Lise Fulland

Government Mafia?

-a socio-economic approach to the legalization of narcotics

-en samhällsekonomisk bedömning av legalisering av narkotika

Economics
C-level thesis

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Summary

Swedish drug policies are among the most prohibitive in the world. Regardless of the ever expanding “narcotics criminal code” (narkotikastrafflagen), the drug use development in Sweden has followed international fluctuations in the narcotics market. A considerable increase in the number of debutants in using narcotics can be seen in the 1960s, followed by a reduction during the 1970s reaching a low in the mid 1980s. This is when the “zero-vision” on drugs is introduced in Sweden. Despite this vision and its accompanying increase in preventive measures, a remarkable increase in the number of users of narcotics has taken place from the 1990s up until the present.

Swedish policy today puts lots of recourses into catching the users of narcotics even though historically and in comparison to other countries punishment and force have not been seen to be the strategies giving results. At the same time the Netherlands who is seen as an ultra-liberal country on the issue of narcotics, show better results than ultra-prohibitive Sweden, better results being fewer serious abusers per 1000 inhabitants. The fact that they have a higher frequency of people regularly using cannabis does not seem to result in a high number of abusers of serious narcotics.

With this paper I wanted to raise the question whether or not the resources the Swedish state today use on the prevention of the use of drugs could be allocated in a different way. In my research I found that the reason for the development of an abuse of narcotics was not the mere existence of drugs themselves, but rather marginalization and social maladjustment. Therefore I think it is time to shift focus from the abuse of narcotics and to these reasons for the abuse.

In my paper I introduce one way of distributing legal narcotics through specialized drugstores where you need a license to be allowed to buy the narcotics. This is to help control the use of narcotics, to prevent illegal distribution, and to obtain information on the use patterns and demand for narcotics. This system is also meant to be a warning system to help the Swedish government to offer help to those who need it.

I have also done a qualitative cost- benefit analysis on the legalization of narcotics, listing all the possible costs and benefits this might have for society.

My conclusion is that regardless of the economical profits that could be made trough legalizing narcotics, there are bigger issues that I have not been able to monetize, that need to be considered when making this decision. One example could be health effects and the value of those.

Legalization is not necessarily the only road to take, but regardless of legalizing drugs or not, focus and resources should be shifted to prevent marginalization and social maladjustment and remove the reasons why people develop an abuse in the first place.
Sammanfattning


Med denna uppsats vill jag ställa frågan om de resurser som svenska staten i dag lägger på att hindra narkotikaanvändandet kan allokeras på ett annat sätt. I min forskning fann jag att orsakerna till utvecklandet av ett missbruk var marginalisering och social missanpassning, inte själva existensen av narkotika. Av den anledningen menar jag att fokus måste flytta från narkotikamissbruket och till anledningarna till narkotikamissbruket.

I min uppsats presenterar jag ett specifikt sätt att distribuera narkotika, nämligen genom specialiserade narkotikaaffärer där man behöver en licens för att köpa narkotika. Detta för att kunna kontrollera narkotikaanvändandet, hindra olaglig distribution av droger, samt för att erhålla information om användningsmönster och efterfrågan på narkotika. Detta system är också menat att hjälpa svenska staten att erbjuda hjälp till dem som behöver det.

Jag har även gjort en kvalitativ kostnads- nytoanalys om legaliseringen av narkotika, i vilken jag räknar upp de kostnader och nyttor detta kan ha för samhället.

Min konklusion är dock att oberoende av de ekonomiska fördelar en legalisering skulle kunna ge, så finns det många omständigheter som jag inte kunnat värdera och vilka bör tas med när man tar detta beslut. Exempel på sådana kan vara hälseeffekter och hur man värderar dessa.

Legalisering är inte nödvändigtvis ändra sättet, men oavsett en legalisering eller inte borde fokus och resurser flyttas för att hindra marginalisering och social missanpassning, och eliminera orsakarna till att folk utvecklar ett missbruk i första hand.
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1 Introduction

Swedish drug policies are among the most prohibitive in the world. Narcotics in Sweden are traditionally seen as a problem imposed on Sweden from the outside. It is the state authorities’ responsibility to protect the Swedish population from this problem, and “zero-tolerance” has been their strategy ever since 1988 when the possession of narcotics for personal use was criminalized. All narcotic substances are seen as one, and no effort is made to differentiate between them.

Regardless of the ever expanding “narcotics criminal code” (narkotikastrafflagen), drug use development in Sweden has followed the international fluctuations on the narcotics market. A considerable increase in the number of debutants in using narcotics can be seen in the 1960s, followed by a reduction during the 1970s reaching a bottom in the mid 1980s. This is when the “zero-vision” on drugs is introduced in Sweden. Despite this vision and its accompanying increase in preventive measures, a remarkable increase in the number of users of narcotics has taken place from the 1990s up until the present. The number of drug police increases, the number of people convicted for drug related crime increases as does the number of young people experimenting with narcotics. Cannabis is the dominant drug both with the serious and the occasional users, and both the number of confiscations and the amounts confiscated have increased the last years. These increases are also the case for amphetamine, heroin, cocaine and other medicaments.

At the same time the Netherlands, which is seen as an ultra-liberal country on the issue of narcotics, show better results than ultra-prohibitive Sweden, better results being fewer serious abusers per 1000 inhabitants. The fact that they have a higher frequency of people regularly using cannabis does not seem to result in a high number of narcotics abusers.

The Swedish policy today puts lots of resources into catching the users of narcotics even though historically and in comparison to other countries punishment and force have not been seen to be the strategies giving results. A country’s total consumption has in the matter of alcohol been seen to have a strong correlation to the damages caused by alcohol. Control and regulations of the total consumption has been seen to successfully reduce the alcohol-related damages in society, this control being age limits, limited opening hours and limited outlets, not prohibition.

Another issue with prohibiting narcotics is the black market. Is it ok that a market so big and so devastating, a market that to such a big extent finances the organized crime giving the drug lords such capital that they can take control over whole countries, is still being left untouched? All we do from time to time is to confiscate a delivery or two, a loss which they will easily make up for by raising the prices on the massive amounts of drugs that still reach the streets.

Would it be possible to move these resources from the criminal markets and into a more effective prevention and damage reduction of drug-abuse?

1 “Forskare om Narkotikapolitiken”, Report 2003:1, tableau 1, page 6
3 Ibid. p 77
4 “Forskare om Narkotikapolitiken”, Report 2003:1, p 16
5 “Vad kostar supen?”, 1998 Anders Johnson
2 Problem, Purpose, Delimitations, Method and Assumptions

In this chapter I will present my problem and the purpose of addressing this problem. I will explain the intentions I have with my paper and also the assumptions and delimitations I have had to make in order to address my problem of choice.

2.1 Problem and purpose

The problem I have chosen to address in my paper is: What possible costs and benefits could occur if we legalize narcotics in Sweden?

In this paper I want to list all the possible costs and benefits a legalization of narcotics could impose on Swedish society. I wish to seek an answer to my question on whether or not the resources the Swedish state today use on the prevention of the use of drugs could be allocated in a different way. I think that today’s methods of prevention and prohibition may not be the only way to go in the fight against narcotics abuse. Historically the development in Sweden has followed the international fluctuations in the use of narcotics despite the strong preventive measures. I think it could be possible to achieve better results through moving resources from prevention, prohibition and punishment to the discovery and prevention of the other aspects that cause serious abuse, namely domestic problems, marginalization and social maladjustment.

What I wish to accomplish with legalization is; better control over and insight in the drug use and abuse in Sweden, reduction of abuse primarily through control, social integration and education, and better opportunities to monitor use patterns and detecting abusive behaviour before it becomes too late. Furthermore I wish to accomplish a reallocation of capital from a criminal market to the efforts made to achieve the goals listed above.

2.2 Delimitations

Since I found this too complicated, I will not be trying to monetize any of the listed effects of legalization. I tried doing this, but it turned out to give too vague and unqualified results. My analysis is meant to be of the qualitative and lucid kind. My objective is not to make a full and complete cost- benefit analysis, merely to raise the debate and to list all the possible effects one would have to consider when doing a more thorough cost- benefit analysis.

I will not be making any assumptions as to how the use of narcotics is likely to change in the future. I will only discuss how it could possibly change as an effect of legalization. The reason for this is that from a historical point-of-view the Swedish development have been seen to follow the international one (however to a less extreme extent) regardless of the Swedish policies.

Because the area of narcotics and the use of them are illegal it is also difficult to obtain explicit information on the matter.
2.3 Method

I will be doing a qualitative cost-benefit analysis (CBA) in order to list all possible costs- and benefits from a social point-of-view. CBAs are normally used to see if a project is socio-economically profitable. A CBA includes all possible costs and benefits that will be imposed on society\(^6\) as a result of the legalization. If the result is positive (the benefits are bigger than the costs) the project in question is social-economically profitable. I will not be doing a complete cost-benefit analysis when most of the possible effects are very qualitative and difficult to monetize. My CBA will therefore be of the qualitative kind.

I chose to do a qualitative CBA because it is a clear and structured way to present a problem and your results and because it takes into account all possible effects on the whole society, for example the effects for the users of narcotics as well as for those in the surroundings. I chose CBA as opposed to a cost-effectiveness analysis (CEA) because I think it is important to also consider the possible benefits of legalization, especially the distributional effects. However as mentioned before, many of the costs and benefits in the case of drugs are difficult to monetize which means that this will be a qualitative CBA.

2.4 Assumptions

What I refer to when I use the term “legalization”, is not a free market driven by your regular supply and demand. I am imagining special drug stores similar to the State liquor shop (Systembolaget) that at the present exists for the sale of alcohol in Sweden. There should be an age limit in line with the one on alcohol today, strict controls of amounts and frequencies of use, and possibly requirements of subscriptions from doctors when purchasing the most addictive narcotics. I will even be giving a suggestion as to how this in practice could be implemented. I will in this paper assume that all drugs would be legalized, but the possibility of legalizing only some of them, like in the Netherlands, also exists.

It is important to understand that in my paper there is a significant difference between a *use* and an *abuse* of narcotics. When I choose to use one or the other term respectively, it will be intentional. My assumption is that a use of narcotics is possible without imposing any costs on society, whilst an abuse is when the use of narcotics takes control over the individuals life and in one way or another imposes a costs on individual and society, for example that the abuser is unable to perform his job duties, something which will lead to a loss in production for society.

I will in my paper be using the terms “drugs” and “narcotics” synonymously.

