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Harvard Economist: The Stunning Cost of the War on Drugs

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Most countries currently outlaw marijuana, cocaine, heroin, and a range of other drugs. These prohibitions first arose in 1914 when the United States adopted the Harrison Narcotics Act, and they expanded after World War I when the U.S. insisted that all Treaty of Versailles signatories adopt prohibition themselves. After World War II, multiple United Nations treaties further restricted the cultivation, trade, and use of those drugs other than for medical or research purposes.

Despite this long history of prohibition, however, policies towards drugs have lately been softening around the world. For example, several U.S. states have legalized marijuana for medicinal or recreational purposes, while Portugal decriminalized the possession and use of all drugs in 2001. Similarly, the Czech Republic has decriminalized possession and use of limited amounts of any drug. In 2014 Uruguay, one of the few countries to have never criminalized the consumption or possession of drugs for personal use, became the first nation to completely legalize marijuana. It is thus an opportune time to re-consider the wisdom of prohibition. I argue here that prohibitions do far more harm than good, so all countries should legalize drugs.

The key fact about prohibition is that it does not eliminate the market for drugs. Instead, history shows that prohibitions against drugs, alcohol, gambling, prostitution, and other goods and services mainly drive such markets underground. Prohibition potentially reduces drug use by imposing penalties on consumption and raising costs for suppliers, but the net impact on use is not necessarily large. A "forbidden fruit effect" might partially offset any reductions in use, and because black market suppliers operate in secret, they usually evade tax and regulatory burdens, offsetting some prohibition-induced secrecy costs.

Existing evidence indeed suggests that prohibition's impact on use is modest. Though few societies have fully repealed their prohibitions, numerous "liberalizations" have been associated with small and sometimes undetectable increases in use.

Moreover, prohibition has numerous unintended consequences, such as increases in violent crime. Legal market participants resolve disputes using courts and peaceful mechanisms; black market participants substitute violence instead. Relatedly, legal suppliers compete for market share via advertising, but black market suppliers rely on violent turf battles.

Substantial evidence confirms that prohibitions foster violence. The use of violence to resolve disputes is common in prostitution markets, as it was in gambling markets before the advent of state-run lotteries and the expansion of legalized gambling. Violence arose frequently in the alcohol trade during Alcohol Prohibition, but not before or after. And countries that grow and ship illegal drugs such as cocaine and heroin suffer elevated homicide rates. Prohibition also diverts criminal justice resources from monitoring non-drug crime. Meanwhile, little evidence suggests that drug use itself causes violence or other criminal behavior.

Prohibition also lowers product quality and reliability. In legal markets, consumers who purchase faulty goods can punish suppliers via liability claims, bad publicity, avoiding repeat purchases, or complaining to private or government watchdogs. In black markets those mechanisms are unavailable or ineffective, so prohibition causes accidental overdoses and poisonings. For example, deaths from adulterated alcohol soared during U.S. alcohol prohibition.

Prohibition generates corruption. In legal markets, participants have little incentive to bribe law enforcement, and they have legal mechanisms such as lobbying or campaign contributions to influence politicians. In black markets, participants must either evade law enforcement or pay them to look the other way.

Prohibition enriches those most willing to violate society's laws. In a legal market, the income from drug production and sale is taxed, allowing lower other taxes or higher government spending. In a black market, suppliers capture that revenue as profit.

In addition, because drug crimes involve mutually beneficial exchange, participants do not report them to police. Officers therefore rely on undercover buys-and-busts, asset seizures, no-knock warrants, stop-and-frisk, and racial profiling, all of which strain accepted notions of civil liberty. Because of prohibition, many governments ban over-the-counter sales of clean syringes, which increases needle-sharing and thus promotes HIV and other blood borne diseases. Because of prohibition, marijuana cannot be used for medical purposes. Doctors may even lose their medical licenses or face jail time for "excess" opioid prescribing, leading to under-treatment of chronic pain. Widespread non-compliance with prohibition, despite draconian enforcement, undermines the spirit of voluntary compliance that is essential to a free society. And expenditure on police, judges, prosecutors, and prisons to enforce prohibition, totals about $50 billion per year in the United States alone.

