

Review of *Drug War Heresies* by MacCoun and Reuter¹

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THE LITERATURE THAT examines public policy toward illicit drugs is littered with ideological polemics of questionable academic merit. With an inflammatory title like *Drug War Heresies*, one might expect Robert J. MacCoun and Peter Reuter's recent contribution to this debate to be yet another biased, politically motivated harangue. In spite of the title, however, MacCoun and Reuter's book turns out to be first-rate scholarship. It is an incredibly carefully researched, thoughtful book—far and away the best scholarship I have ever encountered on the subject. This is a book I would recommend to economists interested in researching the area, to those just generally interested in the topic, and to cocktail party bores who mindlessly preach either the necessity of legalization or the inevitability of social ruin if legalization were to occur.

The primary goal of the book is to understand how current U.S. drug policies can be improved. The authors face two formidable obstacles in achieving that goal. First, many of the changes to policy that are typically discussed (e.g. legalization, needle exchanges,

heroin maintenance programs) are not incremental changes to the current system, but rather, radical shifts in regime. Thus, one cannot reliably extrapolate empirical estimates of supply and demand elasticities under the current system to what might hold in these new policy regimes. How one could reliably estimate the parameters relevant to a world in which, say, cocaine was legalized raises difficult questions. The best one can hope to do, really, is to offer an informed guess. Second, both the data and the existing research on the topic are spotty and of questionable quality. A recent National Academy of Sciences panel on illicit drugs arrived at an extremely pessimistic conclusion concerning the state of research (National Research Council 2001).

In spite of these obstacles, MacCoun and Reuter gamely forge ahead. The authors begin by laying the groundwork for thinking about current drug policy by carefully describing the facts and trends regarding the quantity of drug usage, criminal justice enforcement, and harms of different kinds associated with drug use under the current system. A few of these facts are worth noting. With respect to usage, more than half of Americans have tried illicit drugs at some point in their life, with marijuana by far the most commonly used drug. According to the *Monitoring the Future* data set, the fraction

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of high school seniors who had ever used drugs dropped dramatically in the 1980s and has risen since then, but not to the levels previously observed. The evidence on the number of addicts is less clear. William Rhodes et al. (1997) estimate that there were 3.3 million weekly cocaine users in 1995, or approximately 1 percent of the U.S. population. That same study estimates total expenditures on illicit drugs to be \$60 billion annually.

The authors then turn to a lengthy discussion of the public debate surrounding drug prohibition, and an informal treatment of the theory underlying the competing positions. To economists, most of the topics discussed in this part of the book will likely either be familiar or easily absorbed. While generally competently done, the authors (one of whom is a psychologist and the other is a self-proclaimed “non-practicing” economist) do overlook some of the subtle but important points about the economics of drug prohibition which have recently been made very nicely in Gary Becker, Michael Grossman, and Kevin Murphy (2002). As just one example, little thought is given to the issue of diversion of productive resources as a result of the “War on Drugs.” If the demand for drugs is inelastic, then interdiction efforts will increase total resources devoted to supplying drugs (even ignoring interdiction and criminal justice expenditures). The extra resources devoted to drug production represent a substantial real cost to society (perhaps \$30 billion annually).

Perhaps the most striking facts relate to the War on Drugs. In 1980, there were roughly 30,000 people incarcerated on drug offenses in the United States. By 1996, that number had increased more than tenfold to over 400,000. The increase in imprisonment of drug offenders far outpaced the overall growth in the prison population. Yet, in spite of the enormous reliance on imprisonment, the probability of punishment is not actually that high: the authors estimate that the likelihood of being sent to prison for any single

cocaine sales transaction is only about one in 10,000.

The most intriguing part of the book is the authors’ attempt to inform current U.S. drug policy by studying policies toward other vices like gambling, cigarettes, alcohol, and prostitution, as well as drug policies in other times and places. While the chapter on gambling and prostitution is interesting in its own right, the relevance to drug policy strikes me as limited. The primary lesson that the authors draw from legalized gambling is that when governments reap the benefits of a vice in the form of higher revenue, policy makers conveniently overlook the fact that the behavior might be a vice. I suspect this conclusion, however, depends critically on there being little visible carnage as a consequence of the policy. Legalized cocaine, unlike legalized gambling, may leave the streets littered with nonfunctioning addicts. Prostitution appears even less informative about drug policy, since the issue of addiction is paramount for drugs, but almost irrelevant for prostitutes.