\(^6\) The society notion will be explained in chapter 6 of the paper.
2.5 Criticism of sources

Narcotics are illegal in Sweden and in most of the world which makes it somewhat difficult to obtain correct information on the matter. A lot of the data I have used in my analysis is based on:

- self-stated information on experiences with narcotics from 9th graders in Swedish schools and young adults in the Swedish military
- narcotics-related diseases and mortality
- calculations by various authorities of the number of abusers
- police- and customs confiscations
- police- and legal statistics and the number of abusers in the prisons

These sources are only indications to the extent of narcotics use in Sweden, but they do seem to correlate.
3 Comparing two opposites, Sweden and the Netherlands

Sweden and the Netherlands have from a European perspective often been seen as opposites in the matter of drug politics. Differences can already be seen in how the problem of narcotics is defined; reasons for the problem, how it is spreading, what measures to take and who is responsible for what?

3.1 Comparing the policies

In the 1960s committees were appointed in both countries to map down and suggest measures to be taken on the question of drugs. In Sweden narcotics were seen as an epidemic with amphetamine being the main problem. Doctors dominated in the committee, and the problem and the people treating it was divided into so called good and evil forces. In 1978 a goal was set to eliminate narcotics from Swedish society. Narcotics were seen as something “un-Swedish” and a problem imposed on Sweden from the outside. “No drugs, no problem” was the strategy with resources being put on: (1) customs to cut the supply, (2) counteraction against demand through police patrolling the streets, information, education and the forming of an opinion against narcotics through the mass media, and (3) compulsory care for the abusers.

In the Netherlands the committee was a mixture of lawyers, sociologists and doctors. Cannabis was the main problem, and there existed a lack of knowledge about the substance because it had no known medical connections. The problem of narcotics was seen as a youth cultural problem that could not be solved through punishment. It was a new phenomenon that was expected to grow fast in the introduction period, but then reach a point of saturation where the increase would naturally end. The measures to be taken were based on the amount of risk connected to the use for the individual and the society, most focus being placed on the narcotics involving the greatest risks. This leads to the creation of separate strategies; one for cannabis and one for other narcotics. The reasons for the problems with narcotics where sought inside the Dutch society. The so called “Coffee-shops” were opened to get the cannabis market out of the criminal area. A more repressive strategy was made for other narcotics, with main focus on customs and police. Preventive measures were taken, like information, education and a creation of a dialogue between parents and their teenagers. The goal of treatment of abusers was either no use or a controlled use of narcotics.

The most outstanding in comparison to the Swedish strategy was the differentiation of substances and target groups, and a focus on risk reduction instead of elimination.

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7 “Forskare om narkotikapolitiken” 2003:1, pp 30-35
8 Coffee houses where you can legally buy and smoke cannabis.
Table 3.1: Summary of the differences in policies between Sweden and the Netherlands

<table>
<thead>
<tr>
<th>Sweden:</th>
<th>The Netherlands:</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Threat to the people</td>
<td>✓ Part of a changing society</td>
</tr>
<tr>
<td>✓ Non-medical use equals abuse</td>
<td>✓ Socially integrated use possible</td>
</tr>
<tr>
<td>✓ United front against narcotics</td>
<td>✓ Differentiation of measures based on risk analysis</td>
</tr>
<tr>
<td>✓ Good and evil forces</td>
<td>✓ Different substances and different ways of use</td>
</tr>
<tr>
<td>✓ Protect the people against narcotics</td>
<td>✓ Protect individuals and the society against the risks involved in the use of narcotics</td>
</tr>
</tbody>
</table>

3.2 Comparing statistics

According to the Swedish policy, the narcotics problem should be a lot bigger in the Netherlands. On the contrary, the annual reports from EMCDDA\(^9\) beg to differ. Their report from 2002\(^10\) is summarized in table 3.2.

Table 3.2: Drug use and abuse in Sweden and the Netherlands

<table>
<thead>
<tr>
<th>Sweden:</th>
<th>The Netherlands:</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ 13 % has used cannabis at least once in their life</td>
<td>✓ 19,1 % has used cannabis at least once in their life</td>
</tr>
<tr>
<td>✓ 1 % use cannabis on a regular basis</td>
<td>✓ 5,5 % use cannabis on a regular basis</td>
</tr>
<tr>
<td>✓ 4,7 serious abusers (per 1000 inhabitants)</td>
<td>✓ 2,6 serious abusers (per 1000 inhabitants)</td>
</tr>
<tr>
<td>✓ More acute deaths</td>
<td>✓ More opiate abusers but less acute deaths</td>
</tr>
</tbody>
</table>

As the table shows, the percentage of young people having tried cannabis at least once in their lives is higher in the Netherlands, 19,1%, than in Sweden, 13%. The same goes for the regular use of cannabis, 1% and 5,5%. The interesting part is that the percentage of serious abusers is quite a bit lower in the liberal Netherlands, 4,7‰ and 2,6‰ respectively. This is evidence that the conception “a high percentage of cannabis users give a high percentage of drug abusers”, is in fact a misconception. I will treat this more thoroughly in chapter 8 of the paper. It seems as though strict politics do not necessarily lead to a lower percentage of abusers.

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9 European Monitoring Centre for Drugs and Drug Addiction
4 Description of Narcotics

In order to create a more informed analysis, it is important to specify what characterizes a drug. I will therefore give a presentation of the main types of drugs that are mostly seen in Sweden.

4.1 Classification of narcotics

The word narcotics come from the Greek “narkotikos” which means sleep, senselessness, intoxicating or intoxication\(^{11}\). The word was originally used on material that was anesthetic, first of all morphine-like substances, and you can recognize it in the medical term narcosis (for example used during operation).

According to the narcotics criminal code (1968:64) narcotics are classified as; “medicine or health endangering merchandise that provoke addiction or have euphoric effects, or merchandise that easily could be transformed into goods with these characteristics or effects and that

1. for those reasons are under control according to international agreements that Sweden is taking part in,
2. have been claimed to be narcotics according to law (1992:860)”\(^ {12} \)

The Swedish government has assigned to the Medical Products Agency (Läkemedelsverket) to make a list over what according to the narcotics criminal code is classified as drugs. According to this law from 1968 (modified version applies today) all illegal contact with narcotics is forbidden and punishable. Illegal contact means according to the narcotics criminal code\(^ {13} \)

“1 § someone who illegally:

1. hands over narcotics
2. produces narcotics with the aim of abusing it
3. stores narcotics to hand it over
4. get, process, pack, transport, store or has any other contact with narcotics that are not aimed for own use
5. distribute narcotics to be sold, store or intermediate payment for narcotics, distribute contact between seller and buyer or any other action like that if this behavior is aimed to promote drug trafficking, or
6. possess, use or has any other contact with narcotics

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\(^{12}\) [http://rixlex.riksdagen.se/htbin/thw?%24%7BHTML%7D=SFST_LST&%24%7BHTML%7D=SFST_DOK &%24%7BSNHTML%7D=SFST_ERR&%24%7BMAXPAGE%7D=26&%24%7BTRIPSHOW%7D=format%3DTHW&%24%7BBASE%7D=SFST&%24%7BFREETEXT%7D=&BET=1968%3A64&RUB=&ORG=](http://rixlex.riksdagen.se/htbin/thw?%24%7BHTML%7D=SFST_LST&%24%7BHTML%7D=SFST_DOK &%24%7BSNHTML%7D=SFST_ERR&%24%7BMAXPAGE%7D=26&%24%7BTRIPSHOW%7D=format%3DTHW&%24%7BBASE%7D=SFST&%24%7BFREETEXT%7D=&BET=1968%3A64&RUB=&ORG=), 2005-11-23

\(^{13}\) ibid.
will, if these actions are intentional, be convicted for breaking the narcotics criminal code and sentenced to prison for a maximum of three years. “

4.2 Different types of narcotics

I will now give a short introduction to some of the drugs I will be referring to in this paper; their names and their effects. The information is selected from the Swedish Police’s homepage\textsuperscript{14}. There they divide narcotics into eight main groups; medical drugs, GHB, inhaled substances, cannabis, drugs that stimulate the central nervous system, hallucinogens, natural and synthetic opiates and doping preparations. Because cannabis, cocaine, amphetamine, ecstasy and heroin are the most common narcotics in Sweden, I will focus on them here.

4.2.1 Cannabis

This is one of the most usual drugs in Sweden. This category is products derived from the plant Cannabis sativa. The most common drug in this category in Sweden is hashish, but even marijuana and cannabis extract, so called hashish oil, is included. Most of the cannabis in Sweden comes from Morocco.

An intensive use of cannabis can result in paranoia and psychosis. The same effects can also appear after a long lasting use of cannabis, something which can lead to serious personality distortions, especially if the use is at a young age. The effects of long-term use of cannabis have been difficult to obtain, however, because most studies have been made on users that combine their use of cannabis with an abuse of other drugs. For example people abusing amphetamine often smoke cannabis to “come down” after a high. For this reason the long term effects of cannabis use are uncertain and much discussed.

4.2.2 Narcotics that stimulate the central nervous system

Central stimulating drugs increase the activity in the central nervous system. The most common in Sweden are amphetamine and cocaine.

Cocaine comes from the coca-plant that grows in countries like Peru, Bolivia, Ecuador and Colombia. By crushing and treating the leaves, coca paste is extracted. This paste is purified and transferred to cocaine-hydro-chloride, the white powder called cocaine. This can also be transferred into “crack” and smoked. In general cocaine is fast working and short lasting.

Amphetamine is a synthetic drug for the first time produced in 1887, mainly for medical purposes. The effect is somewhat similar to that of cocaine, but the most important differences are:

- Amphetamine is used against narcolepsy and some light brain damages in children.
- Cocaine is used as local anesthetic.
- Amphetamine has a longer lasting effect.

\textsuperscript{14} \url{www.polisen.se}, RPS rapporten Drogtecken och symptom, from 2005-11-23 to 2005-12-04
Cocaine and amphetamines provoke euphoria, a feeling that there are no problems. Other effects are the feeling of superhuman strength and a very high self-esteem. Cocaine even has a locally anaesthetic effect. People under the influence of these drugs easily get confused and loose the ability to concentrate and think straight.

A person who overdoses on central stimulating drugs is taken by a sudden panic instead of euphoria, he can get very confused and aggressive. He can get cramps, faint and then fall into a coma. The heart rate increases, sometimes dramatically, something that could cause irregular heart rhythm. This again could lead to a full heart stop. An overdose could also lead to death caused by breathing paralysis.

