

# Light cannabis and organized crime. Evidence from (unintended) liberalization in Italy

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## Abstract

The effect of marijuana liberalization on crime is object of a large interest by social scientists and policy-makers. However, due to the scarcity of relevant data, the displacement effect of liberalization on the supply of illegal drugs remained substantially unexplored. This paper exploits the unintended liberalization of cannabis light (C-light, i.e. with low THC) occurred in Italy in December 2016 by means of a legislative gap, to assess its effect in a quasi-experimental setting. Although the liberalization interested all the Italian territory, the intensity of liberalization in the short-run varied according to the pre-liberalization market configuration of grow-shops, i.e. shops selling industrial canapa-related products that have been able to first place the canapa flowers (C-light) on the new market. We exploit this variation in a Differences-in-Differences design using a unique dataset on monthly confiscations of drugs at province level (NUTS-3 level) over the period 2016-2018 matched with data on geographical location of shops and socio-demographic variables. We find that the legalization of C-light led to a reduction of 11-12% of confiscation of marijuana per each pre-existing grow-shop and a significant reduction of other canapa-derived drugs (plants of cannabis and hashish). Back-to-envelope calculations suggest that forgone revenues for criminal organizations amount to around 2 million Euros per year. These results support the argument that, even in a short period of time and with an imperfect substitute, the organized crime's supply of illegal drugs is displaced by the entry of official and legal retailers.

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