The analysis of alcohol prohibition in the United States is much more directly related, but still not a perfect analogy for current drug policy, as the authors make clear along three dimensions. First, Prohibition did not include criminal penalties for the possession of alcohol, only for the purchase and sale. Thus, as the authors point out, Prohibition was actually much like what is called “decriminalization” in the current drug debate. Second, they argue that enforcement of Prohibition was never very intense. At the peak of enforcement, they suggest there were 80,000 alcohol-related convictions annually, but prior to the stiffening of penalties in 1929, the average punishment was a prison term of only 35 days and a \$100 fine. Thus, the number of people incarcerated on alcohol-related charges at any one time was about 8,000 prior to 1929, compared to 400,000 drug prisoners under our current regime. Even after the crackdown in 1929, the number of alcohol-related prisoners was

less than 40,000 at any point in time, or one-tenth the current drug incarceration figures. Third, alcohol was a previously legal good that became illegal. Thus, the degree of experience that most people had with alcohol was much greater than it is with illicit drugs today.

A number of arguments are made about Prohibition that, by analogy, argue against illicit drug prohibition. First, it is argued that alcohol consumption did not fall much during Prohibition (Jeffrey Miron and Jeffrey Zwiebel 1991), and thus legalizing drugs also would not greatly affect consumption. This argument does not strike me as particularly compelling on a number of grounds. One reason alcohol consumption may not have fallen is that it was previously legal. In addition, the distortion to alcohol prices during Prohibition is undoubtedly much less than for drugs in the current regime. The second argument that is made about Prohibition is that it failed—people decided they liked life with alcohol legal better than with it prohibited. Since we do not have previous experience with legalized drugs, however, it is hard to know what such a world would be like. Finally, critics maintain that Prohibition (like the current drug policy, or so it is argued) had a large causal impact on crimes such as homicide. While the sharp increase in homicide rates that occurred in the 1920s has often been attributed to Prohibition, the authors are somewhat skeptical of a causal interpretation, arguing that the decline in homicide with repeal likely would have been immediate, but instead was gradual. Given the critical importance of this question to the debate, I would have liked to see the authors devote greater attention to trying to resolve this issue.

Even more relevant than alcohol prohibition are a series of European interventions in drug markets in recent decades. The authors do a wonderful job of summarizing the enormous cross-country variation in European drug policy. For instance, the Netherlands has *de facto* legalized marijuana and

has one of the lowest drug arrest rates in Europe; Italy and Spain do not have criminal sanctions for possession of small amounts of drugs for personal use (but both have high drug arrest rates by European standards); and Switzerland has drug arrest rates per capita that rival the United States.

Although one might hope that all of this variation might yield substantial insight into the causal effects of drug policies on drug use and drug-related harms, in the end the answers do not clearly emerge. Policy innovations have rarely, if ever, been done with reasonable experimental design to aid in evaluation, so virtually all of the analysis is based on either simple interrupted time-series data or cross-country comparisons. Because there is every reason to believe that the policy changes are endogenous, interpretation of the results is even more problematic.

What, in the end, are MacCoun and Reuter able to surmise from this jumble of analogies? Their conclusions are both prudently and disappointingly guarded. I cannot blame them, as scholars, for being unwilling to go far beyond their data in speculating as to what optimal drug policy should be. Nevertheless, having read this far I was hoping for more, if only so that I could criticize it as pure conjecture on their part.

They are willing to endorse a handful of policies. They are in favor of decriminalization of marijuana. As they rightly note, however, there are not many costs associated with marijuana in the current regime (e.g. little evidence of much property or violent crime associated with its prohibition, no concerns such as AIDS-transmission through dirty needles, etc.). In addition, to the extent that marijuana is addictive (which is controversial), it is not debilitating to the same extent as cocaine or heroin addiction. The move from the current regime regarding marijuana to decriminalization is indeed an incremental one. Thus, one can have reasonable confidence about the costs and benefits associated with such a change. Even the

worst-case scenario associated with marijuana decriminalization would not appear to be particularly dire. Thus, advocating such a policy change strikes me as a reasonable, plausible policy suggestion.

The authors also endorse “harm reduction” policies such as needle exchanges and methadone maintenance for heroin addicts, based on the European experience. The logic behind such policies is straightforward: it is not necessarily the drug use itself which is an anathema, but the societal externalities that the drugs create, like the spread of AIDS or crimes carried out to support a habit. The authors’ arguments only half persuaded me on this issue, however. In my opinion, more needs to be done to demonstrate that there will not be long-run adverse consequences of enacting policies that dramatically reduce the ultimate costs of drug addiction to the users. In other words, from a deterrence perspective, the specter of heroin addiction eventually culminating in AIDS might be extremely effective in convincing a potential drug user to steer clear.

