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This sample student paper is a business report task which demonstrates the requirements for APA (7th edition) referencing style.

The guidelines and comments have been colour-coded:

Formatting requirements - blue

Academic writing and addressing the task - red

Referencing guidelines - yellow

The cover page includes the document title and key information including student name and number.

Critical Review of Claim: Legalisation of marijuana will lead to millions in tax revenue.

Evaluating Proposition 64 claims regarding Californian Tax Revenue.

Lecturer Name
Subject Name
Subject Code

Student Name
Student Number
Due Date

Running header with Student name and subject code.

Subject Code

Student number

Contents

Content page makes the report easily accessible to the reader. It also serves to highlight the key themes the student will introduce in the critical response.

Include page numbers, as a centered footer.

* Use "Insert, Page Numbers" on Word to format page numbers.

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Subject Code   Student number

Figures

A separate contents section highlighting the tables and figures in the report makes it easy for the reader to quickly view these key features. When including figures this should be on a separate page.

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Section headings begin each new discussion area, this enables the reader to easily follow the logic of the argument being presented, it also gives a high level, professional presentation style to the report.

Subject Code

Student number

Introduction

Marijuana use was decriminalised in November 2016 in California under Proposition 64. Legal sale and taxation followed in January of 2018. Proposition 64 stated that legalisation would result in millions, if not billions in extra tax revenue. This claim will be examined using the experience of the state of Colorado, the theory of supply and demand, and elasticity of demand. The effect of increased marijuana sales on retail tobacco will also be examined. It is expected that whilst there may be some short term significantly positive effects on revenue, long term revenue increase will not be in the top of the expected range.

Key theories that will be used in the report are identified clearly. The case study of Colorado is also clearly introduced. This is a clear demonstration of essential knowledge of the subject area and theoretical frameworks.

The last section of the report is identified.

The last sentence of the introduction operates as a clear Thesis Statement, which introduces the author's considered judgement on the case. This will be the key finding of the report in the final section.

This opening paragraph sets the context and provides essential background information, and introduces the main theme, Proposition 64.

It is well written and conveys information in a clear and fluent manner.

It should also be noted that the themes introduced here must be discussed in that order through the body of the report.

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The author uses reference to published research to support the developing argument, and refers to the Figure below. This is evidence of a high level of professional presentation and writing.

For each new section it is important to define the concept, theory, or model which will be discussed. This makes it clear to the reader that you are working from the appropriate conceptual material. You may wish to reference this from key texts where necessary. As a rule however, it is not necessary to reference terms that are considered key and widely understood within the discipline.

The first area of analysis is introduced with a sub heading.

The first sentence, or Topic Sentence, introduces the main idea of the paragraph to follow. It guides the reader as to the main issues that will be covered in the following sentences.

The author has chosen to address each case study in separate paragraphs. This allows an explanation and application of each theory (in this case Supply and Demand) in one context before applying the principle to the current scenario (Proposition 64, California). This shows a discriminating understanding and application of key economic concepts, as measured in the rubric.

The supporting sentences introduces further information to support the topic sentence. In this way each sentence builds on the last, and connects the ideas together, this shows a high level of paragraph construction.

The author has attempted to reference this correctly, however when using data from a source, page numbers must also be included follow the style: (Wallace, 2015, p. 1) (Author, Date, Page number)
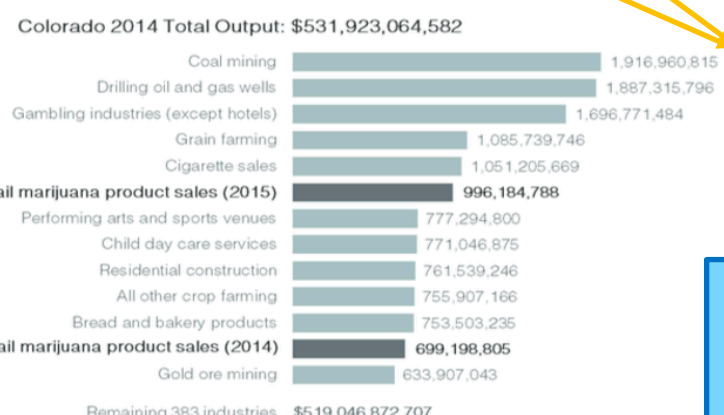http://libguides.jcu.edu.au/apa

Graphs and figures should be positioned above or below text, they should not be surrounded or embedded in text. The should also include the correct referencing style, as seen here.

