CHAPTER – 2

Review of Literature

2.1. Introduction:

This chapter endeavours to survey the literature relating to the study of the issues concerning drugs and crime. This would constitute the theoretical background of the study. Numerous studies on Economics of Crime in general and illegal drugs in particular are adequately available, even though literature on the specific area of Economics of Cannabis is limited. The present survey would enable us to contextualise the findings of the study with those of others in the related field.

2.2. Why Prohibition¹:

Prohibition is the legal counterpart of social taboos. In the case of the latter, the society restricts the production, consumption and engagement in a particular action. Similarly there could be actions or behaviours which are legally banned from indulgence. These are called prohibitive actions or

¹ A part of this section was published as an article titled “A study of the literature on the economics of illegal drugs” in the Indian Journal of Social Research Vol.55(44) (July – Aug, 2014) (523-526): Academic and Law Serials, ISSN: 0019-5626
behaviour. The act of banning or restricting is called prohibition. These are associated with crimes. “The simplest economic rationale for banning trade in a specific good is related to the existence of some type of negative externality associated with the consumption and production of the good.”

The general notion of criminalization by imposing prohibition on drugs is to discourage their consumption and to avoid the associated problems. In the emerging literature in Economics in the related field, the issues relating to the application of law are analysed with the objective of addressing the negative externalities. Christine Godfrey\(^3\) opines that debates about drug policy choices are influenced more by opinion and implicit values rather than scientific evidence. According to many economists, the vast drug literature has been inadequately analyzed explicitly for policy designs. Ours and Pudney\(^4\) feel that limited and partial analysis has led to the assumption of many medical researchers that “research demonstrating negative effects of drug consumption on health automatically provides justification for a 'tough' anti-drug policy”\(^5\). However, Keefer, et.al., assert that "the difficulties of implementing more modulated policies and popular support for zero tolerance of some types of

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5 Ibid., 486.
substance use have in part contributed to reliance on the prohibition and criminalization of drugs”6.

Becker and Murphy emphasises the imperative for incorporating political considerations into account while analyzing the justification for illegality of a good. To them, “[h]igher and middle level income families often prefer certain goods to be illegal rather than taxed, while poorer persons prefer the opposite. If the poor have much less political power, these goods would end up being illegal”7. Langer also feels that legal differentiation of psychotropic substances is a set of arbitrary divisions which may have not just political concern but also social and even religious motives8.

Schelling views that prohibition or legalization lies with the majority of the voting public9. He is of the opinion that the out-voted minority can always campaign to become majority and can legalise or prohibit certain goods through the constitutional procedures. He cites the example of how liquor was legalised after a decade of prohibition and how contraceptives become legal in states where they have been prohibited.

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7 Gary S. Becker, Kevin M. Murphy and Michael Grossman, “The Economics of Illegal Goods: The Case of Drugs,” *NBER working paper* no. 10976 (2004);
Another contrasting view on criminalization of drugs is given by Walter Block by terming prohibition of dope as partial slavery\textsuperscript{10}. Heufer gives an institutional twist to this by observing that “if co-ordination on an exclusive technology is efficient, social norms or laws can raise efficiency by legalizing only one drug”\textsuperscript{11} leaving other drugs illegal.

2.3. The Economic Theory of Illegal Drug Markets:

The standard model of illicit drug market predicts that the most incontrovertible effect of prohibition is an upward shift in the supply curve for drugs. Tougher enforcement and potential legal punishment against sellers raises the costs of supplying drugs and thereby leading to increase in its price. Prohibition is also likely, \textit{ceteris paribus}, to shift the demand curve downward. However the downward shift in demand is likely to be small relative to the upward shift in supply. This is because the increased transaction costs are likely to be greater for the suppliers than for the consumers\textsuperscript{12}. Thus under prohibition, price will increase while equilibrium consumption falls.

A study of Economics of illegal drug markets and violence\textsuperscript{13} argues that various enforcement strategies focused only on consumers do not always lead to price increase. It finds that the level of violence capability of the dealers is a key determinant of supply and supply changes, and consequently of price movements. It points out two possibilities of the effect of enforcement on the supply curve. First: Based on the assumption that the hierarchy\textsuperscript{14} of dealers is maintained primarily through threat, not actual use of violence, and the only external cost imposed on the other dealers by a particularly violence-prone dealer is the positional externality, the supply curve will remain fixed, leaving the equilibrium price and quantity unchanged. This is because of the decline in costs for the lower-ranked dealers. When enforcement drives out a dealer from the market, the immediate effect is the lower ranked dealers moving one notch up the hierarchy. Second: If the externality is associated with the absolute level of violence, price will have a close relationship with violence itself. Removal of a violent dealer from the market will not only reduce the costs of supplying drugs but also will reduce the level of violence. This will shift the supply curve downward leading the price to decline and the equilibrium quantity to increase. This is the net effect of the replacement of the more violent dealer by a less violent dealer at the margin.


\textsuperscript{14} This term is discussed in detail later in the Chapter.
One strand of approach argues along the lines of the free and unfettered market. The contribution by Becker et al.,\(^\text{15}\) grounded in the Walrasian model, follows this line. It assumes a centralized market with perfectly informed agents. This analysis supports the notion that making the good legal and taxing consumption could cause a greater reduction in output and increase in price than continuing to prohibit the legal use of drugs.

