: Black males are four times more likely to be arrested for marijuana related offense than whites (ACLU, 2014). Over this time period, twenty one states passed marijuana decriminalization laws. The key feature of these laws is that they decrease the penalty for marijuana possession from an arrestable offense to, at most, a civil violation, similar to a traffic ticket. Exogenous variation in these laws is used in this study to estimate how changes in the probability of being arrested for marijuana possession affects labor market outcomes for black and white males.

Key Findings

- The passage of state level marijuana decriminalization laws is associated with a reduction in marijuana possession arrests of 47.8% for all males and 29.8% for white males.
- Real weekly earnings for white and black males increase by 4.3% in states after passage of marijuana decriminalization laws.
- The increase in weekly earnings is driven by higher hourly wages suggesting decriminalization laws are associated with higher quality employment.



Policy Implications

- **Enforcement Costs:** Decriminalizing marijuana possession leads to fewer arrests and could decrease enforcement costs. State enforcement costs of marijuana laws in 2010 was estimated to be \$3.6 billion (ACLU). A conservative back of the envelope calculation using the decrease in arrest rates of white males suggests potential savings of over \$1 billion annually across all states.
- **Public Assistance:** Removing harsh penalties for marijuana possession is associated with increased earnings, which can decrease expenditures for public assistance.
- **Self-sufficiency:** Decreasing penalties for marijuana possession has positive impacts on people's ability to become self-sufficient by improving their labor market opportunities.

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