Labels that are used within graphs should also be included in the key.

It is clear that the author will now apply the theory and principles discussed in the previous case study to the current case study.

Each time a new concept, theory or model is introduced it is important to briefly define it. This shows a discriminating understanding and application of key economic concepts/ theoretical frameworks in response to the case questions.

Subject Code   Student number

Effect of Proposition 64 on the Supply and Demand of Marijuana

The law of supply and demand indicates that there is an inverse relationship between item cost and availability (REF, DATE). It is possible that as the availability of legal marijuana increases, the price will fall, which will in turn lead to an increase in sales.

Colorado

The Marijuana Policy Group (MPG) developed a "Marijuana Impact Model" to illustrate the effect of legalisation on the Colorado state economy (Wallace, 2015). As shown in *Figure 1* below, the introduction of Amendment 64 caused a 42.4% increase in sales from 2014 to 2015. The MPG claims that 36.2 of these percentage points are due to movement away from black and grey markets, and the remaining percentage points are due to visitor demand and secular growth amongst Colorado residents (Wallace, 2015). This represents a real growth of only 6 percentage points from the pre-existing illegal market. In addition, the MPG expects marijuana pricing to decline by an average of 7.4% per year until 2020 (Orens, 2016). It remains to be seen as to whether this will be reflected in increased consumption.

Colorado 2014 Total Output: $531,923,064,582

Industry	Output
Coal mining	1,916,960,815
Drilling oil and gas wells	1,887,315,796
Gambling industries (except hotels)	1,696,771,484
Grain farming	1,085,739,746
Cigarette sales	1,051,205,669
Retail marijuana product sales (2015)	996,184,788
Performing arts and sports venues	777,294,800
Child day care services	771,046,875
Residential construction	761,539,246
All other crop farming	755,907,166
Bread and bakery products	753,503,235
Retail marijuana product sales (2014)	699,198,805
Gold ore mining	633,907,043
Remaining 383 industries	$519,046,872,707

Figure 1. Retail sales of marijuana increased 42.4% from 2014 ($699 million) to 2015 ($996 million).

Reprinted from Wallace, A. (2016). Report: Colorado weed is now a behemoth with a $2.4 billion economic impact [Abstract]. *Colorado Cannabis Industry*, 1-3. Retrieved April 2, 2017.

California

The law of demand helps to explain the phenomena that as prices decrease, consumers will purchase more product. In this case, the illegal production and selling of marijuana existed

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The author makes a prediction based on the evidence from the other case study. This is an example of synthesis and critical thinking, and is a high level response. The author also uses hedging language very well, by saying "It is likely that". This is because we cannot say for sure that the same effect will apply, however similar the contexts.

The author refers to published research in a third context to strengthen the developing argument. This shows a wide range of reading, and strengthens the argument. This is clear evidence of synthesis of research evidence.

The author reaches a conclusion based on the preceding information, and also combines this with new evidence to further support the statement. This shows a high level of critical thought and a high level of argument development.

Whenever a figure is used in the text of a report it must be referred to in the text. This shows the ability to construct a high quality written report including the use of graphical representations.

The term "equilibrium price" should be defined when it is first used.

This would be stronger through the use of a reference.

A reference is appropriate wherever a claim is made, which must be supported with evidence.

Again, it should be noted that page numbers must also be included when referencing facts and figures. Be sure to follow the style: (Orens, 2016, p. 47) (Author, Date, Page number) http://libguides.jcu.edu.au/apa

Each new idea should be presented in a new paragraph. The first sentence of each paragraph is called a Topic Sentence, and introduces the main idea of the paragraph to follow. It guides the reader as to the main issue which will be covered in the following sentences.

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before the regulation of the market. Thus, the initial demand curve (D1) in *Figure 2* is assumed to be inclusive of grey and black market users. As a result, it is likely that the change to the demand curve will be caused by visitor demand and secular growth amongst California residents.