A search theoretic model of the *retail* market for illicit drug\(^\text{16}\), which has emerged recently, combines asymmetric information with Search theory. It explains how the retail drug market operates, basing on three important characteristics of illicit market, viz., (a) Moral hazard (b) Long term relationship between buyers and sellers, and (c) Search frictions. The theory rejects the Walrasian model of one-price theory. According to this approach, illegal drug markets are highly decentralized where “sellers produce and distribute their goods underground, and buyers have to expend resources trying to locate each other without attracting police attention.”\(^\text{17}\) This search friction and moral hazard generate dispersion in the price/quality ratio. In contrast with the conventional view that tougher penalties and more law enforcement reduce the drugs, it holds that “different enforcement instruments can impact the retail

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\(^{17}\) Ibid., 10
affordability of drugs in complex and sometimes counterintuitive ways”\textsuperscript{18}. The theory highlights two areas which have been ignored by previous works. These relate to the impact of law enforcement actions on the market which can (a) raise search time; and (b) influence the distribution of purity in the quality. The theory suggests unconventional policy interventions of reducing the penalties for dealers who sell diluted drugs. This way the intervention does not involve high cost, while at the same time reducing the prison population. This in turn leads to a case of inducing higher moral hazard among the dealers. This serves the main objectives of drug policy of increasing the wholesale price.

Uggen and Thompson\textsuperscript{19} develop a model of illegal earnings based on embeddedness in conventional and criminal activities within a framework of local labour market conditions. To them, embeddedness is an emergent rather than a stable property which is developed over time. The study analyzes within-person changes in criminal earning and drug use. It is found that high local unemployment rates enhance illegal earning by constraining legal opportunities. In contrast to this, enforcement, like captivity, suppresses illegal earnings as much as drug use raises it. People engaged in lawful works, and other social factors like living together with a spouse are found to reduce illegal earnings. Increases in perceived risks would reduce illegal earnings, though this

\textsuperscript{18} Galenianos et.al., “A Search-Theoretic Model of the Retail Market for Illicit Drug ”, 4
may not always hold true. There is a contextual attraction in risk itself as Friedman put it: “the more valuable money is to you, the greater the risk you are willing to take to get more of it”\textsuperscript{20}. The greater the risk endured the more likely the increase in illegal earnings.

A study on the social, political implications of illicit narcotic traffic and its economic consequences in Columbia\textsuperscript{21} \textit{inter alia} has found that the results of drug production and trafficking are devastating in both human and professional terms affecting all walks of life. But there remains the economic impulsion and compulsion for indulging in the activity as “everyone plays the game despite its illegality because it is the only “safe” game in Town, it involves fortunes for some and for some, wages above starvation level for the first time, and it is not deemed unlawful by the Campesino who, like his forebears, has known nothing but the wrong side of the law”\textsuperscript{22}. The study analyzed in depth the inevitable compromise between the drug dealers and the law enforcers and how that affects the economy. Extremely low salaries of government officials including magistrates and the fear of being murdered have been cited as important factors contributing to the compromise. This in turn has exacerbated the law

\textsuperscript{22} Ibid., 338
enforcement problems as it undermines its legitimate judiciary and also threatens political stability apart from its adverse economic effects.

2.4. **Organisation and Structure of Illegal Drug Market:**

As mentioned earlier, an illegal drug market is generally seen to maintain a well-structured hierarchical system. This system of hierarchy however takes different forms. The motive of dealing, the mode of business and returns to dealing are all defined in the structure. Thus the market structure itself indicates how each different set/sub-set operates. First, there is the product market for home consumption mainly. According to Ours and Pudney, “[t]he illegality of drug supply tends to produce an organizational structure that is relatively small scale, compartmentalized and often based on tight family or community relationship”\(^{23}\). Lieber in his study of cannabis cultivation and distribution in urban Trinidad\(^{24}\), found its cultivation to be mainly in small/cottage scale meant only for domestic consumption. The market is characterised by free entry; it is not an organized one as "no one really dominates"\(^{25}\). As regards the relationship among cultivators, wholesalers and retailers, it is found that the business is carried out in ‘ghettos’ often located at alley ways, backyards, bars and gambling houses. These ghettos are run by

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\(^{23}\) Ours et.al., “On the Economics of Illicit Drugs” 486.


\(^{25}\) Ibid., 169.
wholesalers who make purchases from the growers by bargaining over price after examining the quality by smoking. Ghetto bosses have several men, usually retailers and liaisons working for them. Wholesalers occasionally become retail dealers due to the relatively small scale of the industry.

The scenario changes when cultivation is conducted not only for domestic consumption but also for exports. In such cases, the interference of organized crime becomes more inevitable as “the distribution chain is long and typically involves sales between independent buyers and sellers. Each importer sells to a small number of high-level domestic dealers, each of whom in turn sells to a slightly larger number of middle level dealers”\(^\text{26}\). In fact, the structure of such market is like what Schelling calls ‘organised crime’\(^\text{27}\). He defines ‘organised crime’ as a government which has the characteristics of exclusivity and monopoly. It is a monopolized crime characterized by gang wars and truces and market sharing arrangements. Moreover, organized crime always has a victim; a victim who buys protection and “the crime of which he is a victim is the crime of extortion”\(^\text{28}\). He cites the rather complex structure of organized gambling syndicate in Miami. The syndicate occupied the top in the organizational pyramid as it has all the initiative and entrepreneurship attributes for the business. Its main business was to practice extortion against bookmakers

\(^{26}\) Peter Reuter and Mark Kleiman, "Risks and Prices: An Economic Analysis of Drug Enforcement” University of Chicago (1986)

\(^{27}\) Schelling, “Choice and Consequences”, 181 – 182.

