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## I. SHOULD SOCIAL POLICY CONCERN ITSELF WITH DRUG "ABUSE"?

A. J. CULYER

University of York (England)

There is a charming passage in Arthur Helps' *Friends in Council* where Milverton is as usual edifying his friends, this time with a fable. I cannot give the whole story here, but it concludes with an assembly of all things harmful to man electing the Mist as their King. They "set it on the brow of many a mountain where, when it is not doing evil, it may often be seen to this day" (Helps, 1951: 105).

The most cursory examination of policy-orientated literature on drug "abuse" shows a veritable fog of confusion, of much potential mischief. I am not competent to disperse much of it. For example, we seem very ignorant about many pharmacological and physiological aspects of the problem. Such a pharmacological problem concerns the development of cheap, nondangerous ("nonnarcotic" in U.S. parlance) analgesics analogous to morphine (derived from opium exudate) or pethidine (a synthetic narcotic) (Culyer and Maynard, 1970). A physiological problem—or set of problems—concerns the long-term natural history of persons using drugs acting on the central nervous system (whether for therapeutic purposes or not), including the extent to which use of so-called "soft" drugs can lead

AUTHOR'S NOTE: My thanks are due to the Health Economics Research Group at the University of York for stimulating discussion of this, and related topics. I have also benefited from the comments of Jeffrey H. Weiss of the Health Services Administration in the city of New York. Only I, however, am responsible for the opinions and analysis herein for few colleagues have proved as Paretian as I would prefer, and they have frequently disagreed with me.



to "hard" drug dependence or use, as well as obtaining more reliable information about the general organic and psychological effects of prolonged drug use.

The political economy of drug "abuse" is, however, something about which we should be able to say something. Indeed, Simon Rottenberg has given us an excellent start in what we may term the "positive" economics of controlling drug consumption (Rottenberg, 1968). I do not propose to add anything new to that, but rather to tackle the prior question—whether control is desirable, rather than whether it is feasible. In the space available, we can be no more than suggestive. Moreover, since the question of the relative desirability of various types of control is dependent upon their feasibility—and, thence, their cost-effectiveness—we must restrict discussion to the general level, which means delving into the "legislation of morals" or, in modern jargon, into "externalities" and "merit wants." What, I ask, are the externalities imposed on some members of society by drug "abuse"?

Most of my assertions depend upon the negative slope of compensated demand curves. Is this realistic in the case of drugs? Many textbooks assert that drug addiction is the classic case where this proposition, inference, or, if you like, "law," does *not* hold. The assertion they make is that the addict, craving for more the more he consumes, has a rising marginal evaluation for the object of his habit. This is, I believe, erroneous and arises from a muddled view of the time dimension in demand theory. Our notion of demand is not one of sequential purchases through time, which the assertion implies, but one about purchases during a period of time. The addiction phenomenon is a dependency relationship between consumption during different periods of time. Today's injection of "H and C"<sup>1</sup> may imply that tomorrow's shot has a higher marginal evaluation, but it does *not* imply that two shots today do not have a lower marginal evaluation than one shot today. A second view of the compensated demand curve as showing the marginal evaluation of alternatives at a given moment of time carries a like implication by virtue of the convention that "a given moment of time" is a synonym for "under specified conditions." It must be clear that the most dependency-prone person cannot acquire *any* degree of dependency at "a given moment of time." A snapshot is a snapshot, but addiction or habituation are dynamic processes.

That red herring behind us, it seems that there are six principal propositions upon which the case rests for prohibiting the nontherapeutic use of drugs or for providing or subsidizing rehabilitation services through the public purse (their significance varies according to the type of drug and the manner of its consumption):

- (1) that an individual drug user's behavior physically harms other members of society, for example, because users exhibit antisocial behavior of one kind or another, perhaps becoming violent, perhaps committing crimes in pursuit of finance;
- (2) that, sooner or later, the drug user may fall ill and require medical care and treatment which may be provided—indeed probably will be—out of the public purse;
- (3) that other persons simply find such behavior distasteful (disgusting, weak-charactered, shiftless, irresponsible, and so on) even though they may have no direct contact with drug users;
- (4) that the drug user should be saved from his own folly;
- (5) that an individual's behavior may lead to a spreading through society of an undesired activity;
- (6) that the drug user is a less productive member of society and reduces gross domestic product.

