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## Illicit Drugs: Demand Versus Supply Interdiction

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For many years, public officials have used the term "War on drugs" to convey the impression that they are waging a battle against drugs. Unfortunately, if a war exists, the implementation has been poor at best.

Strategists of this war, at one time or another, have used demand and supply interdiction policies. The former targets the user and the latter the suppliers. The Bush administration, under drug czar William J. Bennett, postulated demand interdiction policies. Unfortunately, due to the federal government's limited police power, implementation was left to the states. However, under the guise of inappropriate federal funding, states and cities did not fully implement demand interdiction policies.

Demand interdiction policies are user-oriented. They target them at the users (demanders) of illicit drugs. The intent is to raise the cost (price) of acquisition and, hence reduce the quantity demanded. Thus, given an elastic demand schedule, high prices will reduce, and low prices will increase, the quantity demanded. Accordingly, public policy can be used to raise the users' cost and therefore reduce the quantity demanded.

Supply interdiction policies, on the other hand, are aimed at reducing the influx of drugs. Authorities use border patrols, payments to nations that export drugs, and the incarceration of suppliers and distributors to reduce the supply.

Supply interdiction, however, has had limited success. Mainly, because as long as the demand for illicit drugs exist, suppliers will always exist. Therefore, the billions of dollars spent each year on supply interdiction are wasteful expenditures.

The illicit drug trade is an economic problem. Therefore, it must be solved through the pricing mechanism. For example, prices are stable when the demand for illicit drugs equals the supply. At this point the market for illicit drugs is in balance. However,

when demand exceeds supply, prices will rise or the quantity supplied will increase. Conversely, when supply exceeds demand, prices will fall or the quantity supplied will decrease.

Based on the above empirical economic premise, suppliers will always satisfy demand. Thus, supply interdiction policies are unworkable. However, demand interdiction raises the users' real cost and creates an excess supply of illegal drugs. As a result, the suppliers' inventory will accumulate and inventory reduction will require lower nominal prices. Lower prices will affect profits and marginal suppliers will be forced to exit the market. Consequently, the overall supply of illicit drugs will be reduced.

There is some indication that during Bush's administration, demand interdiction contributed to the 22 percent reduction in cocaine usage. However, some critics have attributed the decrease to the middle class finally recognizing the negative effects of illicit drug usage. Nonetheless, it could well be that they recognized that their real cost was too high.

Clearly, public policy cannot raise the actual price of illicit drugs. Moreover, effective demand interdiction policies will reduce actual prices, but will increase the real cost to the user. And, a high real user's cost is particularly significant to the well to do suburbanite users. Such users modify their behavior under threats of property confiscation, forfeitures and other laws that affect their wealth. Certainly, hard-core and disadvantaged users are unlikely to be affected by such laws; since, they usually have no wealth to forgo. However, treatment, education and meaningful employment, are likely to mitigate consumption propensities among these users.

The downside of demand interdiction, if not coupled with mandatory treatment and education is overcrowded jails and courts with suburbanite white users. Perhaps, it is this recognition by the judicial system that has prevented the implementation of effective demand interdiction policies and has allowed central cities to become a marketplace for illicit drugs.

Accordingly, the judicial system permits white users when arrested to evade the cost that their behaviors inflict on inner-city neighborhoods. Often, however, black dealers are confronted with the full cost of the judicial system. Such discrepancy ought not to prevail; the supply of illicit drugs is due to the users' demand. Thus, the causation is demand not supply.