\(^{28}\) Ibid., 185.
and it carries out its task with the collusion of the police. The bookmaker serves as the intermediary between the extortionate syndicate and a customer who pays his tribute voluntarily. Analyzing the reason why the syndicate bothers to provide 'wire service', he affirms that it not only helps people know that “it offers something more than sheer brutal protection”\(^29\). It also underlines the need of the underworld to follow certain “institutions, conventions, tradition and recognizable standard practices much like the upper world of business”\(^30\).

The hierarchical structure is also emphasised in a study of organised crime conducted by Levitt and Venkatesh\(^31\). They studied the account book of a street gang involved in crack cocaine in the United States for over a four year period. The market structure was highly organized. In the pyramid hierarchy the central leadership occupied the top, followed by local gang leaders. Each local gang leader has 3 officers under him, namely, Enforcers, Treasurers and Runners. This was followed by 25 to 75 foot soldiers who were the street level drug sellers. Moreover the gang also has 60 to 200 rank and file members who paid dues to the gang in return for protection and a reliable supply of drugs. The organizational structure of the gang is similar to that of a franchised company. Like franchisees, each gang paid to the higher level about 20% of the total revenue. The earnings of drug dealers are highly skewed with the gang leaders

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\(^29\) Schelling, Choice and Consequences”, 189.
\(^30\) Ibid., 167.
earning monthly profit of $4,200 to $10,900 which is 10-20 times more than that of the average foot soldiers and officers earn roughly $1000 per month. Similar structure of illegal drug market is described by Taylor et.al\textsuperscript{32} where the hierarchy is strictly based on the proclivity and skills of the dealers with the most violent dealer remaining at the highest, followed by the second most violent dealer and so on and the least nasty dealer at the bottom. The highest ranked dealers enjoy an advantageous positional externality with lower costs owing to shorter waiting time.

There is an interesting study on how controls led to the emergence of contraband market. Using a socio-historical approach to analyse the emergence of the underground drug market places in Chicago, Spillane\textsuperscript{33} depicts how these explain the exchanges between buyers and sellers in the city’s neighbourhood. When drugs were legal, “the absence of formal or informal controls made specific underground markets unnecessary”\textsuperscript{34}. But at the end of the 19\textsuperscript{th} century, the rise in the number of cocaine and opiate users caused alarm among socially and economically marginal group about health and safety concerns. This led to the end of legal access to certain drugs with the consequence of replacement of old legal drug market by the underground market; only the exchange relationship underwent a transformation from overt to covert. One of the most

\textsuperscript{32} Taylor et al, “Some Simple Economics of Illegal Drug Markets and Violence”, 5.
\textsuperscript{34} Ibid.,28.
enduring features of Chicago’s underground enterprise was the agglomeration of illicit activity in certain geographic areas. This was due to the endorsement of containment policy by Chicago’s civic leaders and law enforcement officials. The illicit retail drug trade got well adapted and integrated with the changing social milieu of the community. Depending upon the setting of the selling point, Spillane found retail sales to be diverse. He classified the level of the complex distribution system into three. First, only a very few dealers perform wholesale and retail functions and thus harvesting huge profits from the business. The next level of the distribution system was the full time retailers who carried out their business every day. In the third category, fulltime retailers use numerous part-time employees who do the street level sales. Earning from drug dealing seemed generally low. Despite the meagre financial rewards, many Chicagoans were attracted into the illicit drug business in the early twentieth century. There is also the association of underground drug market place with other institutions of the neighbourhood where “messenger boys delivered drugs, hotel employees arranged purchases for customers, and bartenders acted as part time distributors”35.

Examining the middle-level dealers in Melbourne, Australia, Langer36 disfavours the use of the term ‘dope pusher’ in connection with the business. He argues that they should not be portrayed as “a shady figure in the schoolyard

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hooking youth on his nefarious wares, while pocketing the profits”\textsuperscript{37}. He sees the phenomenon as rather demand pulled. His analysis provides a range of ideologies of dealers about their existence, status, skills and roles in dealing culture. To him, dealers themselves feel as “a group which has a legitimate claim to exist and their role is a genuine response to an articulate and well-formed need among certain groups”\textsuperscript{38}. Middle level dealers are the ones who make bulk purchases and sell to clients, who in turn sell to street level dealers. They constitute a stable section in the distribution hierarchy chain as having acquired more comprehensive knowledge about illegal marketing than lower level dealers. The study exposed how radically the dealers confirm the validity of their dealing practices. The study finds that the dealers are equipped with complex skills, and they practise their expertise in dealing. ‘Getting busted’ is considered as a ‘positive social episode’ in dealing culture and an important experience a professional dealer should go through for improving the expertise of business. Langer finds the moral hypocrisy of institutional law-enforcing agencies when the “police agents would perform a bust, confiscate the drugs, pocket and loot the money and resell the drugs”\textsuperscript{39}.

There are evidences when the real world socio-economic hierarchy gets reproduced in the functioning of the illegal market. The socio-economic


\textsuperscript{38} Langer, “Drug Entrepreneurs and Dealing culture”, 382.

