

## **Marijuanaconomics and the Coming Marijuanapocalypse**

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*This essay is dedicated to the memory of  
Jack Herrer (b. 15 June 1939; d. 15 April 2010)—  
friend, counselor, prophet, poet;  
may his vision be fulfilled.*

A number of significant articles addressing the legalization of cannabis and its consequences for the economy of Humboldt County have appeared recently in the local press (see for example ‘*What’s after pot?*’, *Times-Standard*, Monday 22 March 2010; *Legalize*, *North Coast Journal*, Thursday 25 March 2010; *Welcome to Pot City*, *ibid*; *Monetize it!*, *North Coast Journal*, Thursday, 1 April 2010.), and taken together indicate substantial county-wide concern with this issue. I myself have been seriously involved in the legalization movement for many years, professionally as a media developer/cinematographer for both the commercial and political segments of the medical cannabis community, and as a volunteer providing consulting and counseling on medical cannabis to potential patients and the support of other activists who suffered legal consequences for the stances they made. I relocated to Humboldt from Santa Barbara in June 2009, in large part motivated by a desire to fulfill a lifelong dream: to participate as deeply as possible in the culture of cannabis at its heart. Let me be blunt: I LOVE POT! No shame.

The advent of Proposition 215 obviously heralded a fundamental shift in the lives of many marijuana consumers, creating a safe haven for their activities. Indeed, many of us in the community of cannabis patients have come to acknowledge that much of our heretofore illicit “recreational” use was really a form of self-medication with one of the oldest known remedies in the world folk pharmacopeia, and the lifting of legal sanctions against such behavior has allowed us to pursue cannabis therapies in peace, without paranoia, and this has helped many of us attain a greater degree of social integration, pariahs no longer. But the shift has consequences of much greater reach, energizing the creation of an entire industry servicing cannabis patients and their providers, legally employing thousands of individuals in this state and providing grey or illicit jobs for thousands more. The inexorable march toward the inevitable legalization of cannabis will continue to have further economic consequences as the hidden wealth locked into the underground marijuana industry surfaces and is redistributed. What these consequences might be, and possible strategies for guiding ourselves through the coming apocalypse—marijuanapocalypse?—are the central issues addressed in this essay.

In order to gain any understanding of where the road to legalization might lead, it is necessary to first evaluate the current economics of the cannabis community with an eye to understanding just what pot has bought us, and what has been traded off to attain it. What, then, is the lay of the land, the financial topography of cannabis country? How is the wealth generated, what is the cost of generating said wealth, and how is it recycled/redistributed into the community, both the cannabis and non-cannabis sectors? The first question, that of wealth generation, is probably the easiest to address: the marijuana production business is basically agribusiness, albeit agribusiness with certain unusual security concerns and the attendant costs. No matter what methods of production a given grower prefers—and there many from which to choose, both in the literature and the lore—certain essentials must be supplied: space, stock (generally seed or clone), water, chemicals (pesticides and fertilizers, environmentally friendly or not), building and packaging supplies (greenhouses, tarping facilities, grow rooms, turkey bags, ziplocs, etc.), labor (construction, nursery work, trimming and curing, packaging), legal expenses, fees and permits (including taxes): by no means an exhaustive breakdown, but probably sufficiently accurate for the present discussion. In broad, these are standard expenses for any agricultural operation, determining the bottom line cost of growing cannabis, but there are some special points worth mentioning. One, the cost of labor—i.e. wages—is often met by paying workers with product, an arrangement which is clearly advantageous to the capitalists backing production (and make no mistake: capitalists these backers are, in the pure sense that they are investing in an activity with an eye to profit, whatever their political persuasions may be), but may or may not be in fact be in accord with fair market value to the workers. Second, the “unusual security concerns” associated with grey and black market undertakings inflict costs which *are by no means governed by the fair market value of actual risk*, as they would be in a truly open, free exchange. Third and finally, fees, permits, and taxes deriving directly from agriculture are obviously a concern only to producers of legal medical marijuana; but there are also “fees and taxes” associated with arrest and laundering money and these effect black market operations and prices. These last three points may be relevant to a greater or lesser degree in determining costs of production for any particular grower, but all of them play a consequential role when cannabis money re-enters the mainstream, above-board economy.

The constraints and budgets of agribusiness aside, pot can in fact be a real cash cow, multiplying a relatively small capital investment many, many times for the grower who does the job himself. A buddy of mine got about 30 lbs. of cleaned, cured outdoor bud, starting with seed stock and making most of his own fertilizer on site from compost and kitchen scraps, plus a couple of secret ingredients. He saved on rent, as many do, by working as a nurseryman for a larger operation, obtaining a plot to use for his own efforts. I doubt he invested more than \$2000.00 of his own cash. When the fall market cleared, he was sitting atop a pretty pile of hundreds—like \$60,000.00 worth. Figure he put in about 25 hours per week for eight months—say 32 weeks. That’s 800 man-hours on top of his two grand. The labor rate here comes out to about \$70.00/hr.

