

Macro Roundup Article

Headline: [Thick Market Externalities and the Persistence of the Opioid Epidemic](#)

Article Link: <https://www.nber.org/papers/w32055>

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Tweet: [The spread of information about drugs from person to person, and the ease and safety of acquiring drugs account for 84-92% of the rise in opioid deaths between 1990-2018, and drive the persistence of the epidemic. @Cutler_econ @travis_donahoe](#)

Summary: We focus the bulk of our explanation on a theory: that demand increases endogenously due to spillovers in demand for opioids across people. [Here] spillovers are dynamics such as the spread of information about the substances, and ease and safety in ability to acquire the substances. We test for spillovers using county-level data on opioid deaths from 1991–2018 and opioid shipments from 2006–2009, combined with data on friendships and distance between counties. Estimating a model with addiction and spatial spillovers, we find large spillovers in opioid use and deaths across areas. A shock that increases opioid death rates by 1 in an index county causes 0.38 to 0.76 more deaths in other counties because of spillovers. Because opioids are addictive, this leads to even more deaths and spillovers in future years. In some specifications, these effects are large enough to generate a continuously increasing epidemic without any ongoing changes in demand or supply. We estimate spillovers explain 84 to 92% of opioid deaths from 1990 to 2018 and are the main reason deaths have increased for so long. In our preferred models, spillovers explain most opioid deaths since 1990 and are the main reason the epidemic has not burned out. Related: The Rise in American Pain: The Importance of the Great Recession and Importing the Opioid Crisis? International Trade and Fentanyl Overdoses and Democracy and the Opioid Epidemic

Primary Topic: Demographics

Topics: Academic paper, Database, Demographics, Politics, Poverty/Crime, Workforce

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