\textsuperscript{39} Ibid., 384.
structure and the illegal drug market in the Andean region have been studied by Salazar and Fierro. The campesinos, zepes and pisacocos, who are subjected to exploitation, form the lowest and the base in the social pyramid of the illegal drug business. The narco-bourgeoisie, who accumulated huge monopolistic profits, occupies the top of the pyramid. In between lays the intermediate, i.e. base producers, intermediaries and mules. Campesinos, as farmers, sell their production to the intermediaries who in turn supply to the coco-sulfate producers. ‘Zepes’ or ‘Motobones’ do the transportation of the coco leaves from the campesinos’ farms to the coca-sulfate producers. Coca-sulfate producers employ pisacocos to obtain the basic base. This in turn is transported to the laboratories where the final product is produced. This product passes through mixing laboratories for diluting the quality of the product with lower quality products so that more profits can be earned. This diluted product comes through a complex network of retail distributors before it reaches the consumers.

Another study of dealers indicates that they tend to be users of the drug they sell, and friends play the most pivotal role of introducing into dealing activity. According to the study, friends are considered as most convenient and

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41 Atkyns et al.,“Illicit Drug Distribution and Dealer Communication Behaviour”, 36 – 43.
favoured source of information for conflict resolution. Personal investigation and experimentation is regarded as less significant.

Profit has been identified as the primary motive for involvement in this trade. It has been estimated that a teenager can earn $300 to $1,200 and more per day selling drugs; these earnings are higher than the possible earnings from other jobs available to that age group\(^{42}\). Some studies have also mentioned addiction as a motivation in the sense that dealing in the drug turns out to be the easiest and most convenient source for free drugs,\(^{43}\) and to cover own drug consumption expenses\(^{44}\). Another interesting factor that drives dealers to go on with their business lies not on current economic benefits but on the prospect of rising up through the hierarchy in the future\(^{45}\).

According to a study by Wilkins and Sweetsur\(^{46}\), the proportion of earning substantial profit is very low among the middle level and retail traders of cannabis. In New Zealand, it was found that the bottom fifty percent of middle level dealers and the retail level dealers earn an average annual profit of $260 and $73 respectively. The top ten percent middle level dealers earn an average of $25,003 whereas the retailers earn $1198. The top ten percent of


\(^{44}\) Chris Wilkins and Paul Sweetsur,”Exploring the Structure of the Illegal Market for Cannabis”, De Economist 15 (2006):547-562. “Drug dealers who use drugs frequently were originally attracted to drug dealing because it provided access to less expensive and possibly higher quality drugs”

\(^{45}\) Levitt, "An Economic Analysis of a Drug Selling Gang's Finances", 757.

middle level cannabis dealers’ annual earning is found to be only relatively higher than those of sales workers’ of $ 21,372 working in the legal sector. These earnings compare poorly with the average earning of $ 48,984 of a professional in the legal sector. Levitt and Venkatesh are also of the view that “drug dealing is not particularly lucrative, yielding average wages only slightly above those of the legitimate sector” 47. This result of low earning is also found among marijuana traders in Trinidad 48.

However, there are observers highlighting the high nominal financial rewards attracting youths to take up drug dealing as their occupation of choice 49, and cases of villages getting transformed into boom towns 50. This has also been found to be a prelude to consumption among urban youths 51.

Caputo and Ostrom 52 have conducted a counterfactual study of the potential tax revenue from a regulated marijuana market solely basing on the recreational use of marijuana. Cost figures of tobacco as a proxy for the cost of processing marijuana, average cost of producing and selling a pound of marijuana was $ 1 and $1.07 in 1988 and 1991 respectively. The average price

47 Levitt, "An Economic Analysis of a Drug Selling Gang's Finances", 786.
paid per pound by the final consumer was roughly $1,800 and $3000 respectively for the two comparison years. Basing on the US Department of Health and Human Services for National Household Survey on Drug Abuse, it was estimated that “the cost of bringing the 1988, 5.04-6.45 billion dollar marijuana crop to consumers when legalized would be 3.25 million dollars, leaving 5.04-6.45 billion dollars as the possible tax revenue available to the government. Similarly the cost of bringing the 1991, 5.09-9.09 billion dollar marijuana crop to consumers would be 2.82 million dollars leaving 5.09-9.09 billion dollars as possible tax revenue”\textsuperscript{53}.

2.5. Drug Law Enforcement Policies\textsuperscript{54}:

Psychoactive drugs are generally believed to be associated with a series of personal and social ills prompting many people think for prohibition of production, sale and use of drugs. Some, on the other hand, would argue for adopting alternative policies as prohibition has done more harm than good. The search for more appropriate and effective drug policies have led to the reliance mostly on cost-benefit and cost-effective analyses. However, no final policy whatsoever has been agreed upon as the optimal policy from the study of

\textsuperscript{53} Michael R. Caputo and Brian J. Ostrom, “Potential Tax Revenue from A Regulated Marijuana Market: A Meaningful Revenue Source”, 484.

\textsuperscript{54} A part of this section appeared in an article titled “Drug enforcement policies: A case for non-prohibition” in Spectrum: An International Journal of Humanities and Social Sciences, Vol.1 (2), Jul-Aug 2013, ISSN 2319-6076
different policies being followed in different countries. The debate on the drug control policies, thus, goes unabated.

There are mainly three lines of arguments on drug law enforcement policies. First, there are arguments made by the prohibitionists who favour prohibition. Second, there are anti-prohibitionists vouching for legalisation. Third, there are protagonists who argue for alternative policies between the two extremes.

Lagrange developed a model built on simple game theory offering a theoretical justification for lending support to the existence of continued drug prohibition. According to him, criminalization of drug has been resorted to because of the ‘inter-regional tension’ inherent in the political system of the federal government in which each region pursues strategies that maximize her own utilities. He explains how prohibition in the form of increased enforcement is “a necessary defence to neighbouring regions' potential strategies” and analyses how decriminalization in a federal system would lead to a “potentially disastrous state on state competition” causing the expansion of “the destructive

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56 Ibid., 519.
57 Ibid., 520.
rent seeking behaviour and the eventual concentration of the drug problem in poorer states”\textsuperscript{58}.