However, it should be noted that according to a study in Holland the decriminalisation of marijuana has a limited impact on the demand of the substance. The study concluded that only 3% of non-using adults and 8% of non-using youth would try marijuana upon its decriminalisation (Thies, 1993, p. 389). Therefore, marijuana demand is not expected to increase dramatically following the implementation of Proposition 64, as 14.9% of California residents are already sourcing the substance through the black market and 3.83% through medical patient cards (Orens, 2016). This expectation aligns with the 6 percentage points increase reported in the MPG model in Colorado (Wallace, 2015, p.1). This expected increase is illustrated by the slight rightward shift from D1 to D2 in *Figure 2*.
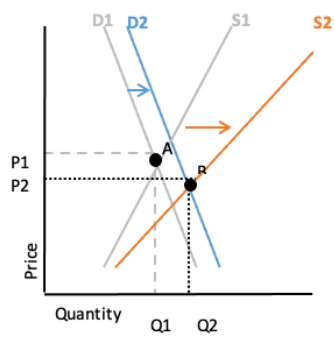

Figure 2. Expected legalisation impacts on supply, demand and equilibrium price of marijuana.

One other likely effect of Proposition 64 in California is an increase in suppliers. As a result of the high demand for a product, more firms are willing to enter the marketplace. This supplier increase is illustrated by the significant rightward shift from S1 to S2 in *Figure 2*. This in turn may result in a gradual decrease in equilibrium price. This is due to a movement away from a monopoly, and towards a perfect competitive market. The black market suppliers operated within a monopoly or oligopoly market, and therefore had the freedom to make their prices arbitrarily high (REF). However, within a regulated market suppliers exist in a perfect competition type market, and therefore must lower their prices to remain in operation (Kumar, 2016). This is depicted in *Figure 2* through the movement of equilibrium price from point A at P1 to point B at P2, and the increased elasticity of the second supply curve (S2) when compared within S1.

Each section should begin by defining the concept, theory or model on which the topic is based.

The theory is clearly defined in the opening sentence of this section.

The second area of analysis is clearly introduced with a sub heading.

This statement uses a reference to provide authority to the statement.

Clear definitions are introduced here.

Subject Code

Student number

Effect of Proposition 64 on Tax Revenue

Economic Theory of Elasticity

Demand for elastic goods (such as luxury goods) are highly sensitive to price increases, however inelastic goods (such as medicine and basic foodstuffs) demand remain unaffected by price changes. A government is therefore more inclined to impose a tax on an inelastic good or service (OECD, 2014). A good is considered perfectly inelastic if the quantity demanded by consumers is insensitive to price changes, and is depicted as a vertical line on a graph. On the contrary, a good is considered perfectly elastic if a slight change in price leads to a significant change in the quantity demanded, and is illustrated by a horizontal line on a graph.

Marijuana is indicated as likely being an inelastic good, as those that use the product see it as an essential item. Sources suggest that marijuana is a highly addictive product due to its withdrawal symptoms, despite not being regarded as a necessity of life (National Institute on Drug Abuse, 2017). Therefore, the good can be regarded as highly inelastic, and will be largely insensitive to any price modifications. This is depicted in *Figure 3* below. As a result, governments can impose a significant tax on marijuana to draw a large tax yield.

A strong reference is included to support the statement.

The final conclusion of the logic that has been presented in the section. This is clear evidence of logical progression, critical thinking, and synthesis.

The topic sentence always clearly introduces the next point. This is evidence of a well-constructed paragraph.

Colorado

According to the Colorado case study, the government collected significant tax revenue from marijuana sales. As shown in *Figure 3*, the tax revenue for marijuana grew from $63.4 million in 2014 to $121.1 million in 2015. This represents an incredible 91.1% growth in tax revenue over a one-year period. The population of Colorado is approximately 5.5 million, and has generated a $121.1 million tax yield. Based on this, California can realistically expect a tax yield in the high hundreds of millions due to the larger population size of 39 million (Fact Monster, 2015). Specifically, if Californians do respond in the same order as Colorado citizens, this would equate to a yield of $585.7 million. However, it is important to note that the Colorado Case Study is based on the state's performance in the first two years of the legalisation, and does not take into account long term performance.

This reference does not qualify as an academic source.

