

Assessing American Drug Policy

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Four propositions

- The drug problem has many components
- No single policy intervention is effective against all problem components
- Each intervention has the potential to reduce some elements
- Fentanyl is a novel and daunting challenge which is not being directly addressed

Recent U.S. experiences show how problems and policy options can change rapidly

- Cannabis legalization has greatly increased frequent cannabis use
- The nation's drug problem is much worse than in 2000 because of
 - Prescription opioid abuse
 - The entry of fentanyl into the market
- After 30 years of a harsh approach to drug control, there is now strong support for reducing the role of incarceration in drug control

Outline

- The components of problems and policies
- Assessing programs
- How fentanyl changes the problem
 - But not fundamentally

Elements of the Drug Problem

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- **Distortion of source country societies**
- **Strains on foreign policy**

Classifying the Elements

Domain	Problems
Initiation	Adolescents dropping out Gateway to other problems
Dependence/Abuse	High mortality among users Crime by users
Distribution	Creation of large criminal incomes Violence in distribution
Production	Distortion of source country societies Strains on U.S. foreign policy

Matching Problem Elements and Programs

Problems	Domain	Program
Adolescents dropping out Gateway to other problems	Initiation	Prevention
High mortality among users Crime by users	Dependence	Treatment
Creation of large criminal incomes Violence in distribution	Distribution	Enforcement
Damage to supplier nations Strains on US foreign policy	Production	Source nation control

Interactions can be positive or negative

- Treatment can reduce supply
 - Large share of drug sellers are also users
- Incarceration can reduce demand
 - Same reason
- Treatment success might increase initiation
 - “Susceptibles inoculated” by untreated addicts
- More effective interdiction may increase source country problems
 - Lowers consumption by raising price
 - Increases kilograms exported per kilogram consumed
 - Second effect probably larger than first

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Drug prevention only slowly lowers drug prevalence

- Growing evidence that effective programs target broader behaviors
- Prevention has small and unreliable effects
 - Implementation is weak
 - Difficult to predict which drug and population needs targeting
 - Few countries invest much
- Long lag between targeted age (11-14) and age at which problematic drug use manifests itself (18-22)

Treatment is harm reducing but has modest effects on measured prevalence

- Treatment has strong empirical support of effectiveness
 - Lowers harms to users and others
- Even low quality treatment has substantial effects
 - Also true of coerced treatment
- NPS pose challenge to treatment system
 - Opiate Substitution Treatment more effective than other modalities for other drugs
- Slow influence on the drug use by patient population

Enforcement and prices

- Drugs sold in markets
- Prices influence prevalence and consumption
- Important assumption of “war on drugs” that tougher enforcement raises price
- Are higher prices actually desirable?
 - Higher prices probably increases dealer revenues, more property crime and perhaps more violence.
 - Also meant fewer users and less drug consumption, and perhaps less long-run drug-related harm

Many forms of enforcement

Program	Target	Price effect
Eradication	Coca, opium growing	Leaf or opium price
In-country refinery production	Processing in source countries	Export price minus farmgate price
Interdiction	smuggling	Import minus export price
investigation	High level distribution	Wholesale minus export price
Street level enforcement	Retail distribution	Retail minus wholesale price

