

Economic reforms and UNGASS: Micro & Macroeconomics of the Supply-Side

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Opening Points

- Effective international cooperation?
- Current framework unsustainable:
 - failures – own goals
 - Irrationalities
 - Costs;
 - disproportionalities;
- Political unsustainability
- Global Strategy IS changing.
 - Can we guide in more rational approach.
- Trajectories of control
 - Past: political will → Prohibition without limits.
 - Future: Commercialisation Q

10 Point Framework

- LSE Expert Group on the Economics of Drug Policy
 - Chair: Professor Danny Quah.
- 5 Nobel Prize Winning Economists; World leading drug policy experts; human rights experts; world leaders.
- ‘It is time to end the ‘war on drugs’ and massively redirect resources towards effective evidence-based policies underpinned by rigorous economic analysis.’

1912-1970s

- Battle:
 - Constructing a system that balances:
 - Prohibitionist' getting to 'zero's **with:**
 - Regulation: planned global economy
- Regulation won.
 - Highly imperfect model: 1961 Convention
- Seized by ascendant prohibitionist ideology 1970s onwards.
- convention system + bilateral diplomacy to internationalise
- 1998 final iteration of “Drug Free World”
- 2008 onwards: emergence of public health and human rights paradigm.

Part 2: System's Regulatory Flaws

Eradicating illicit market

Eradicate Illicit Market

- Most recent grand strategic elaboration:
UNGASS Decade:
 - ‘A drug free world’ i.e. illicit supply to zero.
 - Whether actual or aspiration:
 - priorities & resource allocation.

Microeconomics: Supply Interventions

- Prohibition raises prices.
 - Consumers pay markup to illicit market actors.
 - BUT
- Marginal Supply interventions; footloose; inelastic D:
 - S disruption at E1 where $D = k \rightarrow \downarrow S \rightarrow \uparrow P \rightarrow \uparrow S \rightarrow \downarrow P \rightarrow$
 - $E2 \approx E1$.
 - New violence equilibrium?

Marginal Level

- Marginal spend ineffective/negative?
 - Reuter & Pollack, 2014.
- Metric for optimal spend?
- Huge implications for enforcement and policy priorities. (see later)
- E.g. Cut enforcement intensity in US by 50% and see no increase in consumption.
 - Reuter and Caulkins, 2004.

Macroeconomics: Commodity Prices

- SO, initial spend effective at raising prices to a point.
- Therefore, presumably reducing consumption?
 - Depends on substance; Age of market; elasticity etc.
- I.e. for high value/weight ratio products drastically increases price. E.g. Cocaine.
 - E.g. Cocaine: markup > possible taxation
 - E.g. Cannabis: Taxation possible to substitute for black market.
 - Opium: different criteria.
 - Focus on medicalising consumer country.
 - Minimising price distortions at farmgate.
 - Targeting cross border flows and containing commodity chain?

Macro II: Geography and Externalities

- US and Europe can claim supply side policies in LatAm reduce health their costs. E.g. cocaine.
- BUT Global justice dimension: does not apply to producer & transit countries – “outsourcing” – Quah 2014.
- Where is aggregate price increase distribute: political and violent capital intensive factors yield highest returns → rewards go to bribing politicians and buying weapons.
 - Cocaine markup on Wall Street results in corruption in South and Central America.
 - NOT as result of commodity, but in regulatory framework → benefits to violent and corrosive forces.

Key Take-away: **Fundamental paradox at base of current strategy.**

Tactical Victory → Strategic failure

Policy Responses?

- Shift towards targeted interdiction Policies.
- Decriminalise front end of the commodity Chain.
 - How far?
- Experiment with regulating parts of commodity chain.
 - Not necessarily fully legalised commodity chain?
 - How do issues of commercialisation apply?

Key Economic Issues in Drug Policy Reform

- Spending Imbalance:
 - Enforcement vs. Public health.
 - Marginal returns on investment:
 - Enforcement: Zero or Negative.
 - Harm Reduction: exceptionally high CBA + low Investment baseline → high returns.
 - Treatment services.
 - Increase returns on investment through decrim and reducing policy costs.

Policy Goals Clear

- Minimise the harms of consumption
- Minimise the harms of drug policy
- Minimise the harms of illicit markets
- Experiment with regulated markets
- Focus on price effects
- Move beyond prohibitionist framework
- Adopt, Learn, adapt, improve new policies
- **Manage international drug issues**

Implementation: UNGASS?

- Major reforms feasible. Overt or deeper processes:
 - Interpretive reform...
 - as precursor to written reform?
 - Role of Expert Commission.
- Need to see a normative shift.
 - Happening?
 - → resource shift?

From Internationalism to Regionalism

- UN vs. OAS vs.
- ASEAN
- Russia.
- → UN Commission on Narcotic Drugs (CND) becoming a discussion forum rather than enforcement forum.
- Era of “Policy Pluralism” (Collins, 2014).
- Issue diversification.
 - Components: health; access to medicines; human rights; security; governance; realpolitik. Etc. etc.

Treaty Interpretive Widening

Currently Three Models

I: Resource/State Capacity Limitations:

Selective Enforcement Model (USA)

- “Constitutional Limitations”
 - E.g. Art. 35, 1961 Convention: ‘Having due regard to their constitutional, legal and administrative systems the Parties shall...’
- State vs. Federal:
 - realistic implementation → selective priorities and enforcement.

II: Supremacy of Human Rights

- Uruguay = key proponent, but emerging Latin American jurisprudence.
- UN Charter human rights obligations.
 - Art 103: “in the event of a conflict between...the present Charter and...any other international agreement...the present Charter shall prevail.”
- Uruguay: “has a comprehensive view of the law and obligations assumed by the country not only in the sphere of the Drug Conventions...but also in the field of the protection of human rights”

Supremacy of Human Right II

- Uruguay:
 - “given two possible interpretations of the provisions of the Convention, the choice should be for the one that best protects the human right in question, as stated in Article 29 of the American Convention on Human Rights.”

III: Expanded Definition of “Medical and Scientific” via Experimentation

- Single Convention Commentary:
 - “the term “medical purposes” does not necessarily have exactly the same meaning at all times and under all circumstances.”
 - E.g. Quasi-medical use prior to 1961.
 - Heroin Maintenance and other OST.
- Envisioning regulatory experimentation as precursor to treaty reform?

Closing Points

- National changes → reverberated & destabilised UN system →
- International **normative shift** →
 - Feeding back to national levels globally.
- Post-UNGASS: regional, national and subnational levels. →
- Eventually feed back up to UN level?
 - Empiricism will likely win out. E.g. Harm reduction.

Thank you.

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