This is further supported by the human personality impact arguments by others. Dalrymple, a strong proponent of prohibition opines that consumption of certain drugs directly leads to violence and aggression because of their psycho-pharmacological properties and not merely because of the criminality associated with the distribution\textsuperscript{59}. He strongly feels that consumption of drugs impairs the ability to pursue more important human aims such as raising a family, fulfilling civic obligation, gainful employment and thereby promoting parasitism. Thus, according to him, drugs exert a long term effect of reducing man’s freedom by restricting only to a range of their interests.

In line with the concept that prohibition serves best to control drug menace, prohibition is enforced as the current drug policy in almost all countries of the world. However, many have raised objections to the effectiveness and feasibility of the existing drug regime. The issues raised by those who favour legalization are reviewed in length below. Moreover, considering the suitability and awareness of the work under study, more focus is given on the issues raised by anti-prohibitionists than that of prohibitionists’ views.

\textsuperscript{58} Ibid. 521.
\textsuperscript{59} Theodore Dalrymple, “Don’t Legalise Drugs”, \textit{City Journal}7. no. 2(1997).
Milton Friedman, Nobel laureate in Economics, is regarded as the pioneer who advocates legalisation of drugs to minimise harms associated with drug abuse. Terming prohibition as an attempted cure that makes the matter worse, he stressed that prohibition undermined respect for the law and corrupted the followers of the law but has not stopped the use of drugs. Friedman feels that legalisation would reduce the amount of crime and raise the quality of law enforcement while persuasion and example would act far more effectively than using force to contain drug use. Besides these arguments of him, legalisation can also do away with the ill consequences of compromising the quality of the drugs.

Studies of the benefit-cost approaches used in drug policy literature have suggested two improvements, one along the Pigouvian lines and another along the Coasian lines. One study has found the Pigouvian benefit-cost approach a significant improvement over the simple application of benefit-cost framework. In the latter case, drug prohibition should be maintained and legalization rejected, if the total social costs of increased drug use following legalization exceed the total social benefits of eliminating the illicit markets in drugs. They argue that total social cost creates a misleading impression as such

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61 Milton Friedman, “Prohibition and Drugs”, Newsweek, May 1, 1972.
approach focuses on the number of users. “Drug control policies should focus on reducing drug-related crime, disease, and death, not the number of casual drug users.”63 In the case of Pigouvian criterion, products are prohibited only when the marginal social cost of the product exceeds the marginal social benefit of the product. In the Coasian approach, the Pigouvian approach is found failing to appreciate restriction-costs on society and the influence of the institutional environment. They feel that the Coasian approach would be an ideal approach to the problem of socially efficient prohibition as it stresses on the institutional arrangement that encourage the most efficient social outcome.

Block 64 argues in favour of legalization for addictive drugs from the libertarian legal perspective. Libertarian, to him, is a philosophy of rights rather than a theory of maximizing happiness. He points out the irrelevance of public policy analysis to prohibit many deleterious things like chocolate, fatty food, hang gliding, ice-skating, boxing, etc. Similarly, prohibition is an infringement on self ownership rights as the choice of consumption is made in order to enhance one’s own welfare. He also claims that, due to the strong potency effect, legal suppression exacerbates health. This view is supported by Mirron and Zwiebel by citing how prohibition of liquor in the 1920’s led to the

transition from the consumption of beer and wine to hard liquors\textsuperscript{65}. They also state that, with no quality regulation, accidental poisonings and overdoses will occur more frequently in a prohibited market. According to Block, suppression of narcotics leads to criminal behaviour, not the substance themselves. He takes the “Godzilla effect” as believed by many as erroneous “basing on the principle that no one may be aggressed against unless he has threatened, or indulged in, uninvited violence against another person”\textsuperscript{66}. He is among the few who expects that consumption will decline upon legalization as illegality of good increases attraction of that good. He highlights the fruitlessness of fighting the war on drugs as it only strengthens the drug industry.

Nadelmann also argues that even a radical decriminalization of drug prohibition will not result in the sorts of dramatic increases in substance abuse. He feels the Dutch model of harm reduction as more preferable to the U.S. policies of strict war on drugs and also to the extreme libertarian model. He believes that even the rise in the number of drug users consequent upon legalisation, the possible driving out of more dangerous drugs by less dangerous ones will trade off the increase in number of drug consumers for the principal determinants of destructive drug use patterns involves not the pharmacology of the drug but the set and setting in which the drug is

\textsuperscript{65} Mirron et al., “The Economic Case against Drug Prohibition”, 186
\textsuperscript{66} Block, “Drug Prohibition”, 695.
consumed\textsuperscript{67}. Pointing out the success of Swiss drug policy of prescribing heroin, morphine and injectable methadone, Nadelmann is of the opinion that “given relatively unlimited availability, heroin users will voluntarily stabilize or reduce their dosage and some will even choose abstinence”\textsuperscript{68}. He finds the harm-reduction approaches superior than the supply restricting strategies as he takes the latter as ‘inherently limited’, ‘costly and counterproductive’.

Emphasising that the focus should be on the worst features of illicit drug markets and the cultural context of it, he argues for the mail-order model as an ideal drug policy.