4.2.3 Ecstasy

Ecstasy is a synthetic, hallucinogenic narcotic. All hallucinogens affect the user’s impression of the surroundings. Ecstasy has shown a growing trend in Sweden for the last years. The effects of ecstasy are strong and intensive, and reality seems grey, boring and sometimes dramatically changed compared to the hallucination. Colours and shapes change, the feelings are shifting rapidly from anxiety and panic to serious depression or exiting ecstasy. The abuse often provokes concentration difficulties, and the surroundings are often twisted so that little things are magnified and big things reduced. Paranoia could occur, and in some cases feelings of guilt so big that they lead to suicidal thoughts. When the high is over, the user often gets depressed. The quality, type and intensity of the experience vary greatly with the user’s personality, expectations, the size of the dose and the surroundings. A certain tolerance can be developed, and the first time is normally the most intensive one.

The hallucinogen itself is seldom directly life threatening, however an over-dosage of the drugs sometimes indirectly lead to death. For example when the user thinks he can stop a train with his bare hands. The extreme panic that comes with a wrong dosage could lead to suicide or death when the user is trying to escape his hallucination. The biggest danger is serious or permanent psychosis.

4.2.4 Heroin

Heroine is a semi-synthetic opiate, meaning that it is both derived from the plant opium and produced in a laboratory. Opiates work as painkillers and create addiction.

All of the opiates have three specific characteristics:

- They work as painkillers
- They give abstinences when the use stops
- They can replace each other to prevent or reduce the abstinences

The strengths of the effects depend on the level of tolerance the user has developed. The development of tolerance happens relatively quickly.

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15 “Drogutveckling I Sverige” Rapport 2004, pp 80-81
The opiates have a restraining influence on breathing. The user can therefore die from breathing paralysis. The skin gets moist, sticky and cold. The user can experience cramps or fall into a coma. There is a big risk of an overdose because the user seldom knows the strength of the opiate.

**4.3 A short history of drug policies in Sweden**

In 1968 the “narcotics criminal code” was introduced in Sweden. From that time and up until today, the law has continuously been made stricter. The number of drug police increases (table 65), the number of people convicted for drug related crime increases (table 69) and the number of drug abusers among inmates in the prisons increases (table 77)

The years around 1980 is seen as a dividing point in drug policies- this was when focus was directed towards a “drug free Sweden”. At this point the abuser was put at the centre, and the police roamed the streets under the slogan “it should be difficult to be a drug abuser”. In 1982 a law on forced treatment for drug abuse was introduced, and in 1988 even the possession of narcotics for personal use was criminalized.

**4.4 A short history of drug use development in Sweden**

The use of drugs amongst Swedish students in the 9th grade (15-16 years old) has been monitored mainly through self declarations by the students in an annual questionnaire (table 59). In the following section I will be referring to the number of 9th graders who have tested drugs at least once in their lives. The questionnaires show a reduction during the 1970s and into the beginning of the 1980s. The bottom was reached in 1985 and the numbers remained low up until the beginning of the 1990s. Then the questionnaires show a pronounced increase from the beginning of the 1990s up until today.

Cannabis is the most common drug both with the serious and the occasional abusers. From the year 2000, heroin and amphetamine have been the dominant drugs among the injecting abusers in Sweden. Even in experimental use, amphetamine is, except for cannabis, more common than other narcotics, even if this has changed a little in the very recent years when cocaine and ecstasy also have become more common according to the police- and customs statistics. For all the different types of narcotics confiscated in Sweden, the trend is an increase in the number of confiscation and in the amounts confiscated. Together with a price cut close to half the price from the 1970 up until today, this is proof of an increasing use of narcotics in Sweden. Even the regular use, as well as the experimental use, has increased during the 1990’s up until the present.

If one looks at the statistics of number of people sentenced for breaking the narcotics criminal code (table 69), one can see a reduction in the number of young (15-20 years) people from the beginning of the 1970s until the beginning of the 1990s. During the same period the number of sentenced between 30 and 39 years old increase. This shows a decreasing number of young

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17 “Forskare om narkotikapolitiken” 2003:1, pp 5-7
18 ibid, pp 8-11
19 Drogutvecklingen I Sverige rapport 2004, p 79
20 ibid. p 86
From the beginning of the 1990s however, the number of young sentenced increase considerably while the increase for the older stops. This correlates with the statements made by the 9th graders.

The number of serious abusers has significantly increased, especially strongly during the 1990s (table 64). This can be seen to have two reasons; firstly that those who start young continue over the years, and are joined by the newcomers. From 1979 to 1992 the medium age in the group increases, and the influx of young people is reduced. Secondly, during the 1990s even the number of young serious abusers increases.

In summary; (1) a considerable increase in the number of debutants in using narcotics in the 1960s, (2) a reduction during the 1970s reaching a bottom in the mid 1980s, and (3) from the 1990s up until the present a remarkable increase in the number of users and abusers of narcotics.

4.5 Correlations between the history of drug policies and drug use development

Has the Swedish drug policies, especially the controls, been successful? The increase during the 1960s can be seen in many other countries, and can therefore be assumed not to have anything to do with the Swedish politics. Significant for this period in Sweden is the experiment between 1965 and 1967 of handing out amphetamine for free to a group of serious abusers in Stockholm. According to a study by Lenke and Olsson this experiment can not be claimed to have a significant effect on the increase in total crime, the increase in total use of amphetamine or to have given an increase in mortality amongst the abusers.

In the Swedish politics during the 1970s there was little punishment of the abusers themselves, instead an offer of help and care. Despite the lack of radical actions, the available data points to an overall decrease in the number of debutantes in the use of narcotics. At the end of the 1970s, the vision of eliminating abuse of narcotics arises, the punishments are hardened and the number of drug police increases. Focus is switched to the abusers. An immediate effect is an increase in the number of young people sentenced for breaking the narcotics criminal code, but then the decrease continues.

The decrease in the 1980s can partly be seen as an effect on young people of the restrictive politics. Mainly it can though be seen as a continuance of the decrease from the “ultra liberal” 1970s. The decrease is followed by a similar one for alcohol.

The increase in the use of narcotics among young people in the 1990s is equally followed by an increase in the consumption of alcohol. The strict measures during the 1980s and 1990s do not lead to a reduction of the extent of narcotics, data actually show an increase. The random urine sampling is seen as a shift of focus from the big narcotics crimes to the smaller ones like the use of narcotics. Already established abusers are not intimidated by police or

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21 Those who has injected narcotics during the latest 12 month period or those using narcotics on a daily or practically daily basis during the last 4 weeks (UNO’s definition).
23 “Forskare om narkotikapolitiken” 2003:1, pp 11-14
24 Eur Addict Res 1998;4:183-189
25 Obligatory care, criminalization of use(88), jail for consumption(93), and a doubling of the number of drug police
punishment, and the increased efforts in the care area have not been able to stop the increase either.

It is difficult to find a connection between the development in narcotics use and the development in narcotics politics in Sweden. Use and abuse seem to have developed relatively independent of the punishment- and force legislations, police efforts, jail sentences and care efforts. However in comparison to other western countries, the percentage of young people trying narcotics has been and is low, which can be seen as a positive effect of the restrictive politics in Sweden.
5 Theory of Cost-Benefit Analysis (CBA)

In this chapter I will give a presentation of the method of cost-benefit analysis. I will, for simplicity’s sake in the continuance of this section use the short version CBA when I am referring to cost-benefit analysis. My theory on CBA is mostly collected from Mattsson (2004) and Boardman (2001). The explanation on why I chose to use the method of qualitative CBA is given in section 2.3.

5.1 History

The year 1844 is seen as the birth year of CBA. The reason for that is because this was the year when the French economist and engineer Jules Dupuit published his paper on how to measure the benefits of roads and bridges. In this paper he introduced the term “relative utility”, something economists today call “consumer surplus”. Consumer surplus means the difference between a consumer’s total willingness to pay and the actual price the consumer has to pay. Dupuit points out that the total benefit of a bridge should be calculated as the sum of the total willingness to pay (hence include the consumer surpluses) and not merely as the price of crossing the bridge multiplied with the number of crossings. If ignoring to do so, one would according to Dupuit underestimate the value of, in his example, the bridges and roads. Dupuit points out that this is particularly so when it comes to goods that are undividable, meaning that you can not build half a bridge, you either build it or you do not. Unfortunately Dupuit’s ideas were not appreciated until about 100 years later when they were translated into English.

Another economist, whose theories have great importance in the history of CBA, is the Italian economist and sociologist Vilfredo Pareto (1848-1923). His definition of changes in welfare was if it was possible to increase the welfare for one person without making it worse for someone else, this was to be considered a welfare improvement. The English economist Alfred Marshall (1842-1924) defined notions of consumer surplus and external effects, both having great importance in the theory of CBA.

In the 1930’s, the English economists J.R. Hicks and N. Kaldor extended Pareto’s theory on welfare improvement to include possible compensation. This means that if it is possible for the winners to compensate the losers so that both would still be better off, the project will lead to a welfare improvement. This was later criticized by the English economist I.M.D. Little, because the criteria only said that compensation should be possible, not that it actually should be done. Little saw the need of also regarding the distributional effects of a project. Distributional effects of legalizing narcotics are one of the main arguments for legalization in my paper.

One important factor of the CBA is that the calculations involve everyone in a society that could be affected by a project and not only one single enterprise or household. The question

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26 Dupuit’s example: if the fee for crossing a bridge is 10 francs and one consumer would have been willing to pay up to 15 francs to cross the bridge, his consumer surplus equals 5 francs.

27 Now even called a Pareto improvement.

28 Effects on those not directly affected by a project, for example pollution that is very hard to limit only to the users of polluting goods.

29 The so-called Kaldor/Hicks criteria.
of who is included in society is so important in my paper that I will treat it more thoroughly in chapter 6.

5.2 Modern CBA

The 1950’s can be seen as the birth decade of modern CBA, with most of the theory being developed in the USA. Mostly the CBAs came to sight in the treatment of water- and road projects. During the last 50 years the CBA method has spread from the USA to most other countries, including the developing countries. With time the areas where the method is used have grown, and now it is seen in a variety of resource allocation analysis.

In Sweden the method was taken into use by Vägverket in the mid 1960’s as a decision making tool in the prioritizing of road projects. Banverket and Luftfartsverket are examples of two other Swedish governmental bodies that frequently use CBA in their decision making, and it is also used in the health- energy- and labour market policies- departments.