#### PHYSICAL HARM TO OTHERS

Crime and nontherapeutic drug taking are closely linked in the public mind. This is partly because to take narcotics may itself be illegal and also because addicts sometimes commit petty crimes to enable themselves to continue taking drugs. An association between illegal actions (other than drug-taking) and drug dependence is not firmly established causally so far in Britain save occasionally in cases of LSD (a nonaddictive hallucinogen), with heavy doses of amphetamines which can induce aggression and, more frequently, with alcohol.<sup>2</sup> In New York, however, from 55 to 60% of the income addicts require to support their habits is derived from burglary, robbery, and larceny—a cumulative total "cost" of about \$1.3 billion annually. There is no known relationship between drug use and violent crime, though about one-half of New York murders involved a drug user as either the perpetrator or the victim. But even if it could be firmly established that particular types (or all types) of nontherapeutic use of the drugs had harmful external effects, action could only be warranted on this ground if it could also be shown that the externality were Pareto-relevant at the margin or inframarginally. In short, society would have to decide not whether to cause the activity to cease altogether but whether, at current activity rates, the social benefit of a small or large reduction in the activity exceeded the social costs of implementing the reduction. Merely to establish the existence of a harmful external effect is not enough. One needs also to have information or guesses about:

- (a) the technology of harmful effects—how bad and for which drugs;
- (b) the technology of control—quantitative examination of, for example, the relationships discussed by Rottenberg (1968);
- (c) the costs of the nuisance and of the resources needed to reduce it.

One immediate possibility that may well be less costly than any other method in reducing the crime associated with drug abuse would be to legalize drug trafficking! A legal and more competitive—or even subsidized—industry could reduce the financing problem for addicts to trivial proportions. If this proposal is not acceptable, the explanation must lie in one of the other reasons why drug-taking is generally associated with social disapprobation.

### SUBSIDIZED TREATMENT

If society has taken a collective decision to provide care, as it has in the United Kingdom, at (almost) zero money cost to the patient, it clearly has an interest in the state of every individual's health since the rest of society has an incentive to minimize the cost of care by taking preventive measures—of which the legal prohibition of drug-taking for kicks may be one. The trouble with this argument is that, since pretty well everything affects a person's health, it can provide a general warrant for almost any kind of interference with the individual. For example, smoking harms smokers' health, and the subsidized treatment argument could be—and has been—used to justify proposed restraints on smokers. Likewise, the logic suggests restraints on mountaineers, drivers, shoppers, and so on, as well as on drug users whose health may suffer in particular through lack of proper hygiene in administering drugs and through indifference to general healthiness. Hard-drug addicts are the severest problem. The heroin addict is a lonely, alienated, and disturbed individual with an almost irresistible urge toward self-destruction. In addition to the physical and psychological problems induced by the drug itself, there are also the personality problems that underlay his original decision to take up the drug and the tremendous incidental health hazards that accompany the life style of the hard addict and the administration of the drug. The popular method of "mainlining," for example (an intravenous injection), has appalling risks. One documented incident occurred when an addict inserted the hollow end of a sewing machine needle into the vein and slid a medicine dropper containing the solution over it, pressing against the skin. When the dropper was removed, the needle had vanished into the vein.

At best, this argument implies either some degree of discouragement rather than making the activity in question illegal, or else a policy to ensure more suitable facilities for administering drugs, just as it may imply, in a less controversial area, encouragement for people to keep fit rather than compulsory keep-fit classes!

### INFORMATIONAL EXTERNALITIES

The importance of the "informational" externality argument—that merely the knowledge that some person or persons behave in a particular way imposes an external harm (or benefit)—depends again upon the extent to which, for normative purposes, one wishes to use the Pareto criterion. If, somehow, you get to know about an activity by someone else that you either approve or disapprove of, then an informational externality exists. If the activity remained a secret from you, no externality would exist. If you dislike the color of *my* bedroom walls (so long as you are not my wife), or the fact that I am black, Jewish, or privately homosexual, there is a powerful argument for postulating that such external harms I impose on you should be regarded as irrelevant—as not detracting from social welfare. We simply disregard them. There may exist argument about whether to exclude some types of informational externality (e.g., your knowledge that I am poor, ill, ignorant) and which ones to exclude cannot be decided by any Paretian arguments. Essentially, one is making a high-level "constitutional" or political decision about whose welfare and which entities are to be counted in the social welfare function. The liberal approach would tend to exclude one set of effects, and others would exclude others. Only the most ultimate kind of Paretian approach would require all such externalities to be efficiently internalized—and it would also include, for example, the welfare of children as perceived *by them* rather than by parents, teachers, and the like. It is hard to imagine anyone (except children) in favor of so radical a position.

In any case, as we have already observed above, even so radical an approach could not sanction *prohibition*, only compensated adjustment by one or another of the affected parties. The same is still true for drug users.