Thus prohibition plausibly reduces drug use relative to legalization, but it also generates numerous unwanted consequences. Virtually all these effects are undesirable, with the possible exception of reduced use. So a key question is whether prohibition-induced reductions in drug use are a cost or benefit of this policy.

If consumers are rational, any reduction in use is a cost of prohibition: people consume drugs because they perceive some benefit from so doing (recreational, medicinal, social), so any interference lowers their well-being. Further, it does not matter whether drugs are addictive or if use negatively affects health or productivity; if rational people choose to accept such risks, they must think the benefits exceed the costs.

Few people believe that all drug use is rational, but nothing suggests it is all irrational either. Many people claim to enjoy the pleasure associated with marijuana consumption; others value the pain relief or mental calm produced by opiates; still others appreciate the stimulation of cocaine. Thus, at least some prohibition-induced reductions in use are a cost.

If some consumers make irrational decisions about drug use, prohibition-induced reductions in use are potentially a benefit, in principle. But even if irrationality is rampant and even if policy can prevent irrational drug use, the question is not just whether prohibition generates benefits but whether these outweigh prohibition's costs. Given the number and magnitude of unintended harms, prohibition is almost certainly the worst choice among policies that aim to reduce irrational use.

Beyond those concerns, the harms from drug use are both routinely exaggerated and not obviously different from those of legal goods such as alcohol, tobacco, saturated fat, and more; indeed, the current legal substances are the ones that cause cirrhosis, lung cancer, emphysema, and heart disease. Yet outlawing marijuana, heroin, cocaine, and other illegal drugs suggests those goods are unacceptably “bad” while legal goods such as alcohol and tobacco are at least “tolerable.” Further, policy-induced reductions in irrational drug use might induce substitution toward legal goods that have similar or even more harmful effects.

Perhaps most importantly, prohibition harms irrational users more than rational users, given that many irrational users consume anyway. Prohibition means that users purchase from criminals who are likely to victimize them, often in dangerous neighborhoods. Prohibition means users face risk of arrest, loss of professional licenses, ineligibility for student loans, and more. Prohibition means users face heightened difficulty in assessing drug quality, generating increased accidental overdoses and poisonings. Prohibition raises drug prices, so users face elevated incentives to consume via unsafe ingestion methods, such as needle-sharing, and therefore face greater the risk of HIV and hepatitis.

All those negatives harm both rational and irrational consumers, but rational users likely recognize the risks and adjust their behavior. To minimize risk of arrest, rational consumers grow their own marijuana or buy other drugs from repeat suppliers. To avoid the risks of impurities, rational consumers purchase from reliable suppliers, try small doses initially, or avoid illegal drugs in favor of alcohol. Rational consumers avoid sharing needles or are more successful in obtaining clean syringes.

Prohibition also harms irrational consumers by glamorizing use in the eyes of those too young, naive, foolish or myopic to consider the long-term consequences; rational users discount such imagery. Under prohibition, the monetary rewards for working in the drug trade are high, but this is merely compensation for an elevated risk of injury, death, and imprisonment. Rational persons thus accept such risks only if the total compensation matches that in other sectors, while myopic teenagers focus on the up-front cash and thus expose themselves to excess risk of death or prison. Prohibition suggests to less rational parents that policy can prevent youth drug use; rational parents realize that prohibition is ineffective so they must intervene to protect their children from foolish choices and dangerous influences.

Thus while prohibition may prevent some users from consuming drugs, prohibition makes use more dangerous and costly for those who consume despite prohibition, and those negative effects are far worse for irrational consumers. Since prohibition's overall impact on use appears modest, it is unlikely the benefit from reduced irrational use could outweigh the downsides for those who use drugs despite prohibition.

In sum, prohibition may reduce drug use to some degree, but at least part of that reduction is a cost. And prohibition has numerous adverse side effects, such as increased crime and corruption, greater HIV infection, diminished civil liberties, forgone tax revenues, and significant direct costs for police, judges, prosecutors, and prisons. Prohibition is and always has been a misguided policy; legalization is the right alternative.

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