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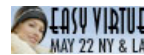
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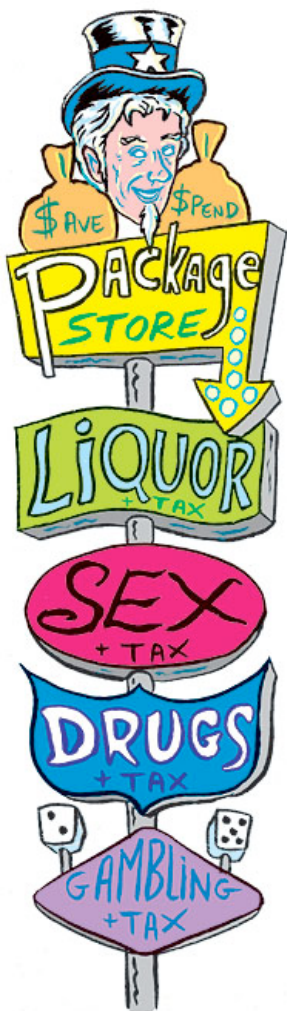
OP-ED CONTRIBUTOR

## Paying With Our Sins

By NICK GILLESPIE  
Published: May 16, 2009

Washington

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David Sandlin

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THE Obama administration's drug czar made news last week by saying he wanted to end all loose talk about a "war on drugs." "We're not at war with people in this country," said the czar, Gil Kerlikowske, who favors forcing people into treatment programs rather than jail cells.

Here's a better idea — and one that will help the federal and state governments fill their coffers: Legalize drugs and then tax sales of them. And while we're at it, welcome all forms of gambling (rather than just the few currently and arbitrarily allowed) and let prostitution go legit too. All of these vices, involving billions of dollars and consenting adults, already take place. They just take place beyond the taxman's reach.

Legalizing the world's oldest profession probably wasn't what Rahm Emanuel, the White House chief of staff, meant when he said that we should never allow a crisis to go to waste. But turning America into a Sin City on a Hill could help President Obama pay for his ambitious plans to overhaul health care and invest in green energy. More taxed vices would certainly lead to significant new revenue streams at every level. That's one of the reasons 52 percent of voters in a recent Zogby poll said they support legalizing, taxing and regulating the growth and sale of marijuana. Similar cases could be made for prostitution and all forms of gambling.

In terms of economic stimulation and growth, legalization would end black markets that generate huge amounts of what economists call "deadweight losses," or activity that doesn't contribute to increased productivity. Rather than spending precious time and resources avoiding the law (or, same thing, paying the law off), producers and consumers could more easily get on with business and the huge benefits of working and playing in plain sight.

Consider prostitution. No reliable estimates exist on the number of prostitutes in the United States or aggregate demand for their services. However, Nevada, one of the two states that currently allows paid sex acts, is considering a tax of \$5 for each transaction. State Senator Bob Coffin argues further that imposing state taxes on existing brothels could raise \$2 million a year (at present, brothels are allowed only in rural counties, which get all the tax revenue), and legalizing prostitution in cities like Las Vegas could swell state coffers by \$200 million annually.

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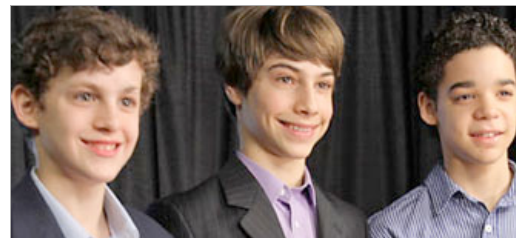
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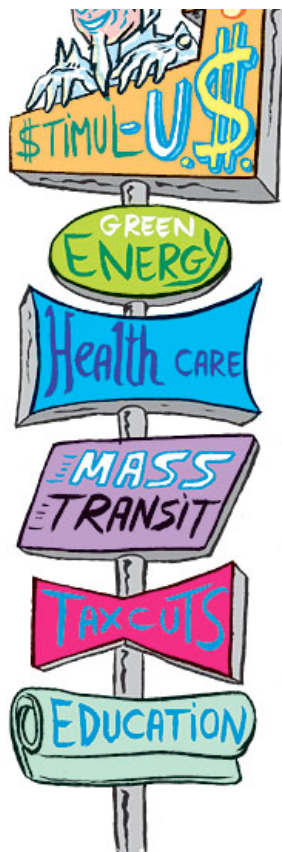
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David Sandlin