The demand for cannabis is sufficiently high, and the risks inherent in the legal sanctions against supplying are still sufficiently large, that those who have the knowledge, balls and luck to dodge the heat can command such prices. And the number of such people seems to be growing every day.

But back to my buddy. He's sort of a wholesaler—customers for his elbos are most likely not final consumers, but more like bulk retail outlets; they in turn mostly sell “ozers”—oz's, ounces. *Their* customers in turn are often end users, and probably just as often small-scale retailers who break down z's into eighths and grams, and for the purposes of this essay we can let the matter rest there. I'm not seeing many people breaking down grams into marketable bowls—*yet*. There are profits to be made at every level: the guy paying two large per pound gets \$150.00-\$200.00 per ounce; The ounce guy gets \$30.00-\$40.00 per eighth. At each level of division, profits are made, and prices on a per weight basis rise. Money is made, and some of it goes up in smoke . . .

Money is made; that is clear. Wealth, sometimes great wealth in proportion to its seed, grows like prime bud out of the plant. And *where* does it go? Let's look again at my hypothetical buddy, actually sort of a redacted composite of a lot of solid cats. With a \$2000.00 investment and a lot of sweat, he cleared sixty grand. That's fifty-eight large in exchange for 800 man-hours of shovel-and-hoe farm labor. So what does he do? First of all, he pulls two thou right off the top of that pile of six-hundred hundreds. Supplies for this year's crop. And he still has the \$58,000.00 profit in hand. Fifteen thousand goes into a really nice used four-by with a cherry camper, fully equipped. Now he's got the right vehicle for the job, plus cozy digs for at least this grow season. Which is good, because last year he lived in the woods near Whitethorn in that beat-up old mini-Cooper of his, which also gets a cash infusion of two thou to keep *it* rolling for a couple more years, though for the same investment he could probably get a much newer car to run around in. The ex gets ten grand, say the two kids each get \$1500.00 for college expenses. So now he's spent thirty-two thousand, has secured supplies for the new crop, transportation and housing for at least the next few years. Comin' up, big time. Before we trace the remaining 28K in detail, let's pause and check out just where this money has gone. He bought the truck/camper rig from a plumber in Fortuna; the Cooper money went to a garage in Eureka; the ex gets a righteous cut for watching the kids during those eight months when he “spent a little time on the hill”—a lot of hers has already gone into raising the kids—the kids themselves buy clothes, books and computers. The point here is that virtually all of the thirty has found its way straight into the legitimate local economy, which means it ends up paying for construction, equipment, salaries and taxes, medical bills and utilities. And the remaining \$28,000.00? Well, in general, after these initial disbursements are made, it will be trickled out over the course of the year on the usual, ordinary things people buy to keep their lives running. It is pumped right into the above-board local businesses. And a similar story holds for every middle-man right on down the line.

The point here is that the wealth generated by the marijuana agribusiness seems, by and large, to be providing a much needed “stimulus” to the legitimate, legal local economy. And my pal represents a mere drop in the vast bucket of liquidity so generated. Imagine the fruits of his labor multiplied perhaps ten thousand times. That’s roughly  $\$60,00.00 \times 10,000 = \$600,000,000.00$ , *six hundred million dollars* injected into local businesses, hence into local profits, growth, salaries and taxes. And it’s quite possible this estimate is far too low. According to the *Times-Standard* article ‘*What’s after pot?*’, the California State Board of Equalization estimates the value of cannabis produced in this state in the year 2009 to be \$13.6 billion. A lot of that money is generated in the Emerald Triangle; it is estimated by some that Humboldt County alone generated close to \$1 billion in cannabis revenues in the year 2009—about half our gross production. This money ultimately originates from the end consumers—patients and recreational users who purchase small amounts—largely grams and eighths—for their personal use. The marijuana industry and its profit-generating engine are fueled by the same great pipeline of commerce which feeds the bulk of this nation’s economy—consumer spending.