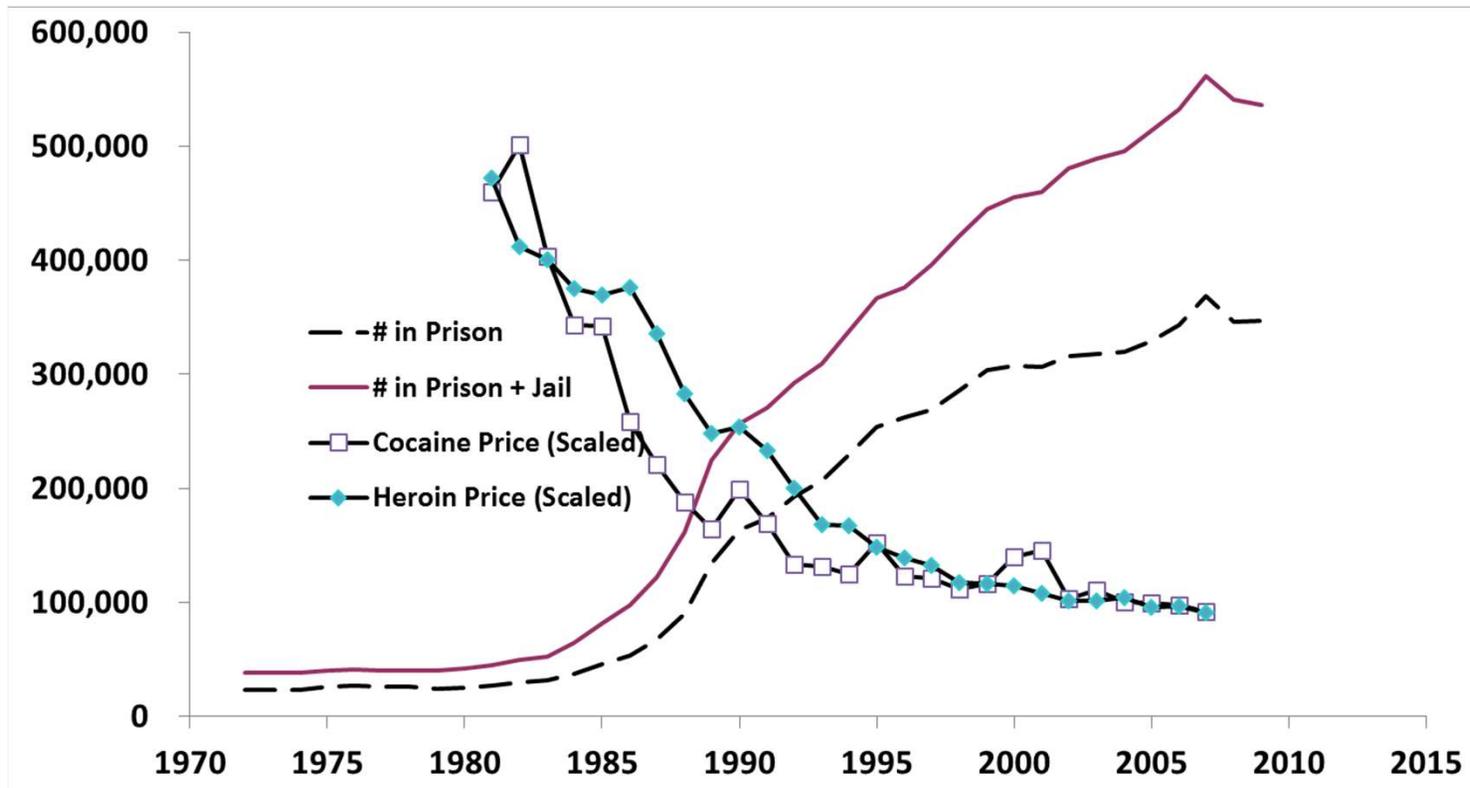
Illegality raises production costs & prices

- Production technology of criminal conspiracies costly
 - Communication and coordination costs high
 - Can't exploit scale economies because of security concerns
 - Can't attract high quality talent for innovation
- Laundering proceeds expensive
 - Ca. 15% for cocaine smugglers in Netherlands
- These benefits of prohibition don't require tough enforcement

