

Green Revolution: Successes and Disappointments in Legal Weed

Cannabis prohibition remains a contentious issue in the United States, deeply entrenched in the broader narrative of the nation's war on drugs. In 2018 alone, over half a million people were arrested for cannabis-related offenses, accounting for more than 43% of all drug arrests. Despite this, cannabis reform has emerged as one of the most successful social movements in recent history. Today, 24 states and Washington, D.C., have legalized cannabis for adult use. The Biden administration's recent efforts to reclassify cannabis as a Schedule III substance from its current Schedule I status could dramatically loosen federal restrictions, potentially boosting the U.S. cannabis industry, which is forecast to generate over \$30 billion in retail sales in 2024.

The Shift Toward Legalization

Cannabis reform has gained significant momentum, reflecting changing public attitudes and increasing recognition of the drug's medical and recreational benefits. The move towards legalization at the state level marks a significant shift, contrasting sharply with the federal government's stance. Reclassifying cannabis could ease many of the current legal and financial constraints, opening the door to broader acceptance and integration of cannabis businesses into the mainstream economy.

The Business Landscape and Its Challenges

Despite the progress in legalization, the cannabis industry has encountered numerous challenges. High barriers to entry prevent many small business owners from participating in the market. A 2023 survey revealed that less than 25% of U.S. cannabis businesses are profitable, with the majority of profits concentrated among large multi-state operators led predominantly by white ownership groups. A 2021 report highlighted that less than 2% of U.S. cannabis business owners are Black, underscoring significant racial disparities.

These outcomes stem from compromises made by cannabis activists with the business community. States yet to legalize cannabis must heed these pitfalls to avoid replicating the power dynamics that legalization aimed to dismantle.

Equity and Social Justice in Legalization Efforts

Equity has been a cornerstone for many cannabis legalization advocates. Washington state, for instance, legalized cannabis in 2012 with a focus on protecting small, independent operators. The law included residency requirements for license holders, caps on the number of licenses, and limits on cultivation canopy sizes, allowing small operators to capture a larger market share than in other states.

Conversely, when California legalized cannabis in 2016, corporate interests significantly influenced the legislation. Local activists had crafted a progressive legalization initiative, supported by major advocacy

groups like the Drug Policy Alliance. However, a competing campaign funded by Silicon Valley billionaire Sean Parker, with \$8.5 million, led to a more business-friendly bill lacking residency requirements and license caps.

Case Studies in State-Level Cannabis Legislation

Michigan presents an example of resisting corporate pressures to maintain lower barriers to entry. Despite facing significant opposition and reduced financial support, local activists succeeded in passing a consumer- and patient-focused legalization bill in 2018. This has facilitated easier entry for small operators, fostering competition and lowering consumer costs. However, Michigan still grapples with racial equity issues, with a 2021 study showing only 3.8% of cannabis business owners were Black and 1.5% Latino.

Illinois and New York have taken steps to address these equity concerns. Illinois' 2019 law includes specific racial equity provisions, such as a social equity applicant system and technical and financial support for new business owners. It also allocates 25% of cannabis tax receipts to communities disproportionately affected by the war on drugs. A recent report estimated that 27% of legal cannabis business owners in Illinois are Black, although Latino and Asian representation remains low.

New York's 2021 cannabis law aims to award at least 50% of licenses to equity applicants. While the initial results have been mixed, these progressive laws demonstrate a commitment to addressing the inequities that have long plagued the cannabis industry.

The Future of Cannabis Legalization and Equity

Despite these efforts, achieving equity remains a significant challenge. Excessive regulations and fees disproportionately impact small operators, particularly people of color. Stakeholders benefiting from the current system often resist reforms, protecting their market share even when existing regulations are impractical.

In Washington, activists succeeded in passing equity-focused reforms in 2020, eight years after legalization. Yet, the percentage of Black cannabis business owners has stagnated at 4%. This highlights the slow progress and the persistent barriers faced by minority entrepreneurs.

The consolidation of the cannabis industry, particularly in California, where the number of licenses and brands has significantly decreased, suggests that corporate dominance is a growing concern. However, parallels can be drawn to the craft beer industry, where independently operated breweries have managed to secure a significant market share.

If the legal cannabis industry fails to push towards a more diverse and progressive direction, it risks not delivering the social change that initially motivated many activists. States considering legalization must learn from past experiences to ensure a fair and equitable market that benefits all participants.

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