Having traced the flow of cash through the pot industry and back into the conventional economy we are in a position to understand just what these “ganja dollars” are buying us, both materially and in terms of less tangible benefits. The concrete wealth attained from cannabis production is of course easier to track; stories like that of my pal abound and all exemplify the well understood maxim: more money means more better stuff. But it buys more than just things. Remember the 800 man-hours my buddy put into his thirty pounds? Remember we estimated he grossed about \$70.00 per hour for his efforts? If he had performed similar labor in a legal agribusiness he probably would have grossed around ten, making a mere \$8,000.00 for his eight-month stint on the mountain—barely a sustainable wage. The upshot of all this is that, in addition to acquiring some very nice, useful stuff, being able to eat substantially better and more nourishing food, and supporting his family with a higher standard of living, he has an awful lot of open-ended time on his hands; he is, to a greater extent, a man of leisure. Now, leisure in the hands of some people breeds waste and indulgence; but in the hands of others it presents an opportunity to work even harder. These efforts are sustained not only by adequate food and shelter, but also by an intense drive to do something simply because one believes it to be worthwhile. Consider, for example, the musical culture of Humboldt County. We are blessed with an unusually large population of accomplished vocalists, fiddlers, guitarists, banjo pickers and other instrumentalists. A great many of these folks have been able to put in plenty of extra practice time largely due to the “leisure time” characteristic of the cannabis industry. Similar considerations apply to many other fields of creative endeavor; the number of photographers, painters, sculptors, poets and so forth is, like the number of late-model four-bys, bottles of fine wine and blocks of exotic cheese, vastly out of proportion to the income base of Humboldt as measured by conventional indices. Thus there is a semi-underground arts culture which provides considerable enrichment to our lives, and it exists due to the

support of the marijuana business. There is also a noticeably large presence of what I will term “personal development services”—businesses often aimed at providing for the physical, mental and spiritual well-being of their clients by offering opportunities to participate in massage, yoga, mediation and related practices. Many of these are provided unique opportunities in the form of moneyed clients who can afford such amenities, and in the form of the open-ended development time the necessary skills often require, by their direct and indirect connections to the cannabis industry. In short, the demand for marijuana is creating in income/leisure-time base which is an exceptionally fertile ground for many forms of creative, wholistic and spiritual activity. Certain forms of political activity flourish under the aegis of the cannabis plant as well—I know more than one tree-sitter who has received bountiful rations of food and smoke from sympathetic growers. All told, then, the agribusiness of pot supports a material, artistic, environmental and spiritual ethos which has become characteristic of, and one of the most attractive things about, Humboldt County.

Such are the advantages the plant has brought us; such are the means by which these advantages are created and spread. Wealth, leisure, a chance to develop creativity and explore alternative life-styles have been ours in great bounty. But there is a darker reality lurking at the edges of this edenic garden we call home, a specter which may threaten and perhaps even destroy the very things many people, both within and without the cannabis community, have come to cherish. And ironically, this threat arises from the prospect of widespread, legally sanctioned acceptance of the thing we value the most—the plant. When the plant becomes California legal—and this may happen as early as November 2010—complete freedom to produce marijuana for personal use will become the norm in this state. Many people who have not already done so will begin producing their own pot. Four months later—say February/March 2011—the demand will begin to drop as the supply is provided by individual consumers harvesting their first indoor crops. This trend may continue through the summer and into the fall, when the large outdoor crops are ready for market. A glut hits the pot economy during an already existing trend of decreasing prices. Under this scenario, the prices plummet even further; and continue to drop until the actual price of pot on a free market is attained—the price of materials and labor, basically. So if it requires \$2000.00 in supplies and \$8000.00 in labor (800 man-hours at \$10.00/hour, an estimated average wage for nursery work), we’re looking at a cost of about \$333.33 to produce a pound of outdoor. *That* will be the bottom line selling price in an open, competitive market. That three-thirty-three plus whatever profit the producer can eke out in the face of largely unrestrained competition, will determine the selling price; \$500.00/pound might be a reasonable guess. If that were a true and consistent estimate of the free-market price of ganja, it represents a *75% decline in the marijuana revenues of Humboldt County*; and if you think the housing market crashed hard, wait ‘til you see this. We are talking tsunami-style wipeout; we’re talking people—*lots of people, your friends and neighbors*—crashing in vans all over the place, we’re talking businesses failing left and right. Of course there are other scenarios and mollifying factors which may point towards a less brutal decline of our net cash influx. For example, it just *might* be that

legalization will see a short term *rise* in prices, as demand which has been pent up by fear of legal consequences is unleashed. Furthermore, marijuana will remain illegal at the federal level for some time yet, and this may dissuade some from fully embracing their new-found freedoms under California law. But any rise in prices will probably be short-lived, for reasons already stated, and the Federales simply do not have the resources to go after every stoner with a twenty-five square foot patch of pot (the legal limit according to the pending initiative) on his property. It is likely, however, that they would vigorously pursue retailers of California legal marijuana, especially the large and conspicuous ones, and such legal pressure may well serve as somewhat of a check on the supply, slowing the descent of prices. And these difficulties inherent in the licensed and taxed sale of cannabis will only further encourage growth of the private, grow-your-own community. The prospect that very many present day buyers will be producing their own cannabis cannot be neglected, and since there will be a clearly-defined financial motive for consumers to grow their own pot, the supply will rise, demand will slacken, and prices will fall until an effective free-market equilibrium is attained.