Weak evidence that tougher Enforcement raises production costs & prices

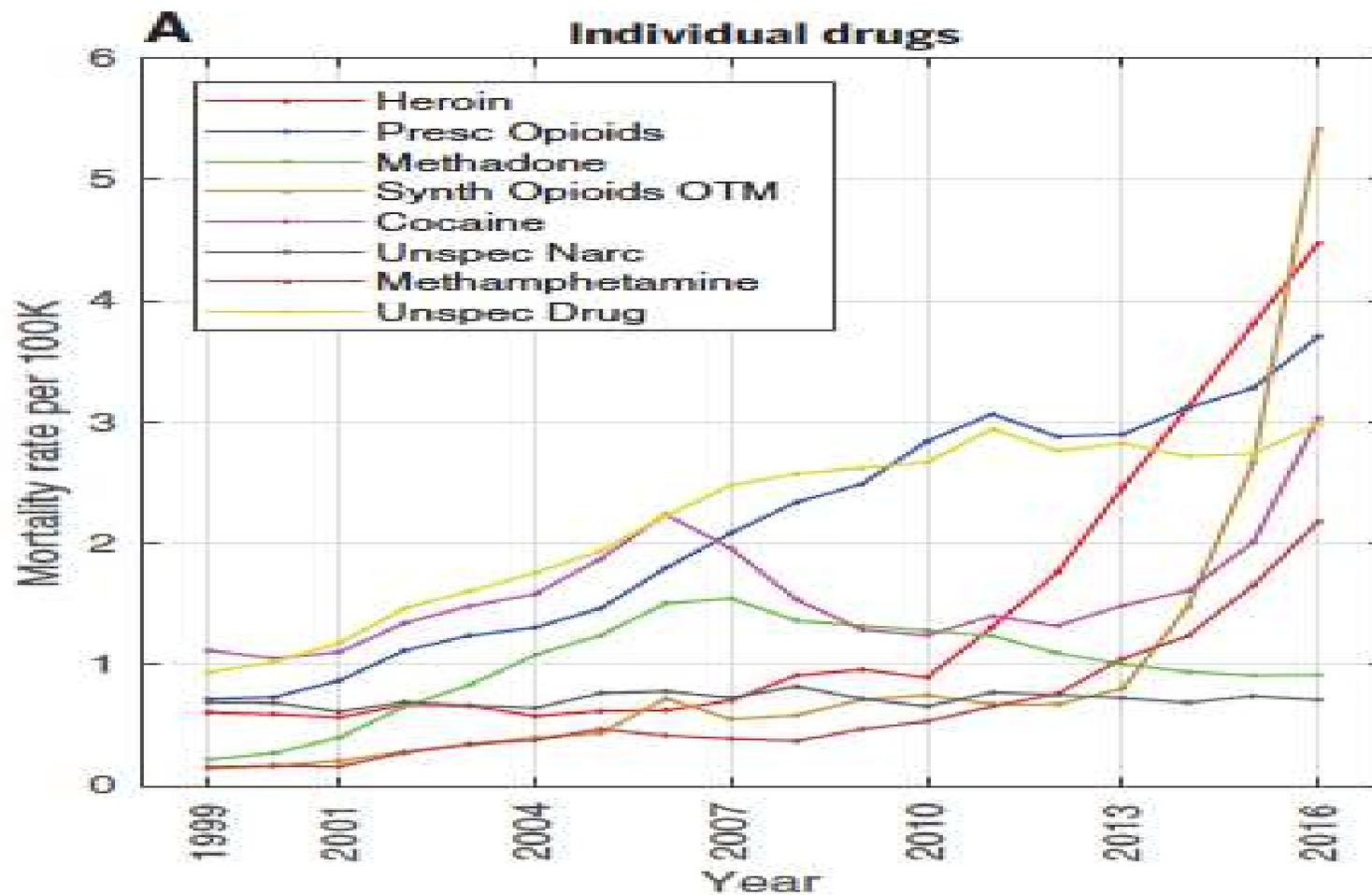
- Can prevent the formation of market for a new drug
 - Impossible to evaluate effectively
- One study found tripling cocaine imprisonment raised cocaine prices by ca. 10%.
- Other studies find no effect
- Sometimes perverse results:
 - E.g. reducing violence in drug markets may actually reduce prices, e.g. by reducing required risk premium for employees fearful of rivals' predatory behavior.

Rising incarceration, declining prices



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Source: Jalal et al. 2018

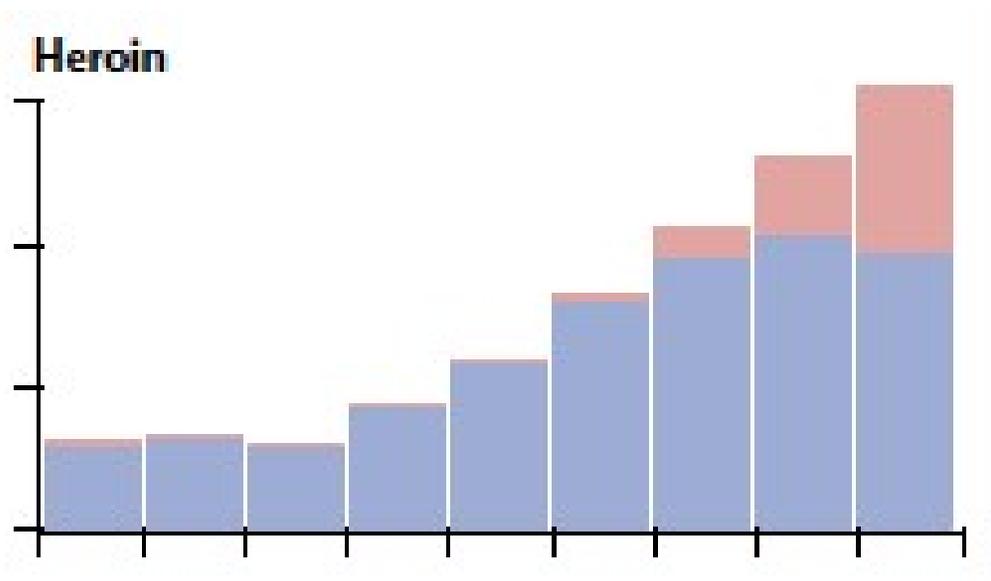
The challenge of fentanyl

- Synthetic opioid with well established therapeutic uses
- Ca. 50 times as powerful as heroin
- Cheap to manufacture in China
 - Ca \$5,000 per kilo ordered on-line for delivery in the US
- Enters both in bulk from Mexico and small USPS deliveries from China
- Difficult for dealers to titrate accurately