One problem in CBA that has been greatly developed is the monetization of intangibles and the choice of discount rate.

5.3 What is modern CBA?

The following seven criteria should be fulfilled in order to call something a CBA (I am still mainly relying on Mattsson (2004) and Boardman (2001)).

5.3.1 Problem presentation

Every analysis has to have a clear presentation of the problem at hand. There has to be at least two different alternatives to choose from, all alternatives being clearly defined. One alternative, normally the status quo, is used as a reference point. The calculations will then treat the effects every alternative has in comparison to the reference alternative.

5.3.2 The calculation notion

To call something a calculus, you systematically have to account for the possible “pro’s and con’s” of a specific recourse allocation (project). The benefits and costs should be listed separately, preferably, but not necessarily, in the same terms. Where a monetization is not possible, one can in words describe the effects and possible scopes of those effects. This is called a “qualitative CBA”. Because of difficulties in obtaining numerical data on for example the size of the resources spent on fighting drug-related crime, my CBA will be of the qualitative kind. One should NOT ignore the qualitative effects just because they do not have

30 Things which are difficult to value in monetary terms, for example noise and environment improvements.
31 How should we discount future costs and benefits into today’s values?
32 To use the same terms on all costs and benefits is very often not possible, when you have to take into account effects that for various reasons may be difficult to for example monetize (how do you put a price on for example high morality?).
33 Boardman et al., 2001, p 40
a numerical value, when it is crucial for decision makers to be aware of ALL possible effects of a project. I will try to monetize some of the effects of legalization in this paper, but find it necessary to emphasize that those values will be based on highly unqualified assumptions, and are only done to give an indication as to what symbol the result might have.

5.3.3 The society notion

In a CBA one measures the effects on the so called society. What is really the society? In daily speech, especially in Sweden, society is often used synonymously with the state, or the public sector. In a CBA society has a somewhat bigger scope. Society equals all individuals within an area, the area being the whole world, or more often limited to a whole nation. Society is therefore not equal to the state or the public sector; these are only parts of the society. The effects of the state’s actions are always measured in terms of the consequences they have on all the individuals affected by these actions. Even the foreigners who visit a country can therefore be included in the society. When it comes to the matter of drug use, the question of who is society or often posed as “who has standing” is an extra important one. I will therefore treat this question more in depth in chapter 6 of the paper.

5.3.4 Connection to the welfare theory

A CBA should have an anchorage in a relevant welfare theory. This theory should tell us how to decide whether the welfare will increase or decrease as a consequence of the alternatives being analyzed, and also give information on how to measure the positive and negative welfare effects on individuals.

On the question of how to measure whether welfare has increased or decreased, there are several theories. Three of them have been introduced earlier in this paper; the Pareto-criterion, the Hicks/Kaldor-criterion, and the Little-criterion (Hicks/Kaldor plus concern for the distributional effects). This theory will be of significance to my paper. One fourth way to measure welfare effects is to try to create a social welfare function (Bergson, 1938). In this welfare function, the costs and benefits of different groups are given different weights. This way one combines the efficiency and distributional concerns in a sort of “grand-efficiency” solution. Different suggestions have been made on how to calculate those weights, I will, however, not account for them here since it is outside the scope of my paper. The most frequently used criteria in CBAs are the Hicks/Kaldor-criterion and the Little-criterion. In summary it will be correct to say that a CBA assumes that a change in welfare can be measured either by the Hicks/Kaldor-criteria or by this criteria complemented with the distributional concerns, i.e. the Little-criteria.

How should one measure the costs and benefits? In the Hicks/Kaldor-criteria society’s change in welfare can be measured through the individuals maximum willingness to pay (WTP) for the benefits from a project and the lowest amount they are willing to accept as a compensation for the sacrifices a project inflicts, willingness to accept (WTA). As explained earlier, the difference between all individuals’ WTP and the actual price they do pay is called consumer surplus. Equally there exists a producer surplus consisting of the difference between the price

34 For example consumers of a new and better road (including the foreigners), the producers who get to build this road, or the tax payers who have to finance the road.
the producers receive for a project and their WTA to carry out the project. There are different ways of actually calculating consumer and producer surplus. The most common and simplest way is to use normal supply- and demand curves. The area between the demand curve and the price-line is the consumer surplus, and the area between the price-line and the supply curve is the producer surplus. This is normally called Marshall’s consumer/producer surplus. There also exist two measures called compensating variation (CV) and equivalent variation (EV). These two measures show that a price change on a good or service also have an effect on the real income of the consumers. I will not go into deeper detail on those terms in this paper, but they are treated more thoroughly in for example Boardman et al (2001).

To summarize, one can say that all calculations that explicitly or implicitly are founded on Marshall’s consumer/producer surplus or CV and EV, should be called cost benefit calculations; the most common being the Marshall theory.

5.3.5 The time of the calculations

CBAs can be made both before, during and after the implementation of a project, the former being the most common and most interesting. When it comes to calculations of for example risk and uncertainty, the results can differ depending on at which time the calculations are done. The most common is to distinguish when a CBA is done by calling them CBA ex ante (before), CBA in medias res (during) and CBA ex post (after). In my case I am doing an ex ante CBA.

5.3.6 The transformation of benefits and costs done at different times

Both private and public decisions can have important consequences that extend over time. To be able to fully compare a cost or benefit occurring in for example 2006 and 2016, one has to adjust for expected inflation. One also has to move all costs and benefits to the same time. The most common way to do this is to use a real discount rate to transform all costs and benefits into today’s values- the present value. Discounting reflects the generally accepted idea that a given amount of resources available for use in the future is worth less than the same amount of resources available today. As individuals we tend to prefer to consume immediate benefits to ones occurring in the future. We also face an opportunity cost of forgone interest when we spend dollars today rather than invest them for future use. These two considerations are called, the marginal rate of time preference (MRTP) and the marginal rate of return on private investment, and they provide a basis for deciding how costs and benefits realized by society in the future should be discounted to be comparable to costs and benefits realized by society today. In a perfectly competitive capital market an individual’s MRTP will equal the market interest rate. I will not go into greater detail on how to calculate the real social discount rate, but will refer those especially interested to Boardman et al. (2001, pp 227-250).

Today the discount rate recommended by SIKA is 4 %.

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35 Explicitly means a direct derivation, implicitly means an indirect derivation.
36 Boardman et al. 2001, pp 3-5
5.3.7 Risk and uncertainty

Risk means that it is uncertain which outcomes will occur in the future, however it is possible to assign probabilities to different outcomes. The risk lies in going through with a project being aware of the possibilities and probabilities of the outcome being of the unwanted kind. Risk calculations are most interesting in CBA ex ante, in the two others you will have stronger implications of the outcome. In a CBA one should measure society’s risk, i.e. the effect a certain project could have on the total production or welfare in the society. If the individuals in a society are risk averse, corrections for risk should be done. However the tax system in countries like Sweden can be seen as a risk dispersing system if the tax each and every taxpayer has to pay is not too high. Therefore the individuals in the society can be seen as risk neutral (when it comes to state financed projects). No risk adjustment will therefore be done in my CBA.

The question of legalization could be said to be subject to a lot of risk because of the great uncertainties of the effects on for example demand, the black market, drug-related crime etc. One could say that the lack of explicit data increases uncertainty about the outcome of legalization.
6 Who has standing?

Earlier in the paper I defined society as all the individuals in an area, the area often being a nation. In a cost–benefit analysis, one important factor for the writer to decide on is whose preferences to take into account in the analysis. He has to answer the question “Who has standing?” Should the preferences of all the individuals in the society count in a CBA? What about thieves and paedophiles? In the case of drugs this is a very delicate problem. Questions have been raised on whether the preferences of the drug addicts themselves should count in the analysis. Adler and Posner (2000) address this problem. They use the terms uninformed preferences, adaptive preferences and objectively bad preferences. I will here give a short presentation of the meaning of these terms. The terms can seem very similar, and one problem is to keep them apart and to decide when preferences are uninformed, and when they are adaptive.

6.1 Uninformed preferences

Uninformed preferences means that lack of information creates preferences that differ from the ones that would exist in a situation of full information. In the example of drugs this would mean that the drug users have a preference for drugs because they are uninformed about the effects the use of drugs has on them and their family and friends. The question is how to treat these uninformed preferences in a CBA.

6.2 Adaptive preferences

The term adaptive preferences mean that the individual has adapted to an apparently bad situation, and hence adapted her preferences thereafter. In the case with drug users this means that they are already in a situation where they abuse drugs, and have adapted their preferences to that situation (meaning they prefer to use drugs even though it may harm them, given the situation they are in). The problems this cause in a CBA is how to treat these adaptive preferences. As an example you can imagine a program to reduce drug use. Here one assumes that drug addicts would be benefited by restrictions on drugs, not harmed by them, even though their actual preferences may well be the opposite. On an actual-preference account of CBA the drug addicts may in fact be hurt by anti drug programs. The preferences of drug users are ignored in CBA’s because they are adaptive, meaning one assume that the drug users, if being in a different situation would prefer not to use drugs.

One problem is to know whether preferences are adaptive or uninformed. Generally it could be said that preferences are adaptive when the person is aware and informed of the dangers of narcotics use, but still choose to use them because of the situation she is in. Either because she has an addiction and because to stop using drugs would be very painful, even if she knew it might be better for her health not to use narcotics, or because she has a difficult life (no home, no job etc) and want to use drugs to escape her reality, she adapts her preferences to that situation well aware of and even because of the effects that has on her. If you prefer to use drugs because of ignorance of the effects, this should be considered an uninformed preference.
6.3 Objectively bad preferences

Objectively bad preferences mean preferences that some people may have, but who by most other people is categorized as bad. For example, people who hate children would have a willingness-to-pay to prevent a children’s vaccine program. This willingness-to-pay would disfavor the vaccine program if taken into account in a CBA, but the question is if these objectively bad preferences should have standing in a CBA. As an example used by Adler and Posner, when the Food and Drug Authorities did a CBA of a regulation designed to curb distribution of cigarettes to children, in their CBA they did not include as a cost the loss of profits to industry, “because most of this profit stems from illegal sales to youths.” A similar dilemma is whether or not to count the loss of profits to the actors on the illegal drug market as a cost of the legalization of drugs, because distributing drugs is by most people considered bad.