Many producers in the cannabis community have endorsed counter-measures intended to combat wholesale deflation, such as the formation of price-fixing cartels whose members agree not to sell below a certain set price. To put it succinctly, this simply will not work. A cartel can control prices only insofar as it can control the marketing activities of producers; in a black market, criminal means exist for doing so. But how does the cartel keep someone from underselling when their threats are met by calls to the authorities? Remember, no one is going to be afraid of the police knowing that they have a little stash tucked away in the sock drawer, a little plot of their own in the closet. The kind of extortion needed to keep prices high will land you in far more legal trouble than it's worth. The idea of such price-fixing is doomed from the start.

Another common argument against wholesale decimation of the Humboldt economy is that export to other states will take up the slack in demand and serve to keep prices from falling too far. One hears rumors that the oldest of the old school, the OG growers, people with the most gardening experience and the most savvy in evading the heat, are shipping tons and tons of product to places like New York, Chicago, Tulsa and Boise where it is met by Mafiosi types bearing suitcases of C-notes; and that these are the transactions which will preserve the marijuana GDP of Humboldt County. But how exactly would that work in a post-legalization economy? The success of this scenario rests on certain key assumptions, all of which there may be reason to challenge. First of all one needs to recognize that operations necessary to move *large quantities*—many hundreds if not thousands of pounds—of cannabis across state lines incur expenses of a different ilk than the small-to-medium producer (like my hypothetical buddy) who relies primarily on the intra-state market to absorb his output. Here's the kind of thing I mean: moving 1,000 lbs. across the country typically requires investment in a vehicle which is both sufficiently discreet and has the necessary capacity. Discreet in this context means unlikely to draw undue attention from state troopers and local police in any of the myriad jurisdictions traversed en route. A typical rig might consist of

a nice, new pickup towing some serious sporting equipment, like a fishing or sail boat. All new, with a wealthy-looking, clean-cut driver, neatly dressed, a gentleman racer out to hit the east-coast circuit. With a half-ton of Humboldt's finest welded into the bilges. Out of sight, out of smell, out of mind. Non-commercial, non-ag, no animals, what's to inspect? Safe in a warehouse on the right coast, out come the torches. The rig itself might be worth a hundred grand, most of it recoverable when the gear is liquidated after the run. The point is that such means of secure interstate transport are only available to the biggest producers, with crops so large that this is a reasonable business expense. Now, given that such channels are open to those who can afford them—producers of sufficiently large crops—we can ask if and how legalization will effect such markets. And even though these large-scale exporters typically deal in very large amounts of product, the target of such efforts is ultimately the same as intra-state distribution—the individual cannabis consumer, who typically purchases grams and eighths. It is quite within the realm of possibility that, as the number of individual producers within California rises, a certain percentage of their ganja will in fact find its way to out-of-state markets and ultimately fuel competition with the large-scale transporters and their outlets. The forces of supply and demand being what they are, and the market being as devilishly clever as it is, it is not hard to imagine an entirely new class of entrepreneur coming into prominence, whose business it is to cull the excess supply from small-scale, personal growers and bundle it into larger units suitable for export. Such activities will ultimately put competitive pressure on even the largest exporters, although it is hard to estimate the time frame over which this will occur, i.e. just how long it will be before the effects of such activity are felt by the market. Furthermore it should be noted that such small-scale exporters will also face the problems inherent in transporting, though at a much smaller scale than their larger competitors. But small scale implies less conspicuous, easier to hide, hence less cost: indeed many exporters presently employ delivery services, U.S. Mail included, which solve the transportation problem with very little overhead indeed, though there certainly are the attendant risks; the message is that there are risk-return trade-offs here which won't necessarily favor the large-scale exporters. The conclusion is that competition from small exporters may in fact erode the profit margins the larger interstate traffickers have anticipated, and this in turn will force their suppliers—read growers—to accept a lower price if they wish to stay in the game. Further threats to export prices will come from other states, such as Colorado, with sufficiently liberal policies toward cannabis that they can assume the role of major suppliers. There is no need to re-iterate the arguments given above pertaining to California; even more supply will put even more downward pressure on export prices, making it more difficult for local growers to continue to receive their historical returns for their weed. Finally, it is not at all clear that the cash received by the biggest exporters—the thousand elbo types—is in fact staying in Humboldt County in the large. The earnings of the medium-scale producer, like my pal, basically correspond to a comfortable middle-class income, and are largely spent in local markets on items which are by-and-large quite ordinary. But the chap who sells a thousand pounds in Manhattan,

