RAND INTERNATIONAL PROGRAMS and
DRUG POLICY RESEARCH CENTER

How Might Marijuana Legalization in California Affect Drug Trafficking Revenues and Violence in Mexico?

The United States' demand for illicit drugs creates markets for Mexican drug trafficking organizations (DTOs) and helps foster violence in Mexico. Some government and media sources have reported that Mexican and Colombian DTOs combined earn $18–$39 billion annually in wholesale drug proceeds and 60 percent of all Mexican DTO drug export revenue comes from marijuana. These numbers have been cited to argue that legalizing marijuana in California would reduce Mexican DTOs' revenues, thereby reducing violence.

In a new study funded by RAND International Programs, RAND researchers assessed how marijuana legalization in California might influence DTO revenues and the violence in Mexico.

Key study highlights include the following:

- Contrary to some government and media estimates, Mexican DTOs' annual gross revenues from illegally exporting marijuana and selling it to wholesalers in the United States are likely less than $2 billion; the study authors' preferred estimate is $1.5 billion.
- The claim that 60 percent of Mexican DTO gross drug export revenues comes from marijuana is not credible. There is no public documentation about how this figure is derived, and government analyses reveal great uncertainty. RAND's exploratory analysis on this point suggests that 15–26 percent is a more credible range.
- California accounts for about 14 percent of U.S. marijuana consumption, and domestic production is already prominent in California. Thus, if marijuana legalization in California affects *only* revenues from supplying marijuana to California, Mexican DTO drug export revenue losses would be very small, perhaps 2–4 percent.
- The only way that legalizing marijuana in California could significantly influence DTO revenues and the related violence is if California-produced marijuana were smuggled to other states at prices that outcompete current Mexican supplies. In this scenario, legalizing marijuana in California could undercut sales of Mexican marijuana in much of the nation, cutting DTOs' marijuana export revenues by more than 65 percent and probably by 85 percent or more. As such, Mexican DTOs would lose approximately 20 percent of their total drug export revenues.
- But the extent of such smuggling would depend on many factors, including the response of the U.S. federal government, the actions of other states, and the taxes and other regulations imposed on marijuana sales in California.
- It is unclear whether reductions in Mexican DTOs' revenues from exporting marijuana would lead to corresponding decreases in violence. Some mechanisms suggest that large reductions in revenues could increase violence in the short run and decrease it in the long run.

RAND RESEARCH AREAS
CHILDREN AND FAMILIES
EDUCATION AND THE ARTS
ENERGY AND ENVIRONMENT
HEALTH AND HEALTH CARE
INFRASTRUCTURE AND TRANSPORTATION
INTERNATIONAL AFFAIRS
LAW AND BUSINESS
NATIONAL SECURITY
POPULATION AND AGING
PUBLIC SAFETY
SCIENCE AND TECHNOLOGY
TERRORISM AND HOMELAND SECURITY

This fact sheet is part of the RAND Corporation research brief series. RAND fact sheets summarize published, peer-reviewed documents.

Headquarters Campus
1776 Main Street
P.O. Box 2138
Santa Monica, California
90407-2138
TEL 310.393.0411
FAX 310.393.4818

This fact sheet is based on Beau Kilmer, Jonathan P. Caulkins, Brittany M. Bond, and Peter H. Reuter, *Reducing Drug Trafficking Revenues and Violence in Mexico: Would Legalizing Marijuana in California Help?* OP-325-RC (available at http://www.rand.org/pubs/occasional_papers/OP325/), 2010, 72 pp., $17, ISBN: 978-0-8330-5107-3.

Office of Congressional Relations | 703-413-1100 x5320 | ocr@rand.org | www.rand.org/congress

Funding for this study was provided by RAND International Programs through RAND's Investment in People and Ideas program, which combines philanthropic contributions from individuals, foundations, and private-sector firms with earnings from RAND's endowment and operations to support research on issues that reach beyond the scope of traditional client sponsorship.

RAND Offices
Santa Monica, CA • Washington, DC • Pittsburgh, PA • New Orleans, LA/Jackson, MS • Boston, MA • Doha, QA • Cambridge, UK • Brussels, BE

RB-9559-RC (2010)