6.4 Drug abuser’s preferences

How does Adler and Posner’s theories apply to the preferences of drug users? Are they uninformed? I think that today most people are more or less aware of the effects of drugs, and many people use them just for that reason. Nevertheless it is possible that the strengths and the intensity of effects are unknown to many, and also that young first time users are not fully aware of the possible negative effects of drug-usage. Also there is a general trend, especially with young people, to believe that “it doesn’t happen to me”.

To a certain extent their preferences may be adaptive given the situation of abuse the abuser is in. If he did not have an addiction, he might have preferred not to use drugs. (Here I am referring to the drug abuser as a he. I am however fully aware that it might as well be a she as a he, and I will therefore, without any subordinate intentions, randomly be using both he and she when referring to the drug abuser.)

Are their preferences objectively bad? I am reluctant to compare drug user’s preferences to for example those who hate children. Drug use is by most people considered bad, but for different reasons than for example paedophiles. The drug users do not directly harm anyone else through their abuse. They do however indirectly affect their family and friends, and even though the choice to use drugs is individual, for example a parent’s drug abuse can have serious effects on a child’s life.

In Sweden it is illegal to use certain drugs, which means that drug users per se are criminals. A similar dilemma arises regarding thieves. When a thief steals something, should it in a CBA be counted as a cost of crime, or simply seen as a transfer of value between the owner and the thief, being given a value of 0 in a CBA? When the drug user is doing something illegal, should his preferences count in a CBA? Again I am reluctant to compare drug users to thieves. Furthermore I do not see a drug abuse being worse than an abuse of alcohol, which also negatively affects family and friends, but it is still legal! Another dilemma in a CBA is what line to take when it comes to laws. Should the analyst read the law as it is and say this it what it should be like? Or should a CBA be open for interpretations? Some CBAs might for example be done to try to change a law. For example if you do a CBA on changing the speed limit in one area from 70 km/h to 90 km/h. It is illegal to drive in 100 km/h in a 70- zone, but still a lot of people do it and doing it has a value to them. Should this value be ignored in a CBA just because it is illegal? Considering this CBA is about an alternative legalization of
drugs, something that will decriminalize the use of drugs, and hence put drug users in the same group as non-users.

Another dilemma occurs when I in my CBA have to choose how to treat the effects for the present drug dealers, mainly their loss in economical profit. In a CBA you normally do not treat a company’s economical profit as a profit for society; you merely treat it as a transfer from one to another, hence not increasing the social welfare (even if it increases the company’s welfare). A dollar is a dollar regardless of who receives it. This is the case if you do not consider the distributional effects (compare the discussion on Little). In my CBA I will consider the distributional effects of drug trafficking. This means I will treat the loss of real economical profit to the drug dealers not merely as a transfer from the drug dealers to the Swedish state, but also as a profit of legalization because it means a transfer from the criminal drug-dealers who use their money to finance organized crime, and to the state who can use these resources for damage reduction. Why can I call the drug dealers and not the drug users criminal? Because the drug dealers will remain criminal even after a possible legalization; it will still be illegal to sell drugs outside of the drug stores. The use of drugs will on the other hand be legal.

Adler and Posner (2000) note several characteristics of the preferences of a drug user; “Rather than being adaptive or objectively bad, it might be the case that a drug user’s preference is (1) uninformed, in the sense that she is mistaken about the consequences of drug use (health consequences, the risk of addiction); (2) akratic, in the sense that the drug user prefers not to use drugs, given their consequences (of which she is aware), but nonetheless irrationally continues to use them; (3) conflicted, in the sense that she has a first –order preference for drug use but a second-order preference not to have this first-order preference; or (4) coerced, in the sense that the drug addict has a preference for drug use only because she will experience miserable withdrawal symptoms if she stops using drugs.”

In conclusion considering this paper is treating a possible legalization of drugs, I do think that the drug-users’ preferences should have standing in this CBA, regardless of the classification one might choose to put on them.

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38 “Akratic actions can be defined as free and intentional actions performed despite the judgment that another course of action is better, all things considered.” [http://www.philo.umontreal.ca/textes/Tappolet_AKRATIC.pdf](http://www.philo.umontreal.ca/textes/Tappolet_AKRATIC.pdf), 2006-01-06
7 My proposal

When I am talking about a legalization of drugs I do not mean that they should be sold on a free market driven by supply and demand. My proposal follows below.

Drugs should be sold in special drug stores. To be able to buy them you have to be above a certain age, for example 20 (the same as for alcohol in Sweden). Furthermore for the narcotics that are more dangerous (f ex heroin) an additional doctor’s prescription might be required. Possibly heroin should not be sold at all, instead methadone should be offered to those who need it.

In addition to being old enough, you also have to register to get a license to buy drugs. To register you have to live in Sweden (have a Swedish personal number). With this license you get a card. This card is unique for every individual, and in order to get it (in addition to meeting the other requirements) you have to pass a “drug-test” (similar to the theory test when getting your drivers license). The test is about drugs, the effect they have on your mind and body, and the possible damages a long-term abuse could cause. This way one can be certain that all those with a permit are fully aware of what they are doing, and the government has transferred that responsibility to the users.

The card gives permission to buy drugs. However, you can only buy a certain amount during a certain period, for example one dosage of cocaine a week. The possibility exist to differentiate the quantity restriction on individual terms. This limit in the card is to avoid overuse and to prevent sale to under-aged or others. The dosage should be so low that it only suffices for one person’s use. The way I’ m thinking is that people who do not do drugs themselves are not likely to register for a card just to sell one dosage a week. So the people who get the card will be the ones who use drugs themselves, hence they will want to keep the dosage for own use. This way you keep control of the amounts used, and, at least to a certain extent, prevent drug trade. This assumption is however very uncertain. The reason for this is what effect the quantity restrictions will have on the black market. It could be expected that some illegal trade will prevail because of these quantity restrictions, and the question is to what extent and to what prices? If the price is high enough on the illegal market, there will exist incitements to register for the card just to resell your legal dosage there.

Furthermore every time someone uses their card, it should be registered in a database. This way if someone uses his/her card a lot, they should automatically get an offer, either by sms, by e-mail or by mail, to make an appointment with a psychologist or someone in the school system or some other qualified person. This is to try to find the reasons for the frequent use, and to catch possible candidates for abuse before it’s too late.

The moral issue of registering people’s consumption arises. But we live in the time of surveillance. We already register people’s use of prescription drugs. When you use your credit card, it is registered. Mobile phones make it possible to, within a certain radius, map down people’s movements. Surveillance cameras are in shopping malls all over the world, even the whole of London inner city is monitored. Is the registration of how much drugs people use worse than forbidding them to use at all?

Another problem that can be solved through legalization and drug-stores is that people often don’t really know the best and safest way to use the narcotics. In these drug-stores the staff is
qualified and can give out the necessary information and advice on how to safest use the narcotics. Also the drugstores guarantee a certain quality and most important a known quality of the narcotics, something which also will help prevent over dosages and misuse.

In summary the card is meant to control the use, make it safer, prevent sale to under aged and to try to catch people in the danger-zone before it’s too late.
8 Price effects

If legalizing narcotics, one big question is what price to put. A high price could reduce the demanded quantity\(^{39}\), but could increase drug-related crime, and would not eliminate the incentives to sell narcotics on a black market, in fact it may even raise the prices on such markets. A low price could decrease drug-related crime, remove the incentives for illegal trade, but increase the quantity demanded. To decide what price-strategy to choose, it is important to understand what effects a high and low price respectively could have on demand. However, in the case of drugs it is also important to understand the reasons why some people become abusers and others not, in order to see that it is not necessarily only depending on price levels.

8.1 High prices

One thought when legalizing narcotics is to put the prices so high that no-one could afford to buy them. It is however quite clear that this is not a possible option. A high price will only lead to continuing sale of narcotics on an illegal “black” market. To understand this, imagine the theory of substitutes. Illegal and legal narcotics will become substitutes for each other. If the price of one of the goods goes up, in this case that of the legal narcotics, demand will increase for the substitute, the illegal narcotics (compare diagram 8.1). And because the supply curve is upward sloping, a shift in the demand curve will not only lead to an increase in the demanded quantity, but also an increase of the price on this market. In this case the whole intention with legalization is gone, it would only allow the illegal narcotics distributors to sell narcotics at a higher price.

Diagram 8.1: Effects of high price on substituting goods

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\(^{39}\) According to the laws of demand on normal goods; a higher price reduces the demanded quantity.
If we raise the price on the legal market (to the left) in order to decrease the amounts of narcotics sold there, it will lead to a shift in the demand curve on the illegal market (to the right). Because the supply curve is upward sloping, this will both increase the amount of narcotics sold on the illegal market as well as the price on this market. The desired effect of reducing the consumed amount of narcotics has failed, on the contrary illegal drug distributors can sell more at a higher price (in this diagram it looks like the increase in the black market is smaller than the decrease in the legal market, but this drawing is not proportional, it’s only demonstrational).

8.2 Low prices

The best way to stop the illegal market is to set a lower price on the legal market. This way the illegal dealers will have to lower their prices in order to sell anything, and at some point the costs (mainly because of the risk) will be higher than the possible profit, meaning the incentives for illegal distribution of narcotics will be eliminated. However in the case of strong controls of output like I have suggested in my proposal, the effects of a lower price might be offset a little through lower availability (limited opening hours, age limits and quantity control). The question therefore remains how big of an effect will legalizing narcotics really have on the illegal market if we put strict quantity controls instead? What will happen to the demanded quantity on the black market? And what will happen with the price on this market?

If we consider the case of substitutes again, a decrease in the price of one good, the legal narcotics, will lead to a shift in the demand curve on the illegal market. Because the supply curve is upward sloping, this shift will not only lead to a decrease in demanded quantity but also to a decrease in the price of illegal narcotics. The best case scenario would be that the price decreases so much that it becomes unprofitable to illegally distribute narcotics. Unfortunately a quantity control on the legal narcotics market could be expected to offset the price reduction effects on the illegal market because there will still exist people who has a willingness to pay (WTP) equal to the legal price or higher but who, because of the quantity control are not able to buy (figure 8.2, striped area).

Figure 8.2: Effects of a quantity control
The striped area represents a surplus of willingness to pay on the legal market. Depending on the price on the illegal market, these consumers are likely to buy their drugs there if that price is lower than their WTP. The question is how big will this striped area be? This is a very interesting and important issue in the question of legalizing narcotics, and it is worth looking into. However I will not do that in my paper, since I find it outside the reach of my knowledge.

The biggest concern with lowering the prices is that it is expected to lead to an increase in demand, meaning that more people will buy narcotics. If this is the case, the question is to what extent will demand increase, to what extent will this lead to an increase in the abuse of narcotics and what costs does this lead to for society?

