



The High Cost of Criminalizing Drug Use

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Four news stories relating to narco-trafficking came to my attention in recent days: an agreement for substantial U.S. financial assistance to help Mexico interdict narcotics traffic and fight its drug lords; a big catch by the military of illicit opium in Mexico, perhaps the largest drug capture ever in Mexico in terms of market value; large increases in drug use by Mexican youth; and U.S.-Afghan discussion about the U.S. desire to spray Afghanistan's poppy fields (as opposed to destroying the poppy plants manually), at least those growing areas not used for the cultivation of essential medicines (although it is well-nigh impossible to separate the two growing areas, one with high narcotics value and the other with relatively low medicinal value).

These stories highlight the reality that the U.S. government is still on its long-standing course to reduce the supply of drugs in the United States. The "war" on narcotics continues to be waged with little to show for it other than occasional successful skirmishes (like Mexico's recent drug seizure) at great cost in self-destruction and deep damage to other countries. Profits accruing to those running the narcotics trade are enormous—the figure of \$200 billion a year has been bruited about in the United States. With unearned rents (to use an economic term for such profits) of this magnitude, drug kingpins are well supplied with money to buy police and other law-enforcement officers.

First a word on Afghanistan before turning to Latin America and the Caribbean. According to an op-ed in the *Financial Times* on August 7 by Professor William Buiter of the London School of Economics' European Institute, Afghani production of opium was more than 6,000 metric tons last year with a value exceeding \$3 billion; Afghanistan is the source of more than 90 percent of the world's illegally consumed opium. The \$3 billion figure cited is Afghani farmgate value, not street value (another source, Donald J. McNeil, in a column in the *New York Times* on October 14, gives a lower farmgate value of about \$1 billion). Street value, which McNeil estimates at more than \$50 billion, is determined primarily by rents made possible from criminalizing drug addiction in the large using countries. Is it possible to establish democracy in a country whose economy relies on its illicit drug trade? If its poppy crop were destroyed, Afghanistan would have to find more savory means to maintain its rural population.

The profits from drug trade are financing the terrorist activities in Colombia. After years of military action against drug traffickers, massive efforts at drug interdiction, spraying the coca fields, extradition in recent years of narcotics traffickers for prosecution in the United States, and substantial U.S. assistance for the "war" on drugs—despite all of this, the cocaine from Colombia keeps coming to the United States and the terror groups in that country are financed by the large rents from the drug trade. Politicians and a presidential aspirant have been murdered by Colombia drug cartel operatives. Judges who try drug trafficking and extradition cases in Colombia do so without revealing their identity, lest they be murdered. Even with the large U.S. aid program, overall U.S. drug policy serves more to destroy than to help Colombian civil society.

Mexico is now the gateway for most of the cocaine entering the United States. The cocaine comes largely from Colombia and other Andean countries. Mexico is the most important foreign supplier of marijuana to the United States. Mexico grows poppies and processes and sends heroin to the United States. Mexico is a large producer and supplier of other drugs to the United States, such as methamphetamine. The drug cartels in Mexico are powerful and have spawned untenable violence. As Professor George Grayson of the College of William & Mary pointed out in a recent article ("Mexico and the Drug Cartels," Foreign Policy Research Institute), fighting crime has become the top domestic priority of Mexican president Felipe Calderón. Professor Grayson notes that as of August there were 1,539 drug-related killings this year in Mexico.

U.S. government spokesmen on drug policy have, in the past, chastised the Mexican authorities for their ineffectiveness in deterring narcotics shipments to the United States. For years, there was an annual drama as to whether the United States would "certify" that Mexico was fully cooperating in preventing drugs from reaching to the United States. The senselessness of that policy eventually became apparent and Mexico, even though it is an important drug supplier, is rarely threatened today with decertification; this action is used today against political antagonists, such as Myanmar and Venezuela. After all, U.S. government efforts to deter drugs from reaching U.S. users have also met with little success. President

Calderón and Mexico's ambassador to the United States, Arturo Sarukhan, openly complained this year that the U.S. government was not doing its share in the binational anti-narcotic effort ("zilch" was the word Sarukhan used to describe the U.S. contribution), and Sarukhan added that stepped-up U.S. efforts were needed to stop the southward flow of weapons, laundered money, and chemicals for the production of methamphetamines. These explicit criticisms presumably had an effect, as evidenced by the just completed negotiations to raise the U.S. financial contribution.

