

- Course doesn't entail just monetary means of illegal drugs.
- Internality vs. Externality
- Positive vs Normative Economics.

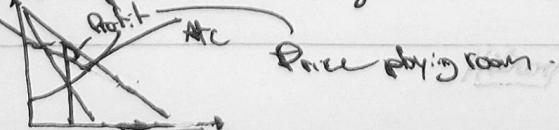
Shut Down The D.E.A. - L. Beldotsky & J. Goetzka - NY Times - Sept 16.

- DEA
- DEA costs billions
 - Brain child of the war on drugs which made things worse.
 - Controlled Substance Act - To regulate manufacturing, importation, possession, use & distribution.
 - Controlled Substance Act obviously didn't work.
- CST
- Ex
- Columbia Uni introduced a reward based to drug abusers which worked.

- DEA
- DEAs track record is dismal
 - Spilled into Canada
 - DEA essentially created a very good blackmarket.
 - DEA monitored doctors prescribing drugs so the doctors in limited drug opiod prescription or switched patients to drugs that didn't work
 - Homeless + OD → too sick to be admitted hospital.
 - Drugs like heroin increase HIV, STI, crime.
 - No border won't help drug crisis, still a market in US.
 - Drug crisis should be held on municipal level (not federal).
 - Drugs aren't going anywhere, will always be around.
 - Colombia, Mexico, Afghanistan, Bolivia, Peru → Biggest drug countries,
~~International Market~~
- Facts

- RSCM
- Cartel Theory of Oligopoly - \$.
 - Interns of transportation, Economists find it's easy tracking country to country but from then on until resale, it isn't known too much.
 - Decrease in Supply, increase in Demand, increase in policing = ↑ Price.
 - Wholesaler sell at endogenous manner.
 - Inside the organized crime → protected, control prices, higher profit
- Economist View
- RSCM
- Renter → Lots of work on drugs.

- RSCM
- Noted Lynch by William Burroughs
 - Drop in prices discourage others from entering the market.



- Organized Crime wish to close all entry to drug market so profit would maximize.

- ~~Organized Crime is not a monop.~~
- Drugs are not a monopoly market.

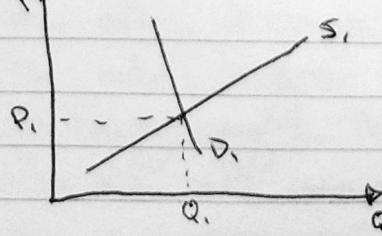
Addictive Consumption.

- If addictive consumers resort in an odd way to a price increase, then the public domain are the reason.
- Are addictive consumers irrational humans? (Take consideration in economics).
- When anti-drug campaign lie, the youth begin to not listen and lose trust.
- Drugs have good qualities as well as bad qualities.

Supply & Demand of Illegal Drugs.

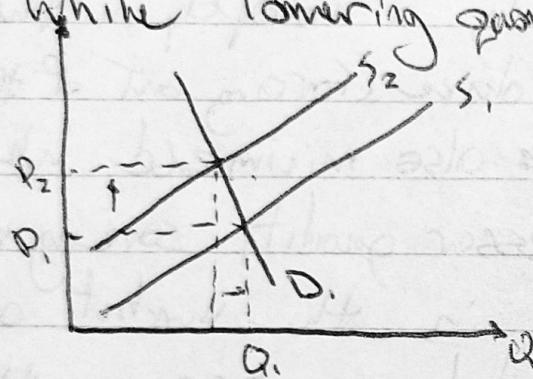
- Roles - The suppliers in the market are producers, wholesalers, dealers. They wish to maximize profits and minimize costs. A way to maximize profits is by becoming a monopoly in the market. This results in violence (forcing out of the market). Costs are also minimized when the product is made to a lesser quality, saving production costs.
- The buyers in the market are drug users. For this model we assume that the drug user is a recreational user not an addict. This means that they are able to make rational decisions, and follow normal buying patterns.
- The external factors which influence the government. They wish to minimize drug trafficking to win the war on drugs. Their decisions can affect both the buyers/sellers directly.

