

Narcotics Nation: The Economics Behind the War on Drugs and Why U.S. Drug Policy Fails to Yield Results

The United States is by far the world's largest consumer of illicit narcotics despite years of a failed "War on Drugs."¹ High demand in the United States, and other parts of the world, allows transnational criminal organizations and terrorist groups to reap large profits by supplying this demand for illegal drugs. Recent policies have been disjointed and fragmented at the state and federal levels, which has allowed this trend of ineffectiveness to continue. This paper will explore the overall strengths and weaknesses of U.S. drug policy, and explain its lack of results by considering the economic forces that drive the drug market.

When conceptualizing the illicit drug market in economic terms, taking the principles of supply and demand into account is paramount for crafting successful anti-drug policy. The vast majority of U.S. drug policy is focused on curbing supply while tending to overlook demand, expending more resources on crop eradication and interdiction in foreign countries than on addiction treatment domestically.^{2 3} For example, Between 2007 and 2010 the US Merida Initiative provided \$1.4 billion to Mexico and

¹ *Central Intelligence Agency. The World Fact Book.* Central Intelligence Agency, n.d. Web. 30 Jan. 2017. <https://www.cia.gov/library/publications/the-world-factbook/fields/2086.html>

² Alpert, Megan. "15 Years and \$10 Billion Later, U.S. Efforts to Curb Colombia's Cocaine Trade Have Failed." *Foreign Policy*. N.p., 08 Feb. 2016. Web. 30 Jan. 2017. <http://foreignpolicy.com/2016/02/08/15-years-and-10-billion-later-u-s-efforts-to-curb-colombias-cocaine-trade-have-failed/>

³ "Federal Budget for Mental Health & Addictions." National Council for Behavioral Health. N.p., n.d. Web. 30 Jan. 2017. <https://www.thenationalcouncil.org/topics/federal-budget/>

several Central American countries intended to bolster interdiction and crop eradication efforts.⁴ This practice of focusing funding and manpower on supply reduction as opposed to demand reduction remains firmly rooted at the foundation of U.S. anti-narcotic policy.⁵

In addition, the United States' demand for drugs continues to fuel crime and violence in the countries involved in their supply. Indeed, the United Nations (UN) has estimated that as much as 70% of the financial resources available to organized crime is derived from the illicit narcotics industry.⁶ Terrorist and insurgent groups are also drawn to the drug market for its lucrative potential. Al Qaeda and the Taliban fund their activities in part by trafficking in raw opium (the milky fluid that seeps from cuts made in the poppy plant) and refined heroin in Afghanistan, and in Colombia the FARC has become known as "organized crime in fatigues" for its in-depth involvement in the production and trafficking of cocaine.^{7 8 9} As a result, some world leaders have become

⁴ Liana W. Rosen "International Drug Control Policy: Background and US Responses." Congressional Research Service (2015): 13-18. <https://fas.org/sgp/crs/row/RL34543.pdf>

⁵ Moisés Naím, *Illicit: How Smugglers, Traffickers and Copycats Are Hijacking the Global Economy* (New York: Doubleday, 2005), 79.

⁶ Misha Gleny, *McMafia: A Journey through the Global Criminal Underworld*, (New York, NY: Vintage Books, 2009), 226.

⁷ Ibid, 254-256

⁸ "Afghanistan." U.S. Department of State. Web. 05 Feb. 2017. <https://www.state.gov/j/inl/regions/afghanistanandpakistan/219257.htm>.

⁹ "Financial Flows Linked to the Production and Tracking of Afghan Opiates.": n. page 3. Financial Action Task Force Report. 7 June 2014. Web. <http://www.fatf-gafi.org/media/fatf/documents/reports/Financial-flows-linked-to-production-and-trafficking-of-afghan-opiates.pdf>

increasingly critical of supply-oriented U.S. drug policies and instead point to high levels of consumption in the United States as the root of the problem.¹⁰

Supply source control policies keep a large bureaucratic machine of anti-drug government agencies and programs alive and well funded.¹¹ These policies involve the incarceration of dealers, the neutralization of distribution networks, active cross-border interdiction efforts and the elimination of raw materials from which drugs are produced. The cost of maintaining these supply source control policies is in the tens of billions of dollars every year reaching a staggering \$26 Billion in 2015.¹² Despite these high costs, the flow of illicit drugs into the United States continues relatively unabated and levels of drug consumption remain high relative to other countries. According to a 2005 report from the White House Office of National Drug Control Policy, the number of marijuana users that sought treatment tripled between 1992 and 2002.¹³ Despite attempts by the Obama administration to reduce demand for illicit narcotics in the United States, taking international expenditures into consideration, it is evident that spending on measures to reduce supply surpasses spending on policies that would seek to curb demand.¹⁴ The reasons supply-based policies are ineffective can be explained by looking at the illicit drug market through an economic lens.