A conservative extrapolation from Nevada to the rest of the country would easily mean billions of dollars annually in new tax revenues. Rhode Island, which has never explicitly banned prostitution, is on the verge of finally doing so — but with the state facing a \$661 million budget shortfall, perhaps fully legalizing the vice (and then taking a cut) would be the smarter play.

Every state except Hawaii and Utah already permits various types of gambling, from state lotteries to racetracks to casinos. In 2007, such activity generated more than \$92 billion in receipts, much of which was earmarked for the elderly and education. Representative Barney Frank, Democrat of Massachusetts, has introduced [legislation](#) to repeal the federal ban on online gambling; and a 2008 study by PriceWaterhouseCoopers estimates that legalizing cyberspace betting alone could yield as much as \$5 billion a year in new tax revenues. Add to that expanded opportunities for less exotic forms of wagering at, say, the local watering hole and the tax figure would be vastly larger.

Based on estimates from the White House Office of National Drug Control Policy, Americans spend at least \$64 billion a year on illegal drugs. And according to a 2006 study by the former president of the National Organization for the Reform of Marijuana Laws, Jon Gettman, marijuana is already the top cash crop in a dozen states and among the top five crops in 39 states, with a total annual value of \$36 billion.

A 2005 cost-benefit analysis of marijuana prohibition by Jeffrey Miron, a Harvard economist, calculated that ending marijuana prohibition would save \$7.7 billion in direct state and federal law enforcement costs while generating more than \$6 billion a year if it were taxed at the same rate as alcohol and tobacco. The drug czar's

office says that a gram of pure cocaine costs between \$100 and \$150; a gram of heroin almost \$400; and a bulk gram of marijuana between \$15 and \$20. Those transactions are now occurring off the books of business and government alike.

As the history of alcohol prohibition underscores, there are also many non-economic reasons to favor legalization of vices: Prohibition rarely achieves its desired goals and instead increases violence (when was the last time a tobacco kingpin was killed in a deal gone wrong?) and destructive behavior (it's hard enough to get help if you're a substance abuser and that much harder if you're a criminal too). And by policing vice, law enforcement is too often distracted at best or corrupted at worst, as familiar headlines about cops pocketing bribes and seized drugs attest. There's a lot to be said for treating consenting adults like, well, adults.

But there is an economic argument as well, one that Franklin Roosevelt understood when he promised to end Prohibition during the 1932 presidential campaign. "Our tax burden would not be so heavy nor the forms that it takes so objectionable," thundered Roosevelt, "if some reasonable proportion of the unaccountable millions now paid to those whose business had been reared upon this stupendous blunder could be made available for the expense of government."

Roosevelt could also have talked about how legitimate fortunes can be made out of goods and services associated with vice. Part of his family fortune came from the opium trade, after all, and he and other leaders during the Depression oversaw a generally orderly re-legalization of the nation's breweries and distilleries.

There's every reason to believe that today's drug lords could go legit as quickly and easily as, say, Ernest and Julio Gallo, the venerable winemakers who once sold their product to Al Capone. Indeed, here's a (I hope soon-to-be-legal) bet worth making: If marijuana is legalized, look for the scion of a marijuana plantation operation to be president within 50 years.

Legalizing vice will not balance government deficits by itself — that will largely depend on spending cuts, which seem beyond the reach of all politicians. But in a time when every penny counts and the economy needs stimulation, allowing prostitution, gambling and drugs could give us all a real lift.

*Nick Gillespie is the editor in chief of Reason.com and Reason.tv.*

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