

# THE MISGUIDED WAR ON DRUGS

*International supply-control measures don't work. It is time to end the War on Drugs if we want to win the War on Terror, says DEEPAK LAL*

In my last column, I had argued that one of the ways to defeat the Taliban in Afghanistan was to buy up the opium crop with the current aid money and convert it into morphine, to provide pain relief to millions suffering from terminal illnesses. But this rational solution required to win the War on Terror can only be achieved if the US and the UK give up their War on Drugs. To show why the latter is misguided is the subject of this column.

It is worth outlining the history of the War on Drugs. The British empire had not merely tolerated but promoted the opium trade with China from its Indian base as a means to balance its large incipient trade imbalance with the Chinese. The opium wars in China in the 19th century were fought to protect this Indian trade, through the legalisation of the importation of opium by the treaty of Tientsin in 1858. By the beginning of the 20th century, 23.3 per cent of the male and 3.5 per cent of the female adult Chinese population were opium users, consuming between 85-95 per cent of the global opium supply. It was this Chinese opium crisis which led to the movement for international supply control measures. The Royal Commission on Opium, set up by Britain in response after examining a broad range of witnesses and based on rigorously-collected information, found that opium consumption did not “cause moral or physical degradation”. Whilst it was impractical to disentangle the medical from the non-medical consumption of opium (J Richards, 2001: *Opium and the British Indian Empire*), it advocated a *laissez faire* policy for opium in line with J S Mill’s famous principle of liberty that “the only purpose for which power can be rightfully exercised over any member of a civilised community, against his will, is to prevent harm to others. His own good, either physical or moral, is not a sufficient warrant”.

When the US occupied the Philippines in 1898, it sought to maintain legal consumption from a licensed opium trade run by state-controlled monopolies, which provided a large part of the revenues of the preceding Spanish colonial state. This plan was derailed by a powerful missionary prohibitionist lobby — the International Reform Lobby — which, appalled at the US sanctioning the opium evil, bombarded President Theodore Roosevelt with petitions



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from its supporters. Roosevelt caved in and the long US War on Drugs began with the 1909 Shanghai Opium Commission and the first international drug treaty of the International Opium Convention of the Hague in 1912.

What have been the outcomes of this century-long War on Drugs? First, the supply-control measures outside the US borders have had little effect on US drug problems. A Rand Corp survey of research (J P Caulkins *et al*, 2005: *How goes the 'War on Drugs'?*) concluded: “Crop eradication and substitution, in particular, show minimal promise. Close to the drug source, costs are so low that enforcement-induced increases are likely to have no observable effect on street prices. The same is true of increase in the cost of land and labour for producing coca or opium.” Whilst: “The price record suggests that supply-control efforts have failed to reduce the use of any established drug.”

Having failed in its avowed aim of reducing drug consumption in the US and the UK, the supply-control measures have created a large global illegal economy where trafficking in illegal goods — from drugs to arms to humans — has led to a vast shadow global economy (Moses Naim: *Illicit*, 2007). Thus,

the extent of international money laundering is estimated to be between 2-6 per cent of world GDP. The total global retail value of illicit drugs was estimated to be \$322 billion, just over 4 per cent of global licit exports. In Afghanistan, the gross profits of Afghan opium traffickers were estimated in 2006 to be \$2.3 billion — nearly 33 per cent of the country’s GDP. The net effect of these international supply-control measures is to create narco states, as in the coca-growing states of the Andes. The drug wars and the accompanying corruption to garner the massive illegal profits in this illicit trade are now reaching the borders of the US as Mexico’s democracy is being gradually undermined by the drug-lords. The US foreign policy goals are thus continually being undermined by its War on Drugs. [Lal, *World Economics*, 9(3), 2008:1-29.]

To what end? The proportion of chronic drug users in the world is small, as is the use of opiates (from 0.7 per cent in Europe to 0.4 per cent in the Americas, of their adult population). There is a genetic element in creating a propensity to use drugs in a small proportion of the population. Most drug-use is characterised by the time shape of a contagious epidemic. Drug use is spread mainly through social contacts, but most

users, after becoming aware of the downside of addiction, desist from it, leaving a small number of hardcore users. Thus, the US drug problem is better dealt with through treatment based on “coerced abstinence” of the small proportion of hardcore users. International supply-control measures are worthless. (Caulkins, *et al*, op.cit)

Economic theory also suggests that for a negative social externality from consuming drugs, there is no case for restriction of production in other countries. Production should be governed by comparative advantage. The consumption externality needs to be dealt with by domestic consumption taxes which equate the marginal private with the marginal social value of the goods, with imports being taxed at the same rate. Thus, the optimal policy is not prohibition, but optimal taxation of consumption of legalised drugs. But, as most “sin taxes” lead to black markets, which would continue to fuel the global illegal economy, the best feasible alternative to limit its scope may be a free market in drugs, where any domestic spillovers are regulated, as in other markets (e.g. alcohol and tobacco) by law and custom (Lal, op.cit). It is time to end the War on Drugs if we want to win the War on Terror.