



Factsheet

Cannabis in the Swiss economy: economic effects of different forms of cannabis market regulation

If cannabis were to be legalised in Switzerland, one of the questions that would be raised is the economic impact of its legalisation. In a study co-funded by the FOPH, the University of Geneva compared the illegal cannabis market with a number of different scenarios. Annual sales on the current black market for cannabis are estimated at some CHF 580 million. Controlled and highly regulated legalisation would offer potential for taxing the excessive profits and deploying resources to offset the social costs of cannabis consumption.

KEY FACTS

750,000 joints

are consumed in Switzerland
every day.

KEY MESSAGES

1. Methodology

The study estimates the economic effects of the current form of cannabis regulation and compares this with the potential effects of three simplified legalisation scenarios:

- non-commercial market with consumers growing their own cannabis and Cannabis Social Clubs (CSC);
- highly regulated commercial market;
- free, minimally regulated commercial market.

The study captures all the economic effects associated with cannabis consumption. No distinction was drawn between private economic effects and social economic effects.

2. High profits for illegal players on the black market

Current estimates put the number of joints consumed daily in Switzerland at around 750,000. This consumption involves a considerable amount of economic activity. By far the greatest portion of this is triggered by black market processes (production, import, wholesale and retail trade), followed by the amounts accounted for by the police and health services (see Fig. 1).

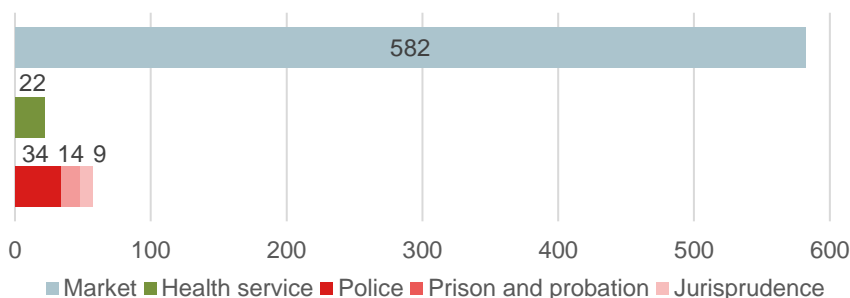


Fig. 1: Status quo for cannabis regulation, annual direct turnover by segment in CHF million (Source: Hoff, 2021).

In the three legalisation scenarios, it is assumed that sales on the black market will be clearly reduced or even disappear completely. The overall value of the market segment is lower in the new legal markets. This is due, on the one hand, to profits being creamed off through the taxation of cannabis products. And, on the other hand, without strong regulatory measures to influence prices (high taxation, minimum prices), a huge drop in prices will result in a commercial market.



Estimates of:

annual direct criminal prosecution and judicial costs

Status quo	57.6 mio.
CSC	13.8 mio.
Highly regulated	0.4 mio.
Free market	0.3 mio.

annual direct healthcare costs

Status quo	22.5 mio.
CSC	24.0 mio.
Highly regulated	22.5 mio.
Free market	29.9 mio.

annual tax revenue

Status quo	25.4 mio.
CSC	166 mio.
Highly regulated	464 mio.
Free market	11.5 mio.

3. Significant repression costs with the status quo

Criminal prosecution and prison and probation costs associated with cannabis offences amount to some CHF 60 million per year (see Table on the left), even though adult consumers are punished with an administrative fine today. The study shows that resources spent on repression will be largely freed up over the medium term if a commercial market is legalised. These resources can then be deployed on other tasks.

4. Increased healthcare costs with low prices

The price drop in a free commercial market will trigger an increase in consumption by comparison to the current ban on cannabis and will push up healthcare costs by an estimated one third. This problematic effect can be countered by pricing measures in a highly regulated commercial market or a non-commercial market (CSC model).

5. Low tax revenues in the free market

The highest tax revenue of up to CHF 464 million is expected with a highly regulated commercial market (see Table on the left). This scenario involved the simulation of taxation based on product weight and value (identical to the taxation principle applied for tobacco products). The tax revenue generated could be used for preventing or cushioning the social costs that result from cannabis consumption.

Tax revenue worked out lowest for the “free market” scenario (only value added tax), at CHF 12 million. In both the unregulated black market and the virtually unregulated free market, the social costs of cannabis are largely inflicted on the general public. This is despite the fact that the healthcare costs (free market) and the costs associated with repression (black market) are highest with these forms of regulation.

Key points from the public health perspective:

1. Legalisation will enable profits to be taxed and the costs to society associated with cannabis consumption to be offset.
2. It must be determined whether part of the tax revenue can be deployed for the specific purpose of prevention.
3. The price drop in a weakly regulated commercial market will trigger a rise in healthcare costs.
4. Any new form of cannabis regulation should place health policy objectives, such as youth and health protection, at the forefront.

SOURCE

Hoff, O. (2021): Cannabis in the Swiss economy: Economic effects of current and alternate regulation in Switzerland. Dissertation in social sciences, University of Geneva. Study co-funded by the FOPH. [\[LINK\]](#)

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