

Macro Roundup Article

Headline: [Mulligan And The Demand For Opioids](#)

Article

Link: <https://johnhcochrane.blogspot.com/2023/02/mulligan-and-demand-for-opioids.html>

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Summary: There are two ways to buy opioids, 1) legally or semi-legally; i.e. get opioids that come from pharmaceutical companies and are prescribed to someone by a doctor or 2) illegally. There is a fixed cost of entering the illegal market. So, imagine a drug user starting at B. At that price for legal (red) and illegal (black) drugs, the user chooses legal drugs at point B. Now raise the price of legal drugs, as shown by the arrow. If the user stayed with legal drugs, he or she would use less. But now there is an option, incur the fixed cost and buy illegal drugs on the black line. At the higher price for legal drugs that makes sense. But since the marginal cost of illegal drugs is lower, once the user has overcome the fixed cost, he or she uses more. Raise the price, and they consume more (of a substitute).

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Primary Topic: Poverty/Crime

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