• ~~Supply & Demand~~ Supply & Demand: The supply curve is obviously represented by the dealers etc. Their supply curve is quite the typical curve being about 45° . The movement of the curve matters more. The demand curve is the buyers domain. This curve is steeper than most only for the reason of the drug being somewhat addictive. ~~This means the~~

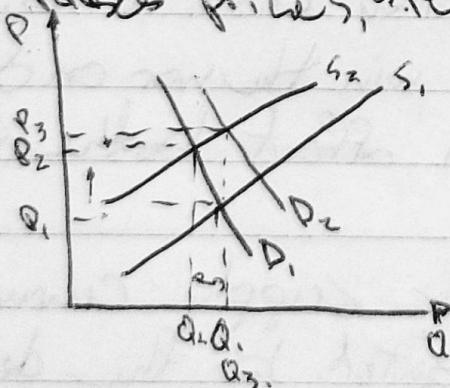


Hilary

- Let's say the government wishes to increase border security to restrict the supply of drug. This moves the supply to the left, and in the meantime raises the price while lowering quantities.



- In an attempt to raise profits the organized crime begins to try & social market the drug to gain social status. This raises the demand for the drug. It simultaneously raises prices, & returns to the original quantity.

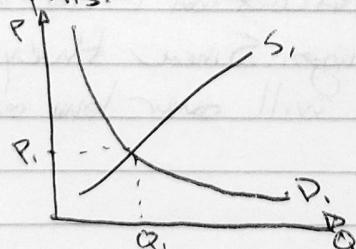


This ensures the organized crime the most profit given the situation the government has inflicted upon them.

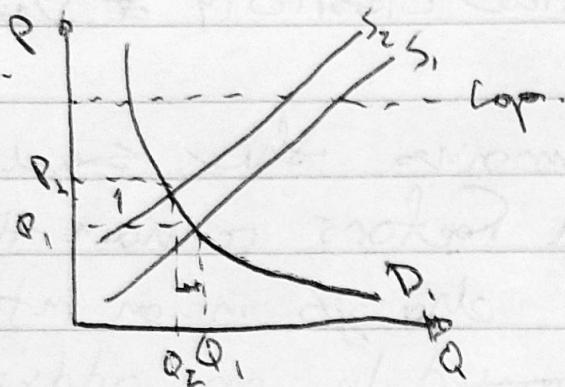
Addictive Consumption & Price Elasticity of Demand.

Supply & Demand: The supply remains the same as before. The external factors remain the same. The demand changes in an interesting way. The demand for an addict, they are willing to act as a irrational human beings. The changes the straight line demand in the a convex curve. We should also note 2 things: ① Drug Addicts have very limited income, ② They only exist in short run markets.

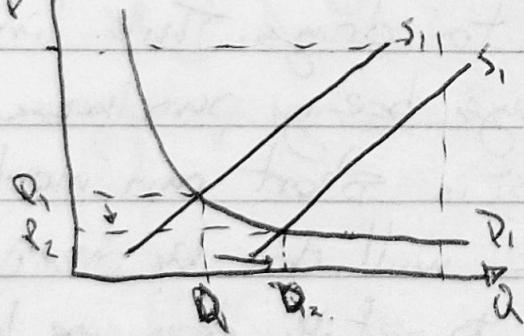
We assume drug addicts are living off minimal income where most of their income goes to drugs. This limits the amount of drugs being purchased. We assume they only exist in short run markets because they inevitable will die by overdose, by doing something to get the drug, by hypnics etc. Visually we achieve a graph that looks like this:



Let's say government wants to restrict drug traffic so they raise the penalties that result from the selling of drugs. The suppliers will want to reduce their supply to reduce their risk of being caught. This moves the supply curve to the left, increasing price by a large margin & decreasing quantity by a smaller amount.



Since the addict is an irrational human, he/she will pay the higher price for a lesser quantity. Inversely, if the organization become more efficient at transporting the drugs, the supply curve would move to the right. This decreases the price of the drug and increases the quantity demanded.



When the addict sees a drop in price intuitively the reaction is to buy a higher amount of drugs. Since they are irrational they will over buy or overdose on the drugs.