Culture has an important pressure on drug consumption and drug policy. The Dutch approach of making cannabis available in modest amount to adults in coffee shops is found more effective than total prohibition. It is estimated that the Dutch cannabis consumption per capita remains well below than that of the United States even after 25 years of coffee-shop legalisation indicating that culture is more important than price and availability and change in social norms far more effective than enforcement\textsuperscript{69}. Prohibition also creates and sustains racial mistrust and hostility as drug dealing and its related crimes is much more

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\item \textsuperscript{67} Nadelmann: “[N]o set and setting is more conducive to extensive and severe drug abuse than the combination of poverty and maladjustment to a mainstream society” “Thinking Seriously about Alternatives to Drug Prohibition”, 102
\item \textsuperscript{68} Nadelmann, “Commonsense Drug Policy”, 120.
\item \textsuperscript{69} Mary M. Cleveland, “Economics of Illegal Drug Markets: What happens if we downsize the Drug War?”, \textit{In Drugs and Society: US Drug Policy}, ed. Jefferson M Fish (Maryland: Rowman and Littlefield Inc., 2005)
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concentrated in lower class neighbourhoods because the retail business is far more tempting to the poor than to the rich\textsuperscript{70}.

Mirron and zwiebel\textsuperscript{71} also believe that free market in drugs is likely to be far superior policy to the current policy of prohibition. They point out the case against drug prohibition on the basis that it is prohibition, and not drug consumption, as many others think, that promotes violence, including non-drug related crimes such as theft and prostitution. According to them prohibition lowers marginal costs and raises marginal benefits to violence. They maintain that prohibition encourages cartelization, yielding real profits which in turn, increase the marginal benefits to the corruption of law enforcement officials and politicians.

Numerous evidences show that prohibition acts as the source of breeding ground for criminal syndicates and increase in crime rates. In the United States, prohibition of liquor in the 1920’s led to the takeover of the manufacturing and distribution of alcohol by organised crime, which led to the huge boost in the crime rate in cities across the U.S. as well as the development of an international crime syndicate.\textsuperscript{72} This is seen in Australia too, the police crackdown on cannabis in 1976 led to a criminal takeover of drug dealing,

\textsuperscript{71} Mirron, et al., ”The Economic Case against Drug Prohibition”, 178
which was previously in the hands of a group of amateur drugs enthusiasts, to the most ruthless and protected members of organised crime like Murray Riley and his gang\textsuperscript{73}. This is said to have led to a massive increase in the price of cannabis and the heroin plague. “If narcotics were not illegal, there could be no black market and no monopoly profits; the interest in “pushing” it would not be much greater than the pharmaceutical interest in pills to reduce the symptoms of common colds”\textsuperscript{74}.

In short, anti-prohibitionists’ main arguments against prohibition are that prohibition infringes individual liberty, increases crime, violence and corruption, increases the potency of the drug and creates organised crime syndicates, among many others. They are of the opinion that some form of legalisation would reduce substantially the harmful effects of prohibition and thus, non-prohibition policies are likely to be far superior policy to the current policy of prohibition.

As mentioned above, there is another group who argues for policies that lie between prohibition and legalisation. They assert that an ideal drug policy should be determined by the effectiveness and feasibility of its policy. Taking total prohibition as not practical and effective, some have emphasized on

\textsuperscript{73} John Jiggins, “The Cost of Drug Prohibition in Australia”, (paper presented to the social change in the 21\textsuperscript{st} century conference, Centre for Social Change Research Queensland University of Technology 2005: 1 – 19.)

\textsuperscript{74} Schelling, \textit{Choice and Consequences}, 173
policies of harm reduction rather than legal restriction. Frey is one who thinks that drug consumption can never be eradicated by repression as “an increase in expected punishment raises the incentives to act against the prohibition, thereby making deterrence less effective”75. He supports the view that most drug users are not addicts and that they are socially integrated in contrast with the notion that drug users are isolated even among their peers76. Analyzing the futility of pure repressive drug policy in Switzerland, Frey, supports “the third way” program between repression and liberalization where the government provides drugs to carefully screened heavy addicts while at the same time aims to raise entry cost to non-drug users. This, in his opinion, drains heavy drug users from the illegal drugs market and thus succeeds in minimizing the harmful effects of drugs by reducing crime and improving the health of drug users.

Kleiman who considers drug taking as ‘a vice’ defines ‘a vice’ as “a special kind of hazardous consumer product, in which some of the hazards are behavioural”77. According to him, ‘grudging toleration’ of marijuana, which he thinks as a possible alternative drug policy, represents substantial loosening of the existing controls. This, he believes would increase the severity of the marijuana problem abuse, “but the costs of control, especially law enforcement

costs, the damage done to users by enforcement action and punishment, and the corruption and violence associated with the illicit market would all diminish to some extent.\footnote{Ibid. Pp. 68-69.}

Goldstein and Kant\footnote{Avram Goldstein and Harold Kant, “Drug Policy: Striking the Right Balance”, \textit{Science}, New Series 249, no. 4976, (1990): 1513-1521.} suggest measures to strengthen anti-drug consensus through education and enforcement targeting at higher levels of the distribution chain. Citing the evidence of the fall in the death rate from liver cirrhosis in the 1920s during the alcohol prohibition, and the higher per capita prevalence of addiction to opiate and other drugs among the physicians, dentists and nurses than the general public, they conclude that availability has a positive effect on consumption. They are also of the view that price has an inverse effect on consumption and thus believe that making drugs less expensive would result in substantial increase in use and in its harmful consequences of heavy use. Goldstein and Kant too emphasize that demand reduction strategy with its practical aim to minimize the extent of use and harm as the real key to ameliorating drug problem.