The ideas presented are extended to apply to the California case study. This is good evidence of synthesis and critical thinking. The author has extrapolated the data from the first case study and applied it to the second.

It is important to point out limitations in the data, and this is done well here.
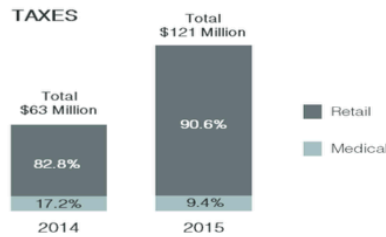
The author synthesises a specific figure from the data. This is a higher level response than simply implying there will be a 'high yield'.

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TAXES

Figure 3. Colorado taxes from marijuana increased from $63 million in 2014 to $121 million in 2015.

Reprinted from Wallace, A. (2016). Report: Colorado weed is now a behemoth with a $2.4 billion economic impact [Abstract]. Colorado Cannabis Industry, 1-3. Retrieved April 2, 2017.

California

Figure 4 below depicts the short run and long run effects of tax on marijuana. The distinguishing feature is the elasticity of the demand curve. As depicted in *Figure 4a*, the demand curve is highly inelastic over the short term. This means the consumers will bear a majority of the tax burden and the producer will only bear a small portion. This will cause a significant reduction in total consumer surplus, or customer satisfaction with the sale. Furthermore, a large chunk of the producer-consumer trading will cease, represented through 'dead weight loss' in *Figure 4a and 4b*.

As shown in Figure *4b, Long Run*, the demand curve has become more elastic in the long run. This is because the heavy tax burden, reduced consumer surplus, and dead weight loss force some consumers to exit the market. By comparing the shaded regions labelled "tax revenue" in *Figure 4a* and *Figure 4b,* it is clear that the primary consequence of increased elasticity is the smaller tax yield.

As a result, the government may collect a tax revenue in the *"high hundreds of millions"* in the short run, as claimed by Proposition 64. However, the increased elasticity of the demand curve will prohibit the government from collecting such a high tax yield in the long term. This finding ultimately refutes Proposition 64's claim and a tax in the high hundreds of millions is unrealistic.

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Annotations:

Figure labels are always located <u>below</u> the graphic. If the table is not constructed by the author they must also include the source. This is written after the text 'Reprinted from'. https://libguides.jcu.edu.au/apa/home

This is a clear and well-constructed paragraph. The author introduces the topic in the first sentence and builds upon it by introducing a new piece of information in each proceeding sentence. This is called a supporting sentence. When all sentences support the main argument the paragraph is considered to be well written and logical.

It is clear that the author is shifting the argument to convince the reader that the situation will change to make marijuana more elastic. To build an even stronger argument, the author could have included references to other literature and research.

This is the conclusion of the application of theory to the case study. It is a strong statement which leaves the reader very clear on the progression of the argument. A stronger paragraph would have introduced further data or research evidence that increased elasticity would occur.
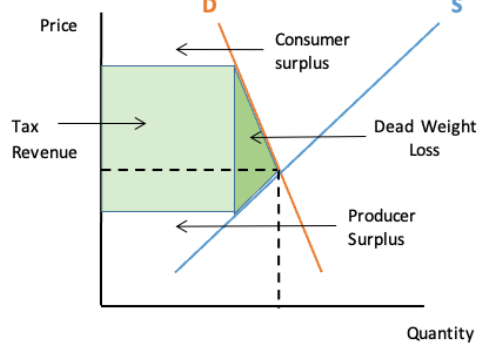
This final statement clearly identifies the author's critical response to the claim made in Proposition 64.

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(A) SHORT RUN

Figure 4a. The graph illustrates <u>short run</u> elasticity of the demand curve, and the associated tax revenue, consumer surplus, producer surplus and dead weight loss.
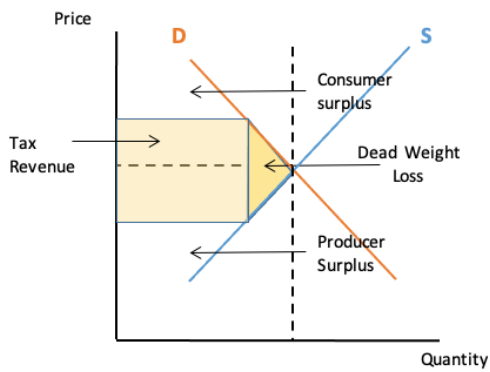
(B) LONG RUN

Figure 4b. The graph illustrates <u>long run</u> elasticity of the demand curve, and the associated tax revenue, consumer surplus, producer surplus and dead weight loss.