at \$2000.00-\$2500.00 per, suddenly has the problem of dealing with perhaps one-and-a-half to two million in cash profits. It would be quite difficult, I suspect, to dump that much dough into local markets without being noticed, and I have a hunch that there are some very nicely tricked out start-up recording/production studios in Los Angeles and San Francisco which have benefitted from the large-scale sale of Humboldt's finest. The point is that the money generated at the very top of the game may not in fact be contributing that much to the County's GDP after all. No, I suspect that the lion's share of the Humboldt ganja GDP is coming from medium sized producers, the middle class growers, much as is true in the U.S. economy at large. In any event, blithely assuming that the big boys will prop up the price structure is an extremely dangerous position to take, one which needs to be examined with the greatest caution, because lives will surely depend on the outcome. Maybe yours.

So prices will likely plummet. And to just what will our beloved life behind the Redwood Curtain come when they do? What will happen to all those musicians, painters, and photographers when they no longer have time to develop their arts? Will David Nelson still play Humbrews? Will the economic base support such luxuries? How many yoga studios will fold due to lack of paying clientele? Will Wildberries be replaced by a sort of glorified 7/11? How will rents and mortgages be paid? Will HSU still be able to draw students when they find out Arcata has been effectively shut down? The Farmer's Market in the Arcata Plaza, Arts! Arcata, Arts Alive!—how will they fare when eight hundred million drops out of the local consumer spending base? How many teachers will lose their jobs? What will happen to class sizes? Will the tree-sitters protecting our redwoods survive? Surely the cannabis industry has supported them generously . . . what are we going to do, go back to logging and salmon? I think those economic engines have pretty much run out of gas already. Of course, if we want to completely denude the hills and exhaust the fisheries, we might extract a few more years of bread-and-butter out of those industries . . .

When seen in these terms—in cultural terms, in terms of the depth of emotional satisfaction the lifestyle of the plant has provided, the real losses legalization threatens feel very close to home indeed. It is very easy, when confronted with the purely financial advantages the ganja industry has provided, to overlook the fact that marijuana has had a positive impact on very many aspects of life here in Humboldt, and that perhaps some of the greatest benefits it has brought us cannot necessarily be measured in strictly monetary terms. But it strikes me that these are exactly the sort of things which must be addressed if we as a community are to successfully navigate what may be some very choppy economic and cultural waters legalization will leave in its wake. This notion is illustrated to a certain extent by the ideas put forth in the articles *Welcome to Pot City* and *Monetize it!* which recently appeared in the *North Coast Journal*. This is not the place to review those articles in detail, but they do suggest that fields such as marijuana tourism and marijuana education might prove fruitful grounds for cultivating new, cannabis-related business ventures. Such endeavors in fact currently exist, but they are presently operating in the periphery of the principal activity of the marijuana

business, which is production, production, production. Both types of business are in fact offering less tangible “goods”—experience and knowledge—whose dollar value has not yet been fully resolved. And this experience and knowledge were in fact developed largely by people participating in the cannabis industry as a sort of sideline activity—while they were sitting around “waiting for the plants to grow”, if you will. Furthermore, many other skills and items of worth have been quietly simmering in the background, with no direct effort as yet to seriously convert them to revenue-bearing activities; the vast pool of artistic competence and work product comes to mind here. As the revenue stream from black-market sales dries up, we can look to these as-yet untapped resources to replace at least some of the income which will be lost. And I would love to see the day that some seriously big-time grower, one who *has* cleared six or seven figures on a season’s harvest, decides to open that production studio right here in Humboldt, and starts offering his services to world-class talent; and why not? Humboldt has a hell of a lot to offer musicians and filmmakers who want to develop serious work in an environment which both inspires the imagination and also promotes focused concentration on the nuts-and-bolts work of production itself. But attaining these things will require a new breed of marijuana entrepreneur, one who sees that the plant and its culture have a lot more to offer than just a chance to make a fast and lucrative return and some potent “get-high”; it will require the vision to continue in a new vein the tradition of courageous exploration of unknown terrain associated with names like Jedediah Stone Smith.