8.2.1 Cannabis as a gateway

Traditionally cannabis has been seen as a gateway to the use of stronger narcotics. This being the case, legalizing cannabis and lowering the price could be expected to increase the number of narcotics abusers in Sweden. However if you look at for example the Netherlands, who has a higher percentage of people regularly using cannabis, they do not have a higher percentage of serious abusers of narcotics, as a matter of fact they have one of the worlds lowest number of abusers per 1000 inhabitants.\(^40\) Data show that very few of those who have tried cannabis also move on to trying heroin. The development of serious abuse has its roots in other factors than how many who try narcotics. To say that cannabis is a gateway to stronger drugs is therefore not possible. On the contrary I think that legalizing cannabis could even have the opposite effect. Imagine the situation when a person, lets call him Pete, goes to his dealer to buy cannabis. When Pete gets there it turns out that the dealer didn’t have any cannabis after all. However he does have some cocaine, maybe Pete would be interested in that instead? Pete, who came all this way, took the risk and came up with the money, already had his mind set on buying cannabis, so he buys the cocaine instead. This would never have happened if Pete went to the legal drug-store, there he would have bought cannabis like he intended to in the first place.

8.2.2 Who abuses drugs?

What is it that makes some people abuse narcotics and not others? What I am assuming in this paper is that there is a difference between a use and an abuse of narcotics. The way I see it a use of narcotics is possible in the same way as a use of alcohol. Clearly there exist many who do not agree with this theory based on Goldberg (2000), for example one of the strongest opponents to narcotics in Sweden, Nils Bejerot. In Goldberg (2000), a distinction is made between “problematic consumers” and “recreational consumers”. The first group are the ones whose lives are controlled by narcotics; the obtaining and the consumption of these. The latter group are the ones for which the use of drugs is merely a part of their lives just like other spare time activities like sports, travel, romance, shopping, nightlife, alcohol and having fun. Statistics show that individuals in the different groups often have different social background, which makes it important to study the consumption of drugs from a social perspective.

Serious abuse is most often connected to marginalization and social maladjustment. Data show that people with a serious abuse of narcotics most often; (1) come from poor homes, (2) have experienced conflicts within the family, (3) have physical and psychological health problems, (4) are/have been unhappy in school, and (5) have had earlier experience with the authorities, for example have been taken into temporary custody and replaced outside their home\textsuperscript{41}. The psychiatrist Leon Wurmser, claims that non of the abusers he has treated during his life could be assumed to be in perfect mental health without narcotics, meaning that their abuse of narcotics can not be blamed for their poor mental status, just added to the list\textsuperscript{42}. Heavy abuse of narcotics has also traditionally been high in countries with high unemployment, and not surprisingly the unemployment among young people in Sweden shows correlation with their use of narcotics\textsuperscript{43}. The causality could in this case be difficult to trace.

8.2.3 Probable effects of legalization and lower prices

How will a legalization of drugs and the following drop in price affect the number of people who try or use drugs? There exists no data on how many Swedish inhabitants that today do not use drugs today simply because they are illegal. So what will happen to their “demand” for drugs when it becomes legal? In a 1985 survey done in the USA among people who had voluntarily stopped using cocaine, 21 percent claimed they did so because they feared for their health, 12 percent because they were pressured by friends and family, and 12 percent because the drugs were too expensive\textsuperscript{44}. The remaining 55 percent had not given a reason for why they had given up. However, it does seem reasonable to assume that these reasons for quitting or not at all trying to use narcotics will still exist even if drugs become legal, meaning that a legalization will not lead to a rush of people to the drug-stores.

The people who today do not use drugs because it is too expensive, might be more likely to use drugs after legalization. Still like explained above, the reasons why some people develop an abuse of narcotics are others than the mere existence and availability of narcotics. I believe that being a so-called “recreational consumer” is possible in the same way as a controlled consumption of alcohol, and has no real costs for the individual or for society. It is only when the use turns into an abuse that the real concerns and costs enter. Therefore I think that the possible increase in the number of people trying or using narcotics once or a few times in their lives is not a real cost of a legalization, because as claimed above the trying of narcotics in itself is not the reason for the development of an abuse. Because I am of this opinion, any increase in the abuse of narcotics can not be explained by a possible legalization of drugs. Under these arguments, increases in drug use and abuse should not be included on the cost side of my CBA.

A lower price on legal narcotics can also be expected to reduce, and hopefully in time eliminate, the illegal drug distribution, and therefore also the organized crime, which can be seen as one of the big benefits of legalization.

\textsuperscript{41} "Narkotikan avmystifierad” 2nd edition 2000, Ted Goldberg
\textsuperscript{42} ibid.
\textsuperscript{43} "Forskare om Narkotika”, Report 2003:1, p 16
\textsuperscript{44} "The economics of legalizing drugs”, 1990, Richard J. Dennis, Atlantic Monthly :266; p129
When it comes to the serious abusers, I think they have a more or less constant demand for narcotics that will not be significantly affected by changes in price\textsuperscript{45}. They have an addiction, and they do not always have a choice whether to consume or not, they simply have to. So for this group, a price increase will mean they’ll have to have more money to purchase their demanded quantity, and in some cases this might lead to an increase in their criminal activity. A price reduction however, will not lead to a significant increase in demanded quantity for this group, but it will mean that they’ll need less money to finance their abuse, and their criminal activity could be expected to decrease. What can be said about this group of narcotics abusers is that they will continue to buy at least part of their demanded quantity on the illegal market because of the quantity controls. How much is impossible to say. The question is what is worse: the way it is today, or the way it could be with legalization. The way I see it, the legalization with a lower price on legal narcotics, will have to lower the price on the illegal market at least a little bit as well as the quantity sold on this market (compare above), and that could be seen as an improvement to the status quo: less drug-related crime and a smaller quantity of illegal narcotics sold.

If we look at the other group, the occasional users of narcotics, I assume that their demand for narcotics could be expected to follow the normal laws of demand to a bigger extent. With this I mean that their demanded quantity will increase with a price reduction. However I think that even though their demanded quantity will increase compared to what it is today, I do not think it will increase over the restricted quantity, meaning that I think they will never enter the illegal market. They will be satisfied with the “one dosage a week” or so quantity restriction I proposed because their consumption of narcotics is not driven by an addiction, it is merely an experimental part of their consumption in line with their other spare-time activities (compare 8.2.2). It is difficult to estimate exactly how big this increase will be, but because I assume it will not impose any costs on society, it can be ignored.

For an occasional user of narcotics I would say that one dosage a week is quite a lot, meaning that there unfortunately exists the possibility of re-distribution, depending on the price on the illegal market. One alternative is to differentiate the dosage levels in the card I proposed, so that the problematic abusers have a higher quantity limit while the recreational users get a lower one. This way you can halt the re-distribution to a certain extent and let the problematic abusers buy a bigger portion of their demanded quantity legally. The dilemma of how to decide who is a problematic abuser and who is not arises, but this could possibly be done by a doctor or a psychologist by looking at their social status, work situation, financial situation etc.

The way I see it, it all comes down to how things will be compared to status quo. Summarizing my assumptions, legalization could be expected to increase the occasional use of narcotics, but at the same time reduce the demanded quantity on the illegal market, and reduce the drug-related crime. And since I am assuming that occasional use of narcotics does not impose a cost on society, this increase in the demanded quantity for occasional users can not be seen as a cost of legalization. Therefore I would conclude that, under my assumptions, the state of legalization with a price reduction would be considered an improvement to status quo.

9 Possible benefits of legalization

In this section I will discuss the possible benefits of legalization, both from the society’s point of view, and from the users of narcotics’ point of view. Most of these benefits are very qualitative, and I will not try to appreciate their monetary values.

9.1 Tax income

The most obvious purely economical benefit from legalizing drugs is the possible tax income. A normal mistake is to see this as a benefit to society from the project the CBA is evaluating. From a CBA/social perspective this is only a transfer from the tax payers to the state, not a profit to society, and should therefore normally not count in the CBA. However, in this particular case it is important to consider the distributional effects of the legalization. If you look at from whom and to whom these resources are transferred, the distributional effects themselves are beneficial. Legalization will lead to a transfer of resources from the drug dealers, who used to get this money, and to the Swedish state. Instead of financing organized crime, the income from the sale of narcotics could be used by the Swedish government.

One question may appear: does the money have a zero value in the hands of the drug distributers? The answer all depends on how you choose to look at it, but from a social point-of-view, in my opinion, at least it has a greater value when given to the Swedish state. An alternative approach would be to count the income as negative when it is in the hands of the criminal narcotics distributors, because of the negative activity this money is often spent on.

The tax income is not meant for the state to earn money. Normally tax money should be distributed to areas where they give the highest utility per capita. However in the case of drugs, I think an alternative should be to reserve at least some of the income from the sale of narcotics to be used on the prevention of drug use and on the rehabilitation of those who abuse narcotics.

9.2 More efficient resource allocation

Legalization could help placing resources in the right place. Today we spend lots of resources on catching the occasional cannabis smoker through random urine sampling. What effect does this really have? Already established abusers are not intimidated by punishment. Are the effects of occasional use of drugs really so damaging that it is defendable to spend so much resource on it? Or could these recourses come to a more efficient use by focusing on the things that are really damaging and the root to the problem itself? The drugs are not the problem; resources need to be put on preventing people from thinking that they need to use drugs in order to cope with everyday life.

When legalizing narcotics, the possession of narcotics for own use, and the actual use of narcotics is decriminalized. This alone is a big cost reduction from a juridical point of view. It also means that the police can focus more on stopping illegal trade with narcotics on black markets. They can also concentrate more on other types of crimes associated with narcotics, for example stealing in order to finance consumption or driving under the influence of narcotics.
Most importantly, resources could and should be put into the school and child-care sectors in order to help those less fortunate in society and to prevent difficult conditions from bringing them astray. The tax income gives a whole new source of resources that means we do not have to take recourse from other drug-preventing areas. I think the war against abuse of narcotics can best be won through information and education, instead of reprimanding, open discussions and willingness to deal with a problem, not to try to push it away, and through reducing the reasons why some people develop abuses in the first place. I build my argument on the discussion done in section 8.2.2 on reasons for abuse of narcotics.