¹⁰ Peter Hakim and Kimberly Covington “What is U.S. Drug Policy?” Inter-American Dialogue Working Paper, July 2012.

¹¹ Moisés Naím, . *Illicit: How Smugglers, Traffickers and Copycats Are Hijacking the Global Economy* (New York: Doubleday, 2005), 79-83.

¹² *The Federal Drug Control Budget: New Rhetoric, Same Failed Drug War*. The Drug Policy Alliance (2015): 1-3. Drugpolicy.org., Feb. 2015. Web. 6 Feb. 2017.

¹³ Ibid 81.

¹⁴ Hakim and Covington, “What is U.S. Drug Policy?”

The laws of economics state that where there is a profit to be made from a good's demand, that demand will be supplied. The market will always win over politics, as money is among mankind's most powerful motivators. When applied to the drug market in the United States, it follows that when significant demand for drugs is coupled with legal prohibition, conditions are created for a lucrative illicit market. With money to be made, and the government refusing to regulate or allow a licit market place, illicit organizations will continue to flood the market with a steady supply of narcotics.

Although history has shown that the supply-oriented anti-drug policies of the United States have failed to stem the tide of drugs entering this country, there are still some current and former drug policy officials who strongly defend the strategy. These supporters of source control continue to advocate for the efficacy of spraying coca and poppy fields with herbicides, for decapitation strategies that target drug kingpins and for supplying military support to source countries for counter narcotic missions.¹⁵ Supporters of supply focused and source control policies point to short-term veneer victories in the war on drugs as justification for their continuation. For instance, they note the decapitation of the Medellin and Cali cartels, scores of arrests and extraditions, and large-scale interdiction operations. Yet, upon closer inspection it becomes evident that they are limited in their ability to curb market forces over the long term.

When the United States bankrolled massive crop fumigation programs, illicit organizations sought new ways to keep the supply flowing. Through their own research and development programs, illicit organizations developed new strains of coca with higher potency. This allowed them to maintain the same levels of cocaine production

¹⁵ Naím, Moisés. *Illicit: How Smugglers, Traffickers and Copycats Are Hijacking the Global Economy*. (New York: Doubleday, 2005), 81.

despite a decrease in the acreage of raw coca harvested due to fumigation efforts.¹⁶ Policies that attempted to restrict supply also increased the risk involved with getting drugs to consumers. As these policies increased the risk involved in narcotics trafficking, these risks were simply integrated into the cost of doing business and were passed on to the consumer with very little impact on demand.¹⁷ This increase in price in turn inadvertently increased profit potential for drug growers, manufacturers, traffickers and dealers.

Arbitrary policy objectives that are difficult to measure make U.S. drug policy even less likely to be effective. Current U.S. policy sets goals such as “decrease the total number of chronic drug users by 15%” without indicating how this number was selected and with no data to show that reaching this number is realistic.¹⁸ Much of the current policy also does not identify which specific agencies are responsible for pursuing each individual objective, nor does it attempt to estimate the likelihood the goal will be achieved.¹⁹ Policy objectives can also differ across federal agencies, as those involved in anti-drug activities do not necessarily align their objective with those of the White House or even one another. Couple these misalignments with policies, practices and laws that are disjointed or even contradictory between the federal and state governments and it is clear why U.S. drug policy is so often ineffective.

¹⁶ Ibid 70.

¹⁷ Ibid 82-83.

¹⁸ 2011 National Drug Control Strategy (ONDCP 2011b, p. 7)

¹⁹ Hakim and Covington, “What is U.S. Drug Policy?”

The failure of U.S. supply-oriented drug policy is not due to a lack of effort or resources, but rather a misunderstanding about the nature of the drug market and how to effectively fight demand for illicit drugs. Countless dollars and man-hours have been spent to combat the supply of illicit narcotics flowing into the United States to no avail. The real trouble lies in the demand side of this economic equation. Nature abhors a vacuum, and where there is demand, a good will be supplied to achieve market equilibrium. Since the state has removed law-abiding businesses from this equation with a policy of total prohibition, illicit actors in search of profit will work to fill the void in supply. Efforts by the U.S. to curb the supply of drugs has led to illicit research and development, and increased costs (and profit) for drug growers, manufactures, and dealers. What it has not led to however, is a reduction in the supply or demand for illicit narcotics. Moving forward, the United States should seek to implement policies that attempt to reduce demand for illicit drugs if it wishes to see successful sustained reductions in the flows of illicit drugs entering the country.