Yet, the proper question to ask is whether expanding the U.S. "war" on drugs to Mexico will have any better results than the "war" is having on U.S. drug consumption. Joint U.S.-Mexico anti-trafficking cooperation does nothing to eliminate the rents that are created by the criminalization of drug use in the United States. When President Calderón's predecessor, Vicente Fox, proposed in 2006 to decriminalize possession of small amounts of the most popular illegal drugs, U.S. government pressure persuaded Mexico to drop the idea. The internal political situations in Colombia and Mexico are not identical, but both countries are paying a heavy price in social disorder because of the power that the huge rent gives the drug cartels. President Calderón felt it necessary to use the army to deal with the violence stimulated by drug trafficking because army personnel were considered less likely to be bought by drug dealers than the police.

The cost of the current U.S. policy of criminalizing drug usage is high. The monopoly of drug dealers raises the street value. The most common form of competition between drug lords, because of the rents involved, takes the form of violence, such as the wars between different drug cartels in Mexico, with innocent civilians caught in the middle. The cost of abetting instability in nearby friendly countries, and in the United States where this spills over, is incalculable. There are now some 450,000 drug users and dealers in U.S. prisons at a direct cost of about \$10 billion a year, and many young users are educated there to become lifelong criminals after release from jail. If they are immigrants deported to home countries for drug offenses in the United States, they bring their experience to drug lawlessness there. The cost of drug interdiction alone comes to an estimated \$40 billion each year, mostly to no avail.

The downside that has always been decisive against decriminalizing drug use is the likelihood that this would lead to higher drug addiction in the United States. This is what happened after the sale of alcohol was legalized following the U.S. experience with prohibition, and it is logical to conclude that the same result would occur if drug use were decriminalized. The issue would then become how to mitigate the damage. Education from official and private sources is used to limit alcohol use. In addition, private organizations, such as Alcoholics Anonymous, came into existence. The techniques to end addiction to tobacco are legislative (such as

municipalities prohibiting smoking in restaurants and public places), high taxes on tobacco products, warnings about the dangers of smoking on cigarette packs, and education by public and private organizations. If narcotics were decriminalized, substantial programs of education from official and private sources would be needed.

However, the heavy financial costs would diminish, and perhaps even disappear over time, if drug use in the United States were decriminalized. Limiting drug usage after decriminalization would cost many billions of dollars a year for education and treatment, but markedly less than the costs of current policy.

The recommendation to legalize the use of drugs is not new. The comparison with U.S. treatment of alcohol is natural because it became clear that alcohol prohibition spawned lawlessness and big money to the dealers. If drug use were legal, a structure would be needed to distribute drugs, and this could be either through public sales (similar to states that retain liquor sale stores), private companies whose operations would have to be regulated (as is the case for cigarettes and other tobacco products), or some combination of both. Sales could be taxed, as both alcohol and tobacco are taxed, and the revenue would accrue to governments rather than drug dealers.

Decriminalization of drug use is a controversial recommendation. My reaction over the years was to reject the idea when it was proposed by others. What has turned me around is the reality that the current policy of criminalizing drug use is not working—and cannot be successful. If one drug shipment is interdicted, other shipments and substitute drugs are available. Burglaries and muggings by young offenders are motivated by the need for money to buy a fix. The rents to drug dealers are so high that there are no practical limits on their ability to bribe officials; and those who refuse to be bribed are often killed. In developing countries like Mexico and Colombia, the dealers can buy their own armies and outgun government enforcement personnel. My conclusion is that in a democracy—where drug offenders are not summarily put to death by the authorities—the only feasible approach is to eliminate the rents and treat and educate the addicts. This is no cure-all, but is preferable to efforts at prohibition of narcotics, something we learned years ago in the case of alcohol.

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