Legalization of cannabis may present formidable challenges to Humboldt County, but as often happens during periods of severe market re-structuring, it may also present unprecedented—dare I say golden?—opportunities. It is very hard to say just how things will work out in the long run, just where things will land, as it is during any major economic shift, but it appears that legalization will establish a foundation for something which has not been seen in this country—perhaps, indeed, in the world—for a long, long time. I refer here to the prospect of a cannabis-based culture which joyously embraces *all* of the traditional virtues of the plant—medical, spiritual, creative, commercial—in an open and safe environment. Such an open cannabis culture will in fact allow and create *many* new ways of doing things, with *many* marketable results—far too many to delineate in this essay. We may not be able to predict or determine the ultimate outcome of the coming marijuanapocalypse; but by maintaining an unflinching focus on the truth of what we face—as frightening as it may seem—and by being ready and willing to exploit *every* possibility latent in the life of the plant, we may just be able to stay ahead of the curve enough to not only survive, but to thrive, to seize the day, to control our own destinies in a manner heretofore impossible. This will require that many of us who have lived in the shadow-land of the clandestine market to step into the light, to fly our flag wide and high, bearing the lessons we have learned for the eyes of the world to behold. The day is coming, my friends, when *everyone* will have to show their true colors.

Before concluding this essay I feel it is important that I put forth a formal rebuttal to certain remarks made in print by one Mr. Gordon Inkeles of Arcata, owner of the publishing company Arcata Arts. I refer here to his letter to the editor titled *Good Riddance*, which appeared in the *North Coast Journal* of 1 April 2010. Perhaps it is appropriate that Mr. Inkeles' letter was published on April Fool's Day: I have rarely seen a letter in print that was at once so ignorant, arrogant and insulting. Let me address your statements point-by-point, Mr. Inkeles, taking them according to the order of your own presentation. First of all, Mr. Inkeles, you make the fundamental dialogical blunder of attributing to Ms. Kemp meaning of your own devising, rather than answering her theses as stated. In so doing you are attempting to obfuscate the issues by re-framing them in your own terms—rather ineptly, I must say. Indeed, Ms. Kemp's intended message in referring to “an enormous tsunami” is really made quite clear in her article: economic devastation of Humboldt County. But since in fact *you* are the one who is labeling the marijuana industry a scam, *you* are the one who is called upon to explain in just what sense it is a scam, Mr. Inkeles, in just what sense a scam? Now it is unfortunately true that marijuana production is a Federal crime, and a California crime if not conducted for medical purposes, but that crime is not, by and large, fraud. Bob Dylan explained it very well in the song *Absolutely Sweet Marie*: “. . . to live outside the law, you must be honest.” Having very few of the conventional legal protections, the cannabis business depends on the integrity of its participants to an unparalleled degree: what is verbally represented must be delivered, both in terms of quality and price. Perhaps you will make your task of explanation easier on yourself, Mr. Inkeles, if you use your own business which you tout so highly, Arcata Arts, as a reference point: you represent yourself as selling instructional books on massage; you deliver a large number of photos of attractive young women in poses featuring full frontal nudity. I for one would like you to explain, as simply as you possibly can, *exactly* what techniques for massaging a foot or thigh have to do with torsos naked from knee to neck. And don't get me wrong: I enjoy the female form as much as any dude in Humboldt, but it's about what is represented and what is delivered, Mr. Inkeles, what is represented and what is delivered. Seen in these lights, perhaps the cannabis industry doesn't seem to be such a scam, after all. But questions of representation and delivery aside, your books, like cannabis, do sell very nicely on a national and even international scale; so perhaps it is true that a relatively small portion of your business revenue is affected by marijuana money. However, your products are certainly available in local bookstores, and given the fact that for most people sensual massage falls under the category of a discretionary, rather than essential, expense, it seems quite likely that at least a few ganja dollars have found their way into your revenue stream. But Ms. Kemp's point must be taken in terms of its context: that the general weal of Humboldt County, in which we all share and upon which we all depend, is cannabis driven to a great degree. This means that you are deriving the same *indirect* benefits, in terms of the small, day-to-day conveniences we all take for granted—the ready availability of resources from pens to paper clips, from sandwiches to spot-remover—hinges upon the general business climate and cash flow. Convenience and related factors defray day-to-day expenses for all of us and have a net effect of increasing the value of the business dollar. To deny that