DRUG LAW ENFORCEMENT & SUPPLY CHAIN

ASSIGNMENT ARTICLE

DRUG ENFORCEMENT & DEMAND ELASTICITIES

DRUG ENFORCEMENT & PIGOU TAX

Cultivation/Formers

Extraction/Makers

Drug Organization

Wholesellers

Dealers

Buyers

DRUG LAW ENFORCEMENT & SUPPLY CHAIN

- The black market & more specifically the drug market is difficult to monitor & predict because there is very little to no data on the topic. In spite of this we can still make assumptions that allow us to model the market as we see it. In the simplest model (~~Supply Chain~~, the supply & demand is monitored. The supply side has a chain that can be looked at. Most drugs are occurring from natural sources but some are also chemically created. This means that the supply chain might be different but by a minute difference. Typically the chain follows this; Cultivation/Formers → Extraction/Makers → Organizations → Wholesellers → Dealers
~~Now the Drug Enforcement would want~~. The demand side has a singular entity although. That would be the drug users. Now if the Drug Enforcement wished to decrease this market they would have to stop a link in the supply chain. If we assume the drug enforcement is ~~an~~ a domestic agency & the drug is foreign (like most cases) this creates problems. This takes out about half of the drug supply chain. Since the domestic enforcement doesn't have jurisdiction the foreign land, a seizure of the farmers crop/extracted drug/drug organization supply is extremely difficult. This leaves the enforcement agency the wholesalers & dealers to deal with. At this point it should be noted that the level of importance to the organization decreases. This means that the elimination of dealers isn't ideal because more will just pop up. So the only option here is to stop the wholesalers.

- Wish to eliminate black market
- Do so by creating legal supply of the drug.
- Canada did it in a way that results in a net gain for the black market.
- Cannot supply the demand
 - Not enough crop yield
 - Recalls
 - Need supply for the time delay
 - When legal markets can't supply, the black market thrives.

• Price Difference

- Cheapest strand \$7.50 + standard shipping \$5.65 for a total of \$13.15.
- Street price of \$10
- Less money, & doesn't take as much time to get.

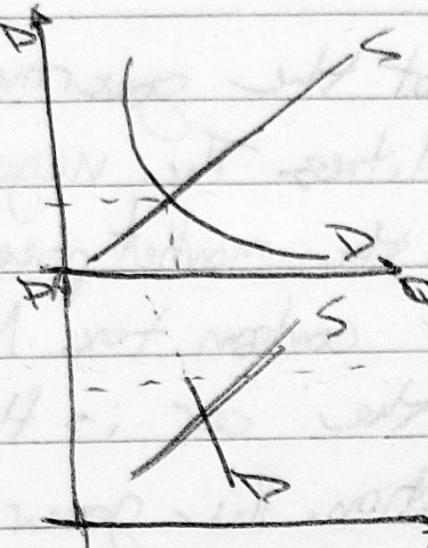
• Physical Stores

- For customers wanting to use marijuana for the first time stores are really important.
- The store allows them to ask questions about varying topics
- This means they are missing out on a whole part of the market.

• Distribution of stores

Demand Elasticities.

- Addict



- Buy drug at many prices.

- Short run markets

- Limited income

- Will buy til a point

- Normal

- Restriction of supply - Addict - will buy at high price

- until monetary limit.

- Normal - will buy until demand not worth

- want to increase demand to

- maximize ~~suppl~~ profits.

PIGON TAX

- The Pigon tax is a tax that the government applies to correct negative externalities. The negative externalities are ones not considered in the market price. An example of this would be the carbon tax. Not considered in the market price of the car is the damage to the environment by pollution. The government introduces the tax to discourage the negative externality. In the case of illicit drugs we assume at this point that ~~most~~ these drugs become decriminalized & are sold by a government sanctioned store. This is assumed because it can be easily be compared to the LCBO or OCS. When we look at the alcohol market we can see that the sin tax takes in a large profit (\$61 billion). This is a large portion of the ~~other~~ money to be made. This is a regressive tax although. This means that the tax is a constant and takes a larger portion of the less wealth part of the market. In this case the tobacco & alcohol market tend to correlate to this section of the market and in this case we assume the drug market does the same. This means the introduced sin tax is regressive.