

Development Impact of the War on Drugs

The war on drugs has failed to achieve its objectives—and may cause more damage than the drugs themselves

Motivated by the pernicious effects of narcotic drugs, most governments have prohibited their trade and consumption. Some have invested enormous resources to enforce these prohibitions. By the end of the 1990s the United States was spending about \$35 billion a year on the war on drugs and had incarcerated one in every four prisoners for drug-related offenses. Similarly, the Colombian government committed the country to raising defense expenditures to 6 percent of GDP by 2006, more than it spends on public health.

Despite these efforts, the drug trade has flourished and drug consumption shows no signs of abating. Opium cultivation in Afghanistan reached one of its highest points historically in 2004 and has almost doubled since then. Aggregate cultivation of coca in Bolivia, Colombia, and Peru in 2004 was similar to the level observed at the end of the 1990s, despite a substantial increase in reported eradication. This is unsurprising: drug producers and traffickers can shift the areas of cultivation, the inputs of production, and the methods of transport at relatively low cost. Consequently, heroin and cocaine prices in the United States have actually declined since the early 1980s. This is not because of declining demand: drug-related hospital admissions more than doubled between 1990 and 2002.

While the war on drugs has not achieved its intended objectives, it has triggered a long train of unintended consequences, raising the possibility that the war against drugs causes more damage than the drugs themselves. In a new paper Keefer, Loayza, and Soares outline some of those unintended consequences and their implications.

First, criminalization can exacerbate the adverse public health effects of drug use. Seeking transit countries

in an effort to penetrate wealthy consumer markets, traffickers bring drugs to new, impoverished markets, such as Guinea-Bissau or Central Asia, where governments are hard pressed to limit growing problems of addiction. Prohibition impedes efforts to treat drug users and to prevent the spread of disease through drug use, as the spread of AIDS among intravenous drug users sadly exemplifies.

Second, even if supply eradication efforts associated with prohibition are unsuccessful in the aggregate, they still impose losses on individual farmers who cultivate poppies or coca. Since these farmers usually lack insurance, losses for “eradicated” farmers are often catastrophic. Ironically, while successful eradication expropriates farmers’ wealth, it generates enormous profits for the organized criminal networks that traffic in drugs.

Third, the most harmful of the unintended consequences of the prohibition of the drug trade are organized crime and the social instability it can unleash. The potentially large rents for the production and distribution of illegal drugs induce the formation of criminal organizations, which assert their power through violence, insurgency, and corruption. Organized crime groups link with other opponents of state institutions, compounding one another’s harmful effects. Drug traffickers and guerrillas in Colombia (Revolutionary Armed Forces of Colombia, or FARC) and Peru (Shining Path) exchanged money and arms for protection until they eventually became indistinguishable from one another. In Afghanistan the Taliban-led insurgency relies on the production of poppy-related drugs to finance its operations. The challenge that organized crime poses to a country also takes more subtle, nonviolent forms. Petty corruption of police and customs officials, and grand corruption involving financing of political campaigns and judicial systems, undermine institutional stability and can be very damaging in the long run.

So, what options do developing countries have? They cannot unilat-

erally relax their stance against the cultivation and trafficking of narcotic drugs because of the threat of international sanctions. But they can raise the issues for public and international debate. They can emphasize the unintended negative consequences of the war on drugs. They can also open a discussion on the real consequences of relaxing the prohibition regime. This would undeniably lead to an increase in drug consumption. For cocaine, the prevalence of consumption in rich country markets is likely to increase by 50–80 percent. But this increase, though significant, would not amount to widespread or epidemic cocaine use.

The evidence argues for modulated drug policies that emphasize regulation, education, and treatment rather than outright prohibition. Modulation also calls for tailoring policies to particular circumstances, taking into account the differences in the harm posed by different drugs (for example, high for heroin, low for marijuana), the responsiveness of their consumption to price changes (for example, high for cocaine, low for heroin), and their level of entrenchment in society (for example, high for marijuana, low for methamphetamines).

The lack of success of drug prohibition efforts raises questions about the wisdom of continuing to devote to them the substantial resources they have demanded. Developing countries can play a role both by insisting that the costs and benefits of drug policies be shared more equitably and by helping to design policies that improve on prohibition in every respect.

Philip Keefer, Norman Loayza, and Rodrigo Soares. 2008. “The Development Impact of the Prohibition of the Drug Trade.” Policy Research Working Paper 4543, World Bank, Washington, DC.