On the key and most controversial issues—outright legalization of marijuana and decriminalization of cocaine and heroin—the authors do not take a strong stance, arguing that the uncertainty surrounding such policies is too enormous. It seems plausible that violence would fall with decriminalization of cocaine and heroin, but it is far from clear what toll would be exacted in terms of increased addiction. Given that MacCoun and Reuter are among the world’s informed experts on drug policy, they should do better than arguing that if cocaine were legalized they are “confident that total consumption would increase substantially. Whether substantially means 50 percent or 1,000 percent is impossible to determine from existing evidence” (p. 333).

Indeed, I believe one can go further than the authors do in making a strong case *against* the sort of naïve, lightly regulated decriminalization of cocaine that legalization advocates endorse. Pure cocaine is currently

about \$100 per gram on the street. With legalization, price would fall precipitously. Producers could make the drug openly with better technologies and economies of scale. The current price premium charged by sellers to compensate for the enormous risks of death and imprisonment would disappear. Without regulation, it would seem plausible that the price might fall to \$5 per gram or less. In addition, the drug would be safer, easier to obtain, and legal. It seems inevitable that, at least in the short run, usage would increase dramatically—perhaps to current levels of marijuana usage, perhaps higher. If one believes that there are as many as 3 million cocaine addicts currently in the United States, one could plausibly imagine a number ten times as great with lightly regulated legalization, or even as high as current tobacco addiction—25 percent of American adults. The difference between tobacco and cocaine, however, as James Q. Wilson so eloquently puts it, is that “tobacco shortens one’s life, cocaine debases it. Nicotine alters one’s habits, cocaine alters one’s soul. The heavy use of crack, unlike the heavy use of tobacco, corrodes those natural sentiments of sympathy and duty that constitute our human nature and make possible our social life” (Wilson 1990). While I have not done the sort of cost-benefit analysis necessary to conclude that unregulated cocaine legalization is socially unattractive, my impression is that unless one puts an enormous value on the utility derived from cocaine usage, it will be difficult to offset altering the souls of 10–25 percent of Americans.

A drug as destructive as cocaine would likely become self-regulating in the long run: the next generation of potential cocaine users would learn from the destruction of the previous generation and suffer much less. This clearly seems to have occurred with crack: expenditures on crack have fallen 70 percent since the early 1990s, in large part because of adoption rates among younger cohorts, as well as burnout of older users. Unfortunately, a legalization policy is

likely to be associated with large up-front costs in the first generation, before the benefits of lessons learned materialize down the road. More likely, a policy reversal in response to initial increases in addiction would preclude ever reaching the beneficial long-run equilibrium.

There is, however, another policy alternative advocated by Becker, Grossman, and Murphy (2002) that appears sensible from an economist's perspective, even though it has no demonstrative proponents in the public debate: legalization accompanied by very high taxes (designed to keep the price of cocaine at or above its current full price (i.e. monetary cost plus social stigma plus criminal justice risk) and *increases* in expected punishment for those who attempt to circumvent the taxes by selling illegally. Such a regime would have the benefit of keeping consumption at or below current levels, but almost certainly with less violence associated with distribution, greater government oversight, less overall government expenditure on criminal justice, and the potential to raise substantial government revenues. Such a policy is not addressed in this book, but deserves to be.

The broader implication that emerges from this book is that there is a desperate need for better data and increased research in this area if there is any hope for making truly informed policy with respect to illicit drugs. Not only are many basic questions currently unanswered, in many cases the key questions are virtually *unasked*. While there are many papers attempting to estimate the price elasticity of demand for drugs, prior to Ilyana Kuziemko and Steven Levitt (2003) there was not a single serious attempt that I am aware of to estimate the extent to which harsher punishments for drug crimes are associated with higher drug prices, or the extent to which imprisoning drug offenders reduces or increases other types of crime.

Kuziemko and Levitt (2003) tentatively conclude that the increase in drug punishment over the last fifteen years has led drug prices to be 5–15 percent higher than would otherwise be the case. Kuziemko and Levitt also estimate that violent and property crime are 1–3 percent lower as a result of the incarceration of drug offenders. This result may seem counterintuitive since increased drug prisoners have crowded out punishments for other offenders. Empirically, however, incarcerating a drug criminal yields almost as large a reduction in violent and property crime as locking up someone convicted of those crimes. As a consequence, the net effect of increasing drug punishment is to reduce other crimes. The Kuziemko and Levitt study, however, suffers from many imperfections, and the field is wide open for creative researchers.

In conclusion, MacCoun and Reuter's book is a timely, careful, thorough, and honest analysis of the current state of knowledge with respect to drug policy. I highly recommend it to people interested in this issue.

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