### MERIT WANTS

The merit want argument, that drug users should be discouraged from the habit "in their own interest," is usually regarded as the type of



statement that cannot be evaluated by the Paretian approach, which assumes that only each individual regarded as being a member of "society" can know his own interest—and, if imperfectly, then more perfectly than anyone else. More strictly, the approach implies that we have *no means of telling* whether one person's assessment of another's interest is better than his own, but presumes that it is not. If someone seeks to argue that he knows someone else's interest better than that person himself, one has only to ask him to prove it. Unfortunately, the nature of a person's own "interest" is so thoroughly subjective that such an objective proof cannot be discovered (see, e.g., Culyer, 1971). In practice, merit wants are just a fancy name for saying that you want to arrange someone else's life for him even though the behavior in question affects neither your physical person nor your wealth. No consistent practical policy attitude can be based on both the Paretian system and the merit want argument, so long as the person whose behavior is lacking in "merit" counts as a member of "society" (i.e., his welfare, as he sees it, counts in social welfare). Thus, if drug users are to be counted as members of society and the Paretian apparatus used, the merit want argument for acting to protect *their* interest cannot be sustained. Even though one may be utterly appalled by the condition of drug users and addicts, one is giving qualitative expression to *one's own* valuation of their condition, health, way of life, and so on, which is not the same thing as *their* valuation. Even if—and this may be hard to swallow—the drug addicts *themselves* later regret having become addicts, this does not justify any current preventive action against potential future addicts on the grounds that it is in *their* interest. The choice is simple and unambiguous: either their welfare counts in the same way as everyone else's or it does not. In the latter case, it must be one's own interpretation of their welfare that counts—an externality. The Pareto system does not help us decide who shall have the "franchise"—though there is usually a presumption that exclusions need a strong foundation. The real question, then, is whether the foundation is strong enough in this case. Economics cannot answer this, but the reader will have his own ethical views. Once this "constitutional" choice is made, however, the Paretian apparatus can once more be brought into play, with the welfare of drug users as *they* see it either included or excluded from *social* welfare.

#### TRANSMISSION OF THE DRUG HABIT

The methods by which the habit is spread among the drug-using subculture and by which the subculture itself is widened are partially

known (Rottenberg, 1968). Insofar as this is only a "scale" effect, it is not of substantive importance in the normative policy question with which we are concerned, though it affects the social significance of any genuine social harm done and is, of course, of great importance in the positive approach to policy-implementing *effective* anti-drug policies.

The transmission effect is, however, of importance—of critical importance—in one respect, which is that it is the mechanism by which *minors* are exposed to the habit. Since the welfare of children is their welfare *as perceived by adults*, their protection is one of the most important aspects of any social policy toward drug use, and the effect on children is certainly an externality that should be taken into account in any reasonable interpretation of Pareto optimality. To physical harm imposed upon others, we may thus add a second harmful factor in the Paretian approach to drug-use control.

#### THE OUTPUT ARGUMENT

The final set of arguments for legal intervention is based upon the effects that drug-taking may have on the efficiency of the individual as a worker or on the length of his working life. These, however, are arguments that are related to *output-maximization*, not welfare-maximization. They would be characteristic of someone with entirely materialistic values, who, in a social sense, might be exceedingly concerned over the rate of growth of GDP, but they are not characteristic of Paretian economics.

Insofar as individuals can affect their life-expectation, they do so in a presumptively optimal fashion (from their own point of view); likewise, the time allocated to work and nonwork is also presumptively optimal. As far as the loss of GDP is concerned, this should concern us, for marginal withdrawals from the labor force, only insofar as wages do not reflect the social value of an individual's product. If wages are higher than this level, the rest of society gains, in one sense, from the person's withdrawal. If they are less, then there is an inefficiency, the removal of which the Paretian apparatus sanctions without additional arguments, and which should be done. Policies to prohibit drug-taking can, however, be justified on the output argument where there are economic shortages of labor which for some reason are permitted to persist. The empirical significance of such cases is not, however, very great.

## CONCLUSION

Our conclusion as a result of these considerations is that the only arguments with genuine Paretian significance so long as drug users' welfare is a part of social welfare are related to physical harm to others and to the "corruption" of minors. Any policy prescription based upon this analysis should strictly be based upon a careful cost-effectiveness analysis of the alternatives. Here, however, it is worth mentioning one policy which appears likely a priori to be very cost-effective. We have already indicated that legalization of trafficking and more competitive production and distribution could in principle reduce the first problem substantially. No argument suggests that consumption per se ought to be illegal in a Pareto efficient social policy. Consequently, full legalization for adults, together with "zoning" regulations to protect minors from contact with adult users, appears to be a probably efficient policy. Existing legislation concerning public consumption of alcohol provides a basic model for the kind of institutional framework appropriate. If you find this possibility unappealing, you are probably disagreeing either with the Paretian framework or with the implied "constitutional" definition of society and those entities to be included as relevant to social welfare.

## NOTES

1. Heroin and cocaine. Cocaine is believed not to produce physical dependence. It is rarely taken alone, but usually with heroin, which is addictive.

2. The unfortunate connection between hashish (cannabis) and the Hashishins—the assassins employed by the Saracens against the Crusaders—can mislead here. The Hashishins received their dope after the job was done, not in order to enable them to do it. It was a highly valued reward for an addict so long as its production and distribution could be monopolized by their employers. The Hashishins were cruelly exploited and were particularly vulnerable since hashish was easily available to their employers—an alternative reward of equal effectiveness would have cost the employers a great deal more.

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