Fentanyl involved in large and rising share of fatal overdoses

- Has entered supply chain for prescription opioids and cocaine
 - Not methamphetamine or black tar
- Naloxone less effective

Heroin mortality rising as a result of fentanyl



Other drugs also being mixed with fentanyl

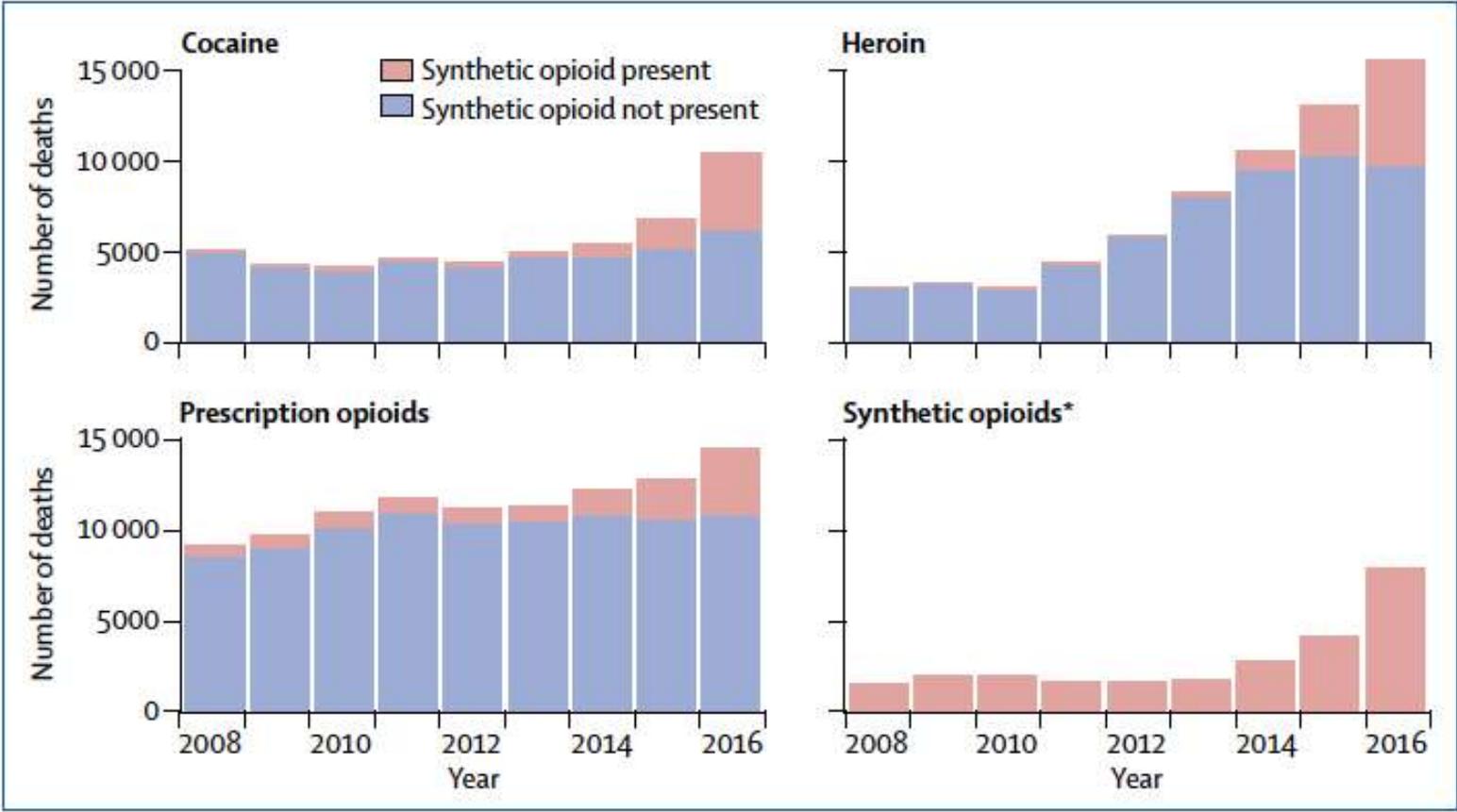


Figure: US drug overdose deaths

Will fentanyl take over opiate market?

- Estonia opiate market dominated by fentanyl since 2005
 - OD mortality 5 times European average
- British Columbia 2016 study found >90% of tested street heroin contained fentanyl
- Substantially cheaper, more readily concealed
 - Much more attractive to dealers and traffickers
- Apart from pressing China, no fentanyl-specific policies in place

The Remarkable Consistency of Growth in Drug Overdose Deaths