9.3 Reduction in drug-related crime

Legalization is expected to reduce the prices of narcotics because of the elimination of the “risk-premium” that today’s drug dealers put on narcotics. Nowadays when customs controls are intensified, the price of narcotics increase simultaneously because of the increase in risk connected to the importation of narcotics to Sweden. When narcotics become legal, the price for the legal drugs will not be subject to that risk. The illegal drugs on the other hand will be subject to this risk, something that will make the narcotics sold on the black market more expensive than the legal drugs and hence eliminating some of the incentives for selling drugs illegally! Furthermore, when the price decreases on both the legal and the illegal market (compared to today), less money will be needed to buy narcotics and the crime committed to finance drug abuse could be expected to sink because of this. Finally, drug-use itself is decriminalized, something which immediately reduces a lot of what today is considered drug-related crime.

9.4 Reduction in the income source of organized crime

Organized crime is today widely financed by the distribution of narcotics. When taking over at least parts of this market for narcotics, a reduction in the income source for organized crime will be obtained. This in term could reduce the organized crime itself, at least on a national basis. Like assumed above, some illegal trade will prevail, but still a remarkable reduction could be expected. This reduction can bee seen as the counter post to the tax income to the state. Because we are already considering the distributional effect, counting it again would result in double counting. I do however feel it is important enough to mention it once again.

9.5 Reduction in costs for smuggling prevention

In the first period after legalization the costs of preventing smuggling will probably not be reduced much. It is important to keep it expensive to smuggle and to put pressure on the smugglers to force them to press up the prices on the illegal drug-market. However after a certain period of time, the legalization is expected to remove the incentives for illegal distribution of narcotics, and hence the smuggling will be reduced accordingly. Then it will be possible to reduce the costs related to smuggling prevention. Some smuggling will prevail because of the quantity control, but the reduction in the costs for detecting smuggling should be counted as a benefit for the legalization.
9.6 Better control over and insight in consumption-patterns

The use of the “drug-license” that I explained earlier will radically increase the control of the consumption of narcotics. This is a very big benefit of legalization. The way it is today, one has practically no direct control. Prohibition forces the sellers and users under ground where they are difficult to monitor. Statistics are based for example on numbers from the police, and on young people’s own statements about their consumption. This information is possible to misinterpret and exposed to bias. Through legalization and registration we could achieve unique and valuable statistics on people’s narcotics habits that can help analyze, follow and predict the evolution in consumption. This will for example help indicate which factors influence the demand for narcotics, what the reasons for abuse are and which measures are most likely to reduce demand.

9.7 Possible benefits for the users

Because I have decided that the drug users’ preferences have standing in my CBA, I will count the possible benefits for them as a benefit of legalization.

9.7.1 Higher availability

It is difficult to know how the users will consider legalization’s effect on availability. Legalization will mean that one will always know where and when one can purchase narcotics and the user does not have to worry about the movements in supply creating periods with great difficulties in obtaining narcotics. It will also reduce the occasions when a user of narcotics is offered a different narcotic substance because the one they actually wanted was not available at the moment (compare 8.2.1). In the drug-stores, the narcotic wanted will always be available.

9.7.2 Lower, stable prices

Legalization will eliminate the risk premium on today’s narcotics, and remarkably lower the prices. This can be seen as a benefit from the drug user’s point-of-view, because it will increase their consumer surplus (figure 9.1).

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46 For example kids making incorrect statements, or statistics from the police being affected by abnormally high confiscations some years and not others.
Legalization will probably also lead to more stable prices something that will make it easier to predict how much one needs to spend if wanting to buy drugs. For the more regular users it will be easier to plan how high of a fixed income will be required for their use.

9.7.3 Less embarrassment

Not knowing how all drug users feel about their drug use, I am hypothetically saying that legalization might lead to less embarrassment of being a drug user because drugs are legal. It is however a very delicate statement, and could be misread as to me meaning that today it is less embarrassing being an alcoholic than a drug abuser. This is not the case, and I am not trying to place judgment on anyone, I am merely suggesting that this might be considered a benefit by the drug users (more so for the drug abusers).

9.7.4 Safer

Buying drugs from a drug store will be a lot safer than today when users have to enter the criminal territory to obtain drugs. Furthermore at the drugstore one can only buy what one can pay for (within the dosage levels) and the problem of “debt-collectors” is somewhat eliminated. The drug stores will for example never force someone to prostitute themselves in order to pay their drug-debts. However, the problem of prostitution may prevail if the narcotics users are forced to borrow money from people who will take advantage of them.

9.7.5 Easier to ask for help

Legalization could signalize a bigger acceptance of a problem and a bigger willingness to deal with this, something that in turn could make it easier for some to ask for help. Now most abuse of narcotics happens behind closed doors, and is not detected before it is too late. With a system like the drug license system suggested earlier in the paper, drug use as a cry for help can be caught on to at an earlier stage, and proper help provided. Also when someone’s use is showing a dangerous trend, this can be brought to the attention of the user, and he or she will
be reminded of the possible damages the frequency in their use could create, and be offered help if it is wanted.

9.7.6 Higher quality

The way it is today with narcotics being processed in primitive laboratories the quality of the narcotics is varying. Lots of different substances are used to mix the narcotics, some of them rather dangerous if the user is not aware of them. Legalization would guarantee the quality of the narcotics and prevent other dangerous substances being mixed in the narcotics. The user would at every time know what it is he or she is using, making it safer and easier to dosage, and eliminating some of the risks of overdosing. They will also be given help to use the narcotics in the right way, something which can be expected to further reduce the risk of overdosing. Furthermore the distribution of clean syringes can help prevent the spreading of HIV.

9.8 Reduction in costs of serious abuse

Some of these benefits mentioned above might together result in a better health status for the users and more so the abusers of narcotics. The monitoring system I suggested will lead to a higher frequency of users being offered help with their abuse, and also the higher quality will result in a lower risk of overdosing and even prevent other unhealthy substances from being mixed with the narcotics (just to emphasize I am not saying that drugs are healthy, but I think my point is clear).

If legalization is in fact successful in reducing the number of serious abusers and consequently the number of drug-related deaths in Sweden, this will lead to a reduction in the costs related to the abuse of narcotics. These costs are for example costs of lost production due to inability to work, costs of sickness benefits, and costs for health care and correctional treatment, just to mention a few. The yearly cost of narcotics abuse on the Swedish society is, for those who are interested, presented in appendix 1.

I will take a closer look at two issues which raise problems in my CBA: (1) fewer drug-related deaths and (2) better health for the abusers. The question is how one can measure these effects in a CBA? There exists more than one suggestion on how to measure the value of lives saved or of health improvements. One method measures so called statistical lives merely as changes in the probability of dying from a given cause. If legalization for example changes the probability of dying because of drug abuse from 0.00010 to 0.00009 in a population of 100 000 people, this is an improvement equal to 1 statistical life. Indications as to how we value one statistical life have been sought through contingent valuation methods and through implicit values based on compensation given for high-risk employment. Mattson (2004) gives a value of 1 statistical life between 20-50 million SEK (2004 numbers). The reason for the great spread in the values is the problem with initial risk, I will however not go into greater detail on this matter here, instead I will refer to Mattsson (2004).
Moral issues are connected with this objective way of looking at lives. Therefore other methods have been used which consider the fact that there is a difference in the number of life years saved and furthermore it is important to have a certain quality in your life; it is not enough merely to be alive. These methods look at so called statistical life years or even at the quality of these years, quality adjusted life years (QUALY). This means that the calculations of a reduced probability of dying takes into consideration how many extra years of living this will give, as well as the expected quality of this life. QUALY is especially used in the health section. There are different ways to measure the value of the QUALYs saved by for example a decrease of the probability of dying from narcotics-abuse, and I will refer to Mattsson (2004)\textsuperscript{49} for further details.

One important factor when deciding how much a reduced probability of dying from drug-use gives in benefit is the number of years this will give, which depends on the age of the people affected by this change in probability. Because drug use is more common among young people, 15-35\textsuperscript{50} the number of life years saved by this probability reduction can be expected to be quite high. When it comes to the quality of these life years, it all depends on how serious of an abuse every individual is in. Some people can fully recover (have no permanent physical or psychological marks) from an abuse, while for others continuing treatments and psychological difficulties caused by a long term abuse, might follow them for the remainders of their life years. Ethical issues arise when deciding if these two types of life years should be given a different value in a CBA because they differ in quality.

I will not try to appreciate neither the value of lives saved nor the possible number of lives saved, when I find that this would be too imprecise and that the possibility exist that legalization will not give this effect at all. I therefore feel it would be wrong to put that down as a definite benefit in my CBA because it would unfairly favour legalization.

\textsuperscript{49} ibid. pp 157-167
\textsuperscript{50} “Forskare om narkotikapolitiken” 2003:1
10 Possible costs of legalization

In this section I will discuss the possible costs of legalization, both from society’s point of view, and from the users of narcotics’ point of view. Most of these costs are very qualitative, and I will not try to appreciate their monetary values.

10.1 Costs of implementing a new selling system

If the government is going to become distributors of narcotics, they will experience costs when implementing the new system. For example, they have to set up the drug-stores and they have to pay salaries to those employed in the drug-stores. In Sweden today the “Systembolaget” has a goal to have at least one store in each municipality.

If the government was to introduce a system like the “drug-license” that I proposed earlier in the paper, there will be further costs in the card system, the supervision of the tests and in the equipment required to register the card activity to send out automatic warning signals.

The costs of buying the actual drugs will be eliminated by the income from selling them, and should therefore not be included in the analysis.

10.2 Increase in drug use

How will the level of drug use be affected by legalization? Will it increase? And if it does what consequences will that have? The effects on demand of legalization are hard to predict, but most people probably have the impression that it will increase the use of drugs. If drugs become cheaper, according to standard laws of demand, a decrease in the price of an ordinary good will lead to an increase in consumption of this good. My conclusion from chapter 8 is that the increase in drug use due to the legalization will not be put as a cost of legalization because I assume that the increase will mainly be in drug use, not drug abuse, and my argument is that a use of narcotics is possible without imposing any costs on society.

Furthermore I claim that a possible increase in abuse should not either be put as a cost of legalization because it depends on other factors than the mere existence of narcotics (compare previous discussion mainly in chapter 8). There is a possibility that an increase in drug use will lead to an increase in costs for society caused by increases in rehabilitation costs, increased number of abusers (who will give worse health and possibly increased mortality which will in accordance to 9.8 increase costs for society), and increased loss in production. But based on my earlier discussion, I still claim it should not be included on the cost side of my CBA.

