

Substitutes or Complements? Alcohol, Marijuana and Tobacco.

Jenny Williams
Lisa Cameron

This study uses previously unavailable cannabis prices to examine the price responsiveness of cannabis, alcohol and cigarette use. The price data is merged with data on the drug use of a random sample of individuals interviewed in the National Drug Strategy Household Surveys. Comparisons of South Australia and the other Australian states allows us to examine the effect of reducing legal sanctions against cannabis use. Studies conducted in the U.S. have suggested that alcohol and cannabis are substitutes and that the criminality of cannabis use results in greater use of legal drugs. We find that cannabis use is price sensitive and that decriminalisation of cannabis leads to higher use via price effects. Contrary to previous studies, we find no evidence of alcohol participation being affected by the money price of cannabis. There is some evidence that decriminalisation of cannabis may actually lead to increased alcohol consumption, possibly by changes in societal norms. Cigarette consumption is found to be independent of cannabis use. One shortcoming of this study is that it only examines participation and not intensity of use. It is likely that cannabis's legal status and money price affect the intensity of use more strongly than the participation decision. This is an area for further research.

JEL: D1, I1

Key words: illicit drug use, decriminalisation, price responsiveness, participation

Correspondence:

Lisa Cameron
Department of Economics
University of Melbourne
l.cameron@ecomfac.unimelb.edu.au