2.6. Drug Trafficking: Related issues:
Drug trade is estimated to be the second largest transnational crime business in the world, the first being the weapons industry. This fact has placed drug trafficking, an issue of increasing concern over the years. Drug trafficking has produced alarming consequences politically, economically, and socially, and has tremendously influenced all walks of life and all sections of society in different ways. Enormous and increased efforts to curb it have been focused and strived at, but the problem seems to have become increasingly difficult to combat. Indeed, issues of drug trafficking poses a tough challenge to most of the countries of the world.

Literature gives immense evidence of how psychoactive substances have long been linked to various aspects of life in the history of mankind. “It is not possible to divorce the cultivation of opium, the production of heroin and the global narcotics commerce from their political, economic and social context.” Most importantly, it finds its significance in culture and tradition. “Peru’s Indian culture is inexorably linked to coca – physically, socially and spiritually.” Moreover “[t]he coca bush has for millennia been known as the sacred plant of the Andean society, its leaf deemed indispensable to Indian social intercourse”, for which reason, it is legal to grow coca under Bolivian

82 Craig, “Illicit Drug Traffic: Implications for South American Source Countries”, 12.
83 Ibid., 3
law. In the 18th and 19th centuries, the use of opium in Iran and Europe also was socially acceptable. “Profits from poppies and the love of the pipe were equally symbolic of china’s pervasive opium culture.” An interesting reflection of opium in commerce is found in Burma in the 1960s and 1970s. Opium, regarded as the traditional hard currency was used as the medium of exchange and the drug was easily available in the market. In India too, drugs have social, religious and cultural significance. “The Rajputs used opium in important social functions such as marriage, when sealing important business deals, for longevity and to enhance sexual pleasure.” In the desert regions of Rajasthan and Gujarat, the host offers his/her guest opium in a cupped palm of the hand as a mark of respect. Cannabis also serves socio-cultural and functional purposes by constituting a part of festival celebrations like Shivaratri and its products being consumed for religious reasons. “Smoking of charas and ganja had social and cultural acceptance and was not looked down upon.”

Apart from its cultural importance, psychoactive substances have created havoc in the history of mankind due to its misuse. Not only has it

84 Ibid., 2
89 Ibid., 2.
91 Ibid., 2433.
affected those who abuse it, but has left an all-round deleterious implication on the functioning of the various systems of the highest level of the state as it adversely impact on the performance of the people involved. The political system is such one aspect, the image of which has been seriously tarnished. Drug trafficking has penetrated to the innermost political system and has contributed immensely in shaping some governments’ foreign policies. A number of high level politicians and government officials are found to have links with drugs and its trafficking. For instance, a father-son political pair was indicted by a North Carolina grand jury for cocaine smuggling\textsuperscript{92}. Narco-power in election is vividly witnessed in Colombia. Former Colombian president, Ernesto Samper is said to have been funded by drug syndicates for his 1994 electoral campaign\textsuperscript{93}. One of the prominent capos, Pablo Escobar, was elected as an alternate to the house of representative in 1982\textsuperscript{94}. Another notorious trafficker in the state of Rondonio, Jabes Rabelo, was elected to the national congress in 1994\textsuperscript{95}.

A study on drug trafficking and social and political conflicts in Latin America\textsuperscript{96} indicates that the economic, social, political and cultural conditions are responsible for the persistent expansion of the consumption and production

\textsuperscript{92} Craig, “Illicit Drug Traffic: Implications for South American Source Countries”, P.27.
\textsuperscript{93} Jane Bussy, “Campaign goes Global”, \textit{Foreign Policy} no. 118, (2000): 74-84.
\textsuperscript{94} Craig, “Illicit Drug Traffic: Implications for South American Source Countries”, 27
\textsuperscript{95} Sue Williams and Carlos Milani, \textit{Sources}, no. 111 (1999):
\textsuperscript{96} Salazar et al., “Drug Trafficking” and Social and Political Conflicts in Latin America”, 83 – 98.
of psychoactive drugs. The study raises the issue of drug trafficking serving as the source of conflict between the United States policy and that of the producing countries. It states that repression of illegal drugs accelerates the concentration of capital and facilitates the establishment of monopoly prices which in turn increases the firm’s capacity to face risks and ensure security. It is found that the integral part of the whole process of production and export is played by a group of legally established firms which helps in incorporating narco-currency into the legal economy by facilitating money laundering. The study also highlights the fact of how the difference between important segments of the narco-bourgeoisie and the organization that advocate radical social changes in the social, economic and political structures of the continent becomes the foundation of the contradiction. Moreover, it is viewed that conflicts arise due to competition between the legal dominant sectors and the different segments of other bourgeoisie and the competition that exist among various companies within the bourgeoisie itself. These problems are sought to be resolved through political approach “without allowing the imposition of imperialist-style policies”\textsuperscript{97}.

