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Sensible Solutions to the Urban Drug Problem

edited by Patrick Basham

Costs of the War on Drugs

Richard Stevenson

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Costs of the war on drugs

President Nixon declared war on drugs more than 25 years ago. Since then, hundreds of heads of state and senior politicians have agreed that drug issues rank first in the problems facing many countries. Yet, drug problems have intensified and proliferated. In 1973, illegal drug use was largely an American sport; now it is global.

A British perspective is contained in *Tackling Drugs to Build a Better Britain* (Central Drugs Co-ordination Unit 1998). In a document better researched and more thoughtful than its predecessors, there is much that will give satisfaction to those who work in the drug field. For example, the therapeutic value of cannabis is acknowledged and the use of alcohol by children is recognized as a matter of at least as much concern as are illegal drugs.

In other respects, *Tackling Drugs* presents a familiar story. Demand continues to rise and drug seizures have increased five-fold in the past ten years. If drug law were effective, prices might also be expected to rise. In fact, prices have shown no trend in real terms until recently: the price of heroin is now tending to fall. The conclusion seems unavoidable, as it has been for 20 years (Peltzman 1989). The enforcement agencies are becoming more effective but the productivity of criminal producers and distributors is growing still more rapidly. It is most likely that a similar story could be told about Canada and most other western countries.

Particularly striking in *Tackling Drugs* is the statement that “there can be no realistic expectation of eradicating supply while a strong demand exists to make profitable opportunities for traffickers” (37). This realism, novel in a Government document, is tantamount to an admission that legal prohibition is fundamentally flawed.

International drug law is based on the proposition that it is possible to buck a market in illegal drugs that accounts for at least eight percent of world trade (United Nations 1997). If the same proposition were applied to any other trade of similar magnitude and profitability, it would be dismissed as ludicrous by all of those politicians who enlisted for the Drug War.

The costs of drug law

Drug policy is expensive as well as ineffective. Several propositions can be made about these costs that seem to be true for Canada, the United Kingdom, the United States, and most European countries except The Netherlands. Government expenditure is very

largely directed to the enforcement of drug law. In the United Kingdom, *Tackling Drugs* puts the direct total cost of drug policy to the Government at £1.4 billion per year. Of this, 75 percent is spent on enforcing drug law in the United Kingdom and overseas. The other 25 percent is spent on actual drug problems—education, prevention, treatment and rehabilitation. Of course, these direct costs are only a fraction of the total. Some part of the total is captured in the Government estimate of social and economic costs of drug use, which is put at £3 to £4 billions annually. The basis for this estimate is not indicated but a high proportion of the social and economic costs are attributable to drug law and the pursuit of illegal drug money rather than the chemical properties of illegal substances.

Some of these costs are found in medicine and public health. No one doubts that illegality makes drug use more hazardous than it need be (Miron and Zweibel 1995). In clandestine markets, the nature and purity of drugs are unknown. An undetected increase in the purity of heroin has been responsible for a spate of overdoses, most recently in Glasgow during July 1998. Users are reluctant to seek medical advice, except in emergencies. Illegality drives users towards the more dangerous methods of ingestion and unhygienic settings. Harm reduction techniques introduced in the 1980s and changes in behaviour are held responsible for the decline in the HIV prevalence rate but hepatitis, variants B and C, remain a serious risk to public health. The cost of drug law also spills over in all manner of ways to innocent third parties—not least the taxpayer. Costs are found in burglary, sometimes aggravated, the fear of theft and violence, and the costs of averting theft.

The danger of illegal drug money

There is another sort of cost, not readily quantifiable, but perhaps in the long-term more important than all the rest. This cost is sometimes described as the wear and tear on institutions that tends to undermine the authority of the law and ultimately threatens political institutions. The governments of the world have handed to criminals profits worth billions of pounds annually but there is a catch. Criminal firms are denied the use of normal corporate strategies. One would not wish to express strong sympathy for drug dealers but consider the situation from their point of view.

In illegal trades, contracts do not have the backing of the law. Disputes cannot be settled or debts recovered by appeal to the courts. Firms cannot compete by normal means. Drug dealers cannot use the media to advertise new products, special offers or “autumn sales.” The concept of the “dawn raid” takes on special meaning when firms are not quoted on stock exchanges and are illegal. In the absence of normal competitive processes, firms protect and expand their markets by the use of violence or the threat of violence (Miron and Zweibel 1995).

In countries such as Peru, Afghanistan, Laos and Cambodia, drug profits have fuelled armed insurrection. In parts of South America, some illegal drug firms command more resources than some governments. In Colombia, judges, ministers and three presidential candidates have been killed. In the Caribbean, whole political systems and enforcement agencies have been corrupted by drug money. Mexican drug dealers are said to constitute a “parallel government.” All over the world, policemen are killed and, in the United States, half of all murders are said to be drug-related. In Italy, Judge Falconi was murdered. As Milton Friedman puts it, “all of these atrocities occur because the United States and other Western countries pass anti-drug laws which they cannot enforce” (Trebach and Zeese 1992).

Most people, aware of the situation in Colombia, Bolivia, Russia, and Italy, would suppose it could never happen in Canada or in the United Kingdom. However, in recent years there has been evidence of changes in the drug trade that give one pause for thought. In May 1995, Chief Superintendent Roy Walker of the Merseyside Police spoke of a “new brutality” in the drug trades of most big cities (Panorama 1995). Drug dealers are increasingly likely to carry fire-arms and weapons such as machetes, which inflict injuries of a type and magnitude previously unknown to accident and emergency departments in British hospitals. Victims, maimed or horribly burned, will not testify against their attackers.

Drug use and the drug trade are also implicated strongly in the emergence of a socially disaffected under-class. In most cities, the drug trade is said to be concentrated in just a few criminal firms. Drug bosses offer employment in areas where legal jobs are hard to obtain. Chief Superintendent Walker speculated that in time, these firms may come to support sports organizations and local charities (as has happened in Brazil). Could it be, he wondered, that drug dealers may become the civic leaders and politicians of the future?

Those who would legalize drugs argue that “getting gangsters out of drugs” should be the first priority of drug policy. Legalization that undermined the profitability of the trade would be the surest and most administratively parsimonious means of achieving this objective (Stevenson 1994). Victory in the drug war is as remote as ever but it may be that the nature of the problem has changed. Legal prohibition has created criminal empires that are large enough to threaten governments. Corruption and violent competition among dealers are entrenched throughout the world. We might do well to consider the possibility that in the long-run, the maintenance of law and order might be of greater importance than the risk of drug addiction.

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Richard Stevenson directs the Health Economics Unit and lectures in the Department of Economics at Liverpool University in the United Kingdom. He has done research and has published in many areas of health economics. His interest in illegal drugs stems from concern for the welfare of users and from the study of the economics of neonatal intensive care for low-birthweight infants, some of whom are born addicted to drugs. Publications on drug matters include *Winning the War on Drugs: To Legalise or Not?* (London: Institute of Economic Affairs, 1994); and Harm Reduction, Rational Addiction and the Optimal Prescribing of Illegal Drugs (*Contemporary Economic Policy* 12 [July 1994]: 101–08).

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