yours is the common lot in this regard is tantamount to the assertion that you are somehow aloof from the everyday life of Humboldt County. Well, maybe you are . . . Next let me address your uninformed comments regarding the finances of both the marijuana and the tobacco agribusinesses. Did you research these topics at all, Mr. Inkeles? Did you make even the slightest attempt to run the numbers based on factual data? If you can back up your figures, please bring forward your accounting; if not, you are indulging in the sort of rhetorical propaganda common to many a low-level smear campaign. There is indeed a wealth of plausible data and educational material available in print and on the internet, some of it very good. For example, even minor local publications such as *The Arcata Eye* seem capable of publishing informed pieces from well-known leaders in the field of cannabis cultivation; see, for example, the letter *Big Cannabis, Big Tobacco* by Bill Drake of Kerrville, Texas, which appeared in the *Eye* of Wednesday, 26 April 2010. (Mr. Drake is the author of the well-known book *Cultivator's Handbook of Marijuana* and also publishes the website [cultivatorshandbook.com](http://cultivatorshandbook.com), both of which are excellent resources for those truly seeking information about the ins-and-outs of cannabis production.) Quite frankly, so many people in Humboldt are familiar with grow technology that the unsupported assertion that "legalization will push weed down to around 50 cents a pound" is hardly worth re-hashing for such an audience. Finally, the Humboldt County which we will get back without the marijuana business may not have near as many redwoods, may not have such a pristine coastline, the towns will be considerably less charming when businesses are boarded up and houses fall into disarray, and the rivers may become considerably more polluted as the vultures of big business move in to seize the opportunities for development which cannabis money has managed to stave off so far. The relatively small population of "armed thugs in grow houses" will be replaced by a large army of corporate thugs armed with title deeds and legal writs in whose company an international player such as your self might well find himself right at home. Your letter, Mr. Inkeles, is not merely ignorant, but willfully so; arrogant, because it brusquely assumes your personal model of representation and delivery is somehow ethically superior to that of most of your neighbors, and insulting in the way it dismisses widely- and sincerely-held community values while offering no feasible alternative. I do hope you enjoyed the First of April, Mr. Inkeles; I invite a published response.

Having answered Mr. Inkeles' remarks I now turn to some concluding comments of my own. In this essay I have deliberately painted a somewhat grim picture of price deflation in the marijuana market and the accompanying impact on the financial welfare and cultural life of Humboldt County. In so doing, it is not my intention to be alarmist or otherwise overstate the case, but to draw attention to what may be a worst-case scenario for a post-legalization Humboldt; I believe it is important to bear such possibilities in mind even if one ultimately concludes that prices may fall more slowly or not at all. Indeed, I must admit that I do not *know* what the ultimate outcome of legalization will be, either culturally or economically, and I invite commentary and discussion on any and all of the points I have tried to make. I have attempted, however,

to analyze the impending possibilities as best I can, using standard economics principles, and to draw rational conclusions based upon what I have experienced, seen, and heard. These efforts have led me to suspect that what has happened with medical marijuana will prove to be a harbinger of coming events in the open marijuana market: though it may happen slowly at first, people will start catching on to the advantages their new-found freedom provides, and as the truth spreads and is made known, more and more folks will grow their own, vastly increasing the supply and forcing prices to drop. Whether licensed retail outlets will be able to compete with home growers, either by providing greater convenience or cheaper product due to economies of scale—production efficiencies of large-scale operations—remains somewhat unclear to me at this point; in any event, larger retailers will almost certainly face severe Federal enforcement problems; again, the situation may parallel what has already taken place in the medical marijuana market, where dispensaries are often the subject of DEA actions. The legal difficulties inherent in California-legal retail sales thus seem like they will almost certainly serve to encourage even more individual producers. Thus a substantial deflation of the market appears inevitable, though it may take several years for its effects to fully manifest.

Finally, I would like to put forth a few suggestions for cannabis-related business activities, most of which could be effected immediately and which might serve to help bridge the gap between the present situation and the more-or-less cannabis-legal society which it appears we are about to become. I do not claim that any of these proposals will, in and of themselves, make a noticeable impact on the redistribution of resources which is about to occur—indeed, which is already occurring; but a few cannabis-friendly jobs might be created for a few cannabis-friendly people who will need work if the pot market goes into a slide. I do claim, however, that these ideas are illustrative of the kinds of creative business endeavors which may, when the contributions of all players are taken into account, continue to generate substantial aggregate income for Humboldt while preserving the cultural/life-style values many of us hold dear. So here we go:

- 1.) *Marijuanaconomics*. Whatever humor which may be present in this catch-phrase aside, the time has come for a serious economic study of the evolving cannabis market, using the best analytical and statistical tools available, with an eye to navigating the choppy waters ahead in the most successful manner. The amounts of money involved, and the number of lives which may be affected, clearly merit a first-class effort along these lines. The cannabis community should play a key role in supporting this undertaking, since it stands to lose or win the most in the legalization game.
- 2.) *Cannabis College, Humboldt Style*. A serious educational institution should be formed, one which will provide both research and education addressing all aspects of the plant—historical, cultural, medical, commercial. It should be housed in a facility which provides, in addition to the necessary classrooms, libraries, offices and laboratories, residence halls for students who require

or desire on-campus housing, and a student center replete with bookstore. This may seem like a large investment in infrastructure, but in reality an old farm with a few out buildings could probably be rented at an affordable rate if not purchased outright, and such a facility could easily be made ready for the first sessions. As is the case with Oaksterdam University in Oakland, this school could gain the maximum legal protection possible by beginning to serve the medipot community, expanding its offerings as conditions improve. I believe that, given its beautiful location and rich historical underpinnings, such an institution would have no trouble drawing paying participants from throughout the state and probably the nation as well. It should be remembered that this is an extremely serious professional undertaking, worthy of the finest effort the Humboldt cannabis community can muster.