> This graphic appears to be well constructed, and it is evident that the author has spent some time constructing it. This is measured by Structure and Style in the rubric. It is clear and easy for the reader to understand. A stronger response may have includes the use of labels for lines D and S.

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Subheadings clearly indicate change of discussion.

Clear Topic Sentence

A clear topic sentence, which includes a strong point which is immediately clear.

A clear, concluding statement.

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Effect of Proposition 64 on the Tax Revenue of Tobacco

Colorado

The MPG projects that marijuana tax revenues in Colorado will eclipse tobacco revenues by 2020 (REF). Tobacco revenues are set to plummet by 18% from 2015 to 2020, while marijuana revenues are expected to increase by 23.4% over the same period. As shown in *Figure 5*, this will result in marijuana ($149.6 million) generating an additional 2 million in tax revenue compared to tobacco ($147.7 million) by 2020.

Figure 5. Excise tax revenue in Colorado 2014-2020.

Colorado Revenues from Excise and Sales Tax (by Source)			
	2014	**2015**	**2020***
Cigarettes	$177,100,000	$180,100,000	$147,682,000
(% Growth)		1.7%	-18.0%
Marijuana	$63,414,883	$121,202,211	$149,579,813
(% Growth)		91.1%	23.4%
Alcoholic Beverages	$41,423,481	$43,027,741	$47,330,515
(% Growth)		3.9%	10.0%

Reprinted from Colorado Legislative Council, Tobacco Products Tax, 2016. Colorado Department of Revenue. Colorado Liquor Excise Tax Report, December 2015. Colorado Department of Revenue - Office of Research and Analysis. Monthly Marijuana Taxes, Licenses, and Fees Transfers and Distribution Reports, 2014-2015

Table labels are always located <u>above</u> the table. If the table is not constructed by the author they must also have a separate label located under the table which includes the source. This is written after the text 'Reprinted from'. https://libguides.jcu.edu.au/apa/home

California

In making the assumption that marijuana is a valid substitute product for tobacco, the California government can expect the tax revenue generated by tobacco sales to significantly decrease following the implementation of Proposition 64. This calls into doubt the claim of "additional tax revenues ranging in the high hundreds of millions" (REF). While the California government will collect a large tax revenue from marijuana in the initial years of legalisation, they will also lose a large portion of taxes that were traditionally collected through tobacco sales. Therefore, the government will not be collecting additional taxes, but rather a similar amount of taxes through an alternate source.

The author has created an argument based on a through discussion of the contexts. It should be noted however, that the data used is predicative, and not on established datasets. This is a limitation, which should be acknowledged.

Conclusion

It is clear from the Colorado experience that legalisation of marijuana sales will create an immediate, short term boom in tax revenue, in the order of 90% over previous marijuana sales tax income. Due to price fluctuation in the newly created perfect competition marketplace, consumers will initially be drawn to purchase marijuana. Therefore, based on the Colorado modelling, in the short term California can realistically expect a tax yield in the high hundreds of millions due to its significant population size (39 million). Long term effects however, will be significantly reduced, this is because the heavy tax burden, reduced consumer surplus, and dead weight loss will force some consumers to exit the market. In

Excellent synthesis by extending one case study into the other.

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Student number

A clear conclusion.

addition, tobacco revenue will be reduced, through a shift in sales to marijuana. This means that the government is not collecting additional taxes, but the same amount through alternative means. So, whilst it is true there will be an increase in tax revenue, Proposition 64's claim that legalising marijuana will create *Additional tax revenues ranging from high hundreds of millions of dollars to over $1 billion annually* cannot at this point be supported by the facts over the long term.

This is the final, and most important statement in the report. It cannot be reached without a thorough examination of all the evidence as presented throughout the report. It should also be noted that this final comment is reflected in the introduction of the paper.