10.3 Loss of goodwill in the international surroundings

How would the international society react to a Swedish legalization of narcotics? In a time when most other nations are fighting this problem through prohibition, legalization could be seen as a Swedish embrace of narcotics, and a desire to grab a share of the huge income possibilities in the drug market at the expense of the Swedish population. The question is whether the true intentions behind the legalization (my true intentions) will be clear to the
surrounding world. Sweden has a history of being a very restrictive country, and such a drastic turn in strategy could raise questions and suspicion. The way I see it legalization could send out a possible signal of a Swedish willingness to grab the bull by the horn and trying alternative methods to come to grip with this serious worldwide problem. Furthermore information collected by the registration system I have suggested, could provide very useful information that other nations could take part of.

10.4 Loss of trust from the voters

How will the voters meet this controversial government action? Will they rise against their government? The majority of the Swedish population is likely to be against a legalization of drugs, even though many will have some kind of experience with narcotics during their lifetime, in one way or the other, and will be benefited by a drug policy being as effective as possible. My impression is that Swedes in general, at least in comparison to other nationalities, have a very restrictive attitude towards drugs. Legalization of narcotics is an issue of such a delicate moral character that the danger of loosing credibility is impending. One way one could possibly measure this effect is through surveys simply asking a selection of the Swedish voters what their reaction would be.

10.5 Increased fear of drug related crime

A legalization of drugs will probably, rightly or not, create a bigger fear of drug related crime in the Swedish population. Most people will probably have the impression that if narcotics are legal a lot more people will start using it, hence creating a higher need for money to finance the increasing drug use. Even though this may not actually be the case, because legalization in fact would lower the price of narcotics and in line with previous discussions on the contrary lower the drug-related crime, the fact that people’s impressions are not always correct does not mean they should be ignored in the analysis. Their fears may be wrong, but regardless of this they impose an equally real cost for the people. One way to measure how the Swedish population value their own safety, except for surveys, could be to look at the amounts spend on safety and safety equipment, i.e. burglar alarms, self-defence classes etc.

10.6 Increased fear amongst parents

Based on equal arguments as for the higher fear of crime, are parent’s fear that their children will start using narcotics. Legalization will probably be seen as increasing demand and availability leading to a higher probability of young people trying drugs. Trying could be expected to increase after legalization, but the question is how damaging that really will be? However, even though the damages of an increase in trying are not very big, parents will experience this as a real cost of the legalization. I think it will be important to promote open discussions and dialogues between parents and their children, and even a higher more correct knowledge level about the effects of narcotics. Today I think based on my own experience, that most parents are unfamiliar with the real effects of narcotics, they only say that “drugs are bad”. The lack of differentiation between the different types of narcotics might create a dangerous ignorance with the young people about the fact that some narcotics are much more dangerous than others. Education of young people as well as their parents is very important, regardless of legalization or not.
10.7 Sweden as a drug haven?

Will legalization of drugs in Sweden lead to drug users from other countries coming here to use drugs, making Sweden a kind of drug paradise. Regardless of if that will be the case or not, people will probably have that impression, creating another more or less justified cost of legalization. I think that if using a system with drug licenses like I proposed, the immigration of drug-users from other countries will not be an issue. It will be too much of a hustle to be able to buy narcotics in Sweden for it to be worth it, people in general do not want to move from their homes, not even to get to buy narcotics.

10.8 Possible costs for the users

Because I have decided that the drug users’ preferences have standing in my CBA, I will count the possible costs for them as costs of legalization.

10.8.1 Lower availability

How will the users consider the effects on availability? Will it increase because they know where and when to buy it? Or will they see it as a cost because now they can only buy narcotics at certain places during certain hours? Would they prefer to be able to call their old contacts in their time of need? If implementing the “drug license” I proposed earlier in the paper, the amount of narcotics one can buy will also be limited. This probably would create a cost for the users when they have to go to the store to buy more frequently, and will not be able to buy as much as they want.

10.8.2 No credit

On the illegal market it is possible to buy drugs on credit. This will not be the case in the drug stores, where one can only get what one pays for. This probably will be seen as a cost by the users because they will have to obtain a more steady and reliable income.

10.8.3 No redistribution

The legalization, at least in the case with the drug license, will restrain the possibilities of drug users to resell drugs to other users in order to finance their own consumption. This again means that they will have to find alternative income sources.

10.8.4 The thrill is gone

Today some people may try/use drugs just because it is illegal. Doing something one is not supposed to gives a rush complimentary to the one from the drugs. There are no numbers on how many who use drugs for this reason, but they could be expected to see legalization as a negative thing because they loose that special thrill of doing something that is not allowed.
10.9 Costs of the prevailed smuggling

Legalizing drugs will not eliminate the costs of smuggling or completely erase the illegal drug market. Some smuggling will still take place because of the quantity control. The costs of smuggling and illegal distribution should however not be included on the cost side of the legalization analysis, because they would still exist (and to a bigger extent) in the case without legalization. The reduction in costs related to preventing smuggling is on the other hand rightfully included on the benefit side of the analysis, because it is regarded as a positive effect of the legalization. Regardless of this I do consider it necessary to specify that the costs of drug prevention will not be eliminated; only reduced.

11 Summary of benefits and costs

In this part I will summarize the costs and benefits presented above.

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12 Conclusion

Even if purely economically speaking the tax income from selling narcotics could be used for much good, there are other important issues when dealing with narcotics. I have presented some of them and their different aspects in this paper. However I am reluctant to give one answer in such a delicate matter.

The question is whether to change a winning team. The use of narcotics in Sweden is low in comparison to other European countries, so even though the drug use in Sweden seems to follow international fluctuations despite strong governmental prevention actions, they do so on a smaller scale than in other countries. The analysis could have been more interesting to do in a country with a higher percentage of narcotics (ab)users.

An interesting digression is that there exists a sense of double standards in Swedish society today. According to Johnson (2000) alcohol imposes a yearly cost on Swedish society of 100 billion SEK. According to the evaluations presented in appendix 1 on the costs of narcotics abuse, the highest estimate was 8 billion SEK a year. Some of the abusers of alcohol were at the same time abusers of narcotics, but even if we theoretically subtract the costs of 8 billion SEK from narcotics abuse, you are still left with more than 90 billion SEK a year in costs of damages from alcohol consumption. Even if alcohol has a much longer tradition in Sweden, the costs of alcohol abuse far exceed those of narcotics abuse. I find it quite a contradiction that alcohol is still legal while narcotics are not. Why is it that the Swedish population’s own judgment can be trusted when drinking alcohol and smoking cigarettes but not when smoking cannabis or occasionally using other narcotics. My question is merely why some and not others?

I do not think that legalizing narcotics will be as devastating as it may initially sound. On the contrary I think that getting narcotics out of the criminal area and into the open where we can control and monitor the development could help reduce the damages it makes to our society today. Better information and openness can create more considerate decision. The Swedish policy today, I think, seems a little naïve. Saying that all narcotics are equally dangerous is not only wrong, but could create a damaging misconception. The system that I proposed in my paper would give valuable information on the narcotics trends in Sweden. But most importantly it could work as an excellent alarm system, something that does not exist at all today. The tax income from the legal drugstores could be a whole new source of resources that can help even further in preventing people from abusing, and additionally it would take resources away from the criminal market.

However I do think that even if legalization is not necessarily the only way to do this, focus should be shifted in the Swedish narcotics policy. Too much focus is placed on catching the occasional smoker, while the use of drugs in most cases is not the main reason for the development of an abuse- of any kind. Marginalization, social maladjustment, unhappiness and problems at school are all matters that need more attention and that, in my opinion would be more effective in reducing the abuse of narcotics as well as that of alcohol.

51 http://www.can.se/fragor.asp?navid=9&id=23&subId=47, 2005-12-09
My conclusion is that regardless of legalizing drugs or not, focus and resources should be shifted to prevent marginalization and social maladjustment and remove the reasons why people develop an abuse in the first place.

Suggestions for other papers:

✓ Go more into depth on what effects a price reduction might have on demand and on the illegal markets.
✓ Go more into detail on the health effects/costs of narcotic use and abuse.
✓ Try to calculate the actual size of the possible costs and benefits.
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Appendix 1: Yearly costs of narcotics abuse in Sweden

One problem in this CBA is to answer the question: how much does the abuse of narcotics cost the Swedish society? Unfortunately it is impossible to calculate exactly how big of a cost this is. Different scientists make different judgments about what should be included in the calculations and not. One problem is the difficulties in defining and limiting the group “drug abusers” and to know whether drugs are the reason for the costs the abuser have imposed on society.

Despite of these difficulties, attempts have been made\textsuperscript{52}. They should however be interpreted with great precaution. In a report from the beginning of the 1990, the National Swedish Audit Bureau (Riksrevisionsverket) gives a few examples of different costs an abusive lifestyle can impose on the Swedish state and municipalities. The examples are costs for the so-called serious abusers, and give the total cost during that whole period of the abuse of one person. The costs therefore vary between 2 and 4 million SEK per abuser, depending on what substance is abused, and during how long a period the abuse has taken place.

In the same report, the state’s and municipalities’ costs for narcotics abuse in total came close to 3 billion SEK during the year of 1991. In these expenditures are included expenses for care, treatment, correctional treatment, social services and judicial expenses. The costs of customs are not included, neither those for private persons or companies as a result of for example drug-related theft and stealing.

These calculations have been upgraded by the ESO, a committee under the ministry of finance. In their upgrade they also included expenses on customs, and for companies and private people as a result of crime against property. According to this report, the total social costs for the abuse of narcotics were about 6 billion SEK in 1996. This number is based on big assumptions, and discussions could be raised on whether other costs could have been included, for example costs of monitoring and providing information about abuse.

According to estimates done in 1996 by the Institution for Public Health (Folkhälsoinstitutet), during this year the following quantities were consumed by the Swedish population of serious abusers;

- 250-500 kg of heroin
- 600-1 500 kg of amphetamine
- 2 500-3 250 kg of cannabis

These estimates were used in a public investigation about the customs, and there they calculated the street value of these drugs to lie around 1 billion SEK (using the highest amounts).

According to another calculation by the Narcotics Committee, the costs on society for the abuse of narcotics came up to about 8 billion SEK in 1999, under the assumption that the number of serious abusers were 17 000. The calculations above are done with different starting-points and different methods and material which is why they differ in results. However they do provide useful indications to how big the social costs of narcotics abuse could be.

\textsuperscript{52} http://www.can.se/fragor.asp?navid=9&id=23&subId=47