3.) *Center(s) for Cannabis-Enhanced Spiritual Therapeutics.* There is a very old tradition in world cultures which emphasizes the role of cannabis in inner exploration, seeing it as a vehicle promoting enhanced self-awareness and psychic growth. Fortuitously, the role of spiritual experience in healing has received more and more attention from the medical establishment recently, for example in the work of Drs. Deepak Chopra and Andrew Weil. This confluence of philosophies opens the way for the presence of cannabis-based wellness centers which emphasize the positive role marijuana can play in the practical development of a truly wholesome self-relatedness with its obvious positive consequences for mental and physical health. They would draw upon both ancient metaphysical and modern medical knowledge to offer guidance to their clients, and since they could operate under the aegis of marijuana as medicine, should be relatively immune to legal sanctions. I suspect such “clinics” or “spas” might provide a very rewarding and marketable experience and, by virtue of the safe harbor medicinal cannabis provides, be greenlighted at the present time. Such establishments could also be affiliated with programs for cannabis education (see item (2.) above) to the benefit of both endeavors.

4.) *Open Exchange for Cannabis,* modeled on, say, a modern securities exchange. In such a marketplace, orders in the form of half-contracts are posted by both buyers and sellers, preferably via a suitable computer network, e.g.

45 lbs. OG Kush @ \$1051.67—Honeydew Cannabis Farms—SELL,

32 lbs. Jack Herrer @ \$1154.75—Eureka United Medipot—BUY,

and when complementary orders are found, a deal closes. Orders can be withdrawn or modified at any time, in real time, so that exchange participants can track the market and take advantage of fluctuations in supply, demand, and price. Now this might seem like the heart of Babylon itself to your typical Natty

Dread Jah Rasta pot grower, but I'll betcha a dollar and a phat joint that you will find *nothing* which will maintain liquidity, clear markets and stabilize prices faster than such a transaction mechanism. And who knows, perhaps some day one of you growers will take your little dreadlocked son or daughter by the hand, and on a fine May morning lead him or her into a nice building somewhere in Garberville just in time for the morning bell, and say, "See, this is where mommy and daddy sell the herb we grow . . ." One can even envision companion markets in futures, options, and other derivatives, although the recent turmoil on Wall Street does give one pause lest the ganja market become prey to similar abuses; but then, we would control the business policies and ethical standards to which players must adhere, wouldn't we? Who knows, maybe Wall Street will come to *us* for advice. In any event, I think it may be quite a little while yet before the Federal Government will be ready for this, but there is no reason not to start conceptualizing such an exchange right now. Such activity could probably be subsumed under item (1.) above.

- 5.) *Innovative Technologies and Supplies for the Personal Grower.* I will say very little on this topic, since I am developing business ideas of my own along these lines and am not quite ready to tip my hand. Suffice it to say it has been dealt with at some length in the cited articles, and apparently more than a few are looking into this arena. By addressing the general horticultural and medipot communities, such activities can probably be conducted with comparatively little legal exposure at this time.

Humboldt Nation? You betcha! With its own brands of science, art, philosophy, and finance. As cannabis becomes more and more legal, those with the vision and willingness to accommodate the change in all its fullness will find not only economic opportunities, but a chance to show the world what we have always known to be the case: that the plant and its gifts are *good*, in the highest sense that they promote a lifestyle which opens the way the kinds of social transformation many of us have been hoping for, working for, aching for since the symbol of the marijuana leaf began to be brandished as an icon of the counter-cultural movements which grew out the shadows of Mutual Assured Destruction in the wake of World War II. It is no coincidence that the word apocalypse, in the days of the ancient Greeks, meant revelation; and the time for our big "reveal" is upon us, the time when we can, if we work together, show the world just how valuable freedom of the uninhibited psyche can be. If not now, then when, my brothers and sisters? Carpe diem, my friends, carpe diem.

*Sunday 1 August 2010 11:46P M PST  
Hellarity House, 57<sup>th</sup> at Genoa  
Oakland, Alameda County, California*