A study done in Tajikistan by Engvall\textsuperscript{98} explores how drug trafficking poses a potential threat to the national security of Tajikistan, both domestic and external. He explains how organized criminals distort the state’s institutional

\textsuperscript{97} Salazar et al., “Drug Trafficking” and Social and Political Conflicts in Latin America”, 96.
\textsuperscript{98} Engvall, “The State under Siege”, 827-854.
machinery by co-opting its structure in order to carry out criminal activities. According to him, drug trafficking also threatens the two physical components of the state. On the one hand, it creates a military threat on territory with armed narco-terrorist groups, while on the other; it creates a societal threat to the population in the form of widespread drug abuse and infectious epidemics. The study exposes how militant groups like the Islamic Movement of Uzbekistan (IMU), is linked to drug trafficking and how this undermines the legitimacy of the state. He states that the IMU’s incursions in the Farghana valley pose a serious threat to Tajikistan’s territorial sovereignty and functional integrity. However, he points out that the idea of acquiring profit is the end and the driving force of criminal activity and not vice-versa, for such group.

While analyzing the relation between illegal markets and social costs of rent-seeking, Paul and Wilhite99 assert that the absence of government enforcement of contracts and property rights in the illegal market creates rent-seeking opportunities and a substantial incentive to monopolization which promises large rent gains. According to them, it is this monopoly rent which attracts rent-seeking participants and not the increased price caused by the government-induced supply restriction. They conclude that the use of coercion, threats, violence and corruption created by rent seeking as the mechanism of

illegal market generate negative externalities which results in an increase in social cost.

A study on the relationship between drug dealing as a youth and legitimate self-employment in the later years\textsuperscript{100} shows that drug dealers are most likely to choose self-employment than non-drug dealers when opportunities in the legal sector arise. There are some interesting findings here. First, the frequent sellers consume the drugs less than the less frequent ones. Second, the former earn more income from the engagement than the latter. Third, in a way influenced by the second scenario, the frequent sellers turn to self-employment at a rate higher than the less frequent ones. These findings are explained by the positive but unobserved characteristic effects of drug dealing on risk taking preparedness, high levels of entrepreneurial ability and a preference for autonomy, which are believed to be possessed by drug dealers. Moreover drug dealing is more prevalent among those not enrolled in school, and they are more likely to be dropped. The study depicts that basic skills and education have negative effect on the probability of self-employment\textsuperscript{101}. The study suggests measures such as expansion in the number and scope of services

\textsuperscript{101} Fairlie, “Drug Dealing and Legitimate Self Employment”, 562. The self employed “are not simply those individuals who possess high levels of human and financial capital or who face limited opportunities in the wage/salary sector”
provided by entrepreneurial training programmes targeted towards former drug dealers possessing entrepreneurial characteristics for self-employment.

Amanda Sives, who studies clientelism in Downtown Kingston, Jamaica, explores how in the 1980’s and 1990’s the economic change through the implementation of structural adjustment and stabilization policies led to the changing patrons, transformation from politicians to drug dons. Jamaica witnessed a decline in state resources in the post-1980, the vacuum of which was filled in by drug money. She emphasises the adverse consequences of the replacement of state resources with drug and crime proceeds on political relationships within besieged communities. Violence related to drug trafficking and dealing accounted for a larger proportion than that of political rivalries. Moreover, it not only opens up civil and political space in the besieged communities but shifts the balance of power in the community to the gang and the gang leaders. Thus, according to her, the inability of the state to maintain economic stability and an adequate system of law and order and the failure to protect the vulnerable leads to the declining credibility of the political system. This further leads to the reliance on other authority figures “who can provide not only material resources and an opportunity to travel but also protection”.

103 Amanda Sives, “Changing Patrons from Politician to Drug Don”, 84.
While analyzing the drug market in Iran, Raisdana and Nahkjavani notice an increase in the number of drug distributors in Iran due to “the increase in transit of narcotics, the higher level of domestic consumption and the economic recession and consequent unemployment from 1992-1998”\textsuperscript{104}. They also feel that variation in price depends on the distance from the point of entry, where, the further the distance, the higher is the price. Moreover, they maintain that the decline in real price of opium in Iran in 2001 is due to the increase in production across the border in Afghanistan.

In an attempt to analyze the nature and scope of drug trafficking and drug use among the Black adolescents, Moore\textsuperscript{105} bases her study on three theoretical perspectives. She considers addiction to heroin and cocaine as slow form of suicide. Basing on Emile Durkheim’s theory of suicide, she concludes that the socio-economic factors of poverty, unemployment and social discrimination against the Black often leads to self-murder. From a Marxian perspective, she points out that the hard-pressed economic condition of the youth and the exploitative nature of higher level dealers to accumulate more and more profits influences the youth’s decision to use drugs and sell drugs, which in turn is the cause of addiction. Applying Molefi Kete Asante’s Afrocentric theory of social change, she maintains that the Blacks participate in

\textsuperscript{104} Raisdana et.al., “The Drug Market in Iran”, 158
self destructive behaviour due to lack of self-confidence and self-esteem as a result of lack of knowledge of his people’s history and achievements. Basing on the above perspectives, she suggests measures to the drug use and trafficking problem among the Black youths, such as building self-esteem, courage and a sense of belongingness and providing alternative ways of living and surviving in their own environments by taking individual’s culture into consideration.

2.7. Conclusion:

Review of literature shows several reasons being put forward as to why drugs are prohibited with its main focus pointing to health concerns. The different theories of the illegal drug markets too have given challenging notion of rationality in many ways. The nature and organisational set up of a drug market depends on the dealing culture, skills and ideology of the market participants and also on the environments in which trade takes place. Moreover the never ending debate between the existing drug policy of prohibition and legalisation goes unabated with the anti-prohibitionists arguing for alternative policies of non-prohibition. Though drugs’ association with cultures, traditions and religions since time immemorial is acknowledgeable, drug trafficking, nevertheless poses as an undeniable threat to all nations.