

Economic Fact Sheet

Facts and Figures Relating To Illegal Drugs

- Canada spends \$2.3 billion on enforcement (police, courts and corrections), and 1.1 billion in direct health care costs every year, dealing with illegal drugs.

Source: J. Rehm, et al. (2006). *The Costs of Substance Abuse in Canada-2002*. Canadian Centre on Substance Abuse.

- Canada spends more than \$4 on enforcement for every \$1 spent on the health response in dealing with illegal drugs. (\$400.3 million vs \$88 million)

Source: Single, E., et al. (1996). *The Costs of Substance Abuse in Canada*. Canadian Centre on Substance Abuse.

- \$1 spent on treatment will achieve the same reduction of flow of cocaine as \$7.3 spent on enforcement.
- \$1 spent on treatment will achieve the same reduction of flow of cocaine as \$10.8 spent on border control.
- \$1 spent on treatment will achieve the same reduction of flow of cocaine as \$23 spent trying to persuade Colombian farmers to grow crops other than coca.

Source: Rydell, C. P., Caulkins, J. P., & Everingham, S. S. (1996). *Enforcement or treatment? Modeling the relative efficacy of alternative for controlling cocaine*. *Operations Research (RAND)*, 44(5), 687-695.

- “In parts of South America, some illegal drug firms command more resources than some governments.”
- “Drug law, apparently ineffective in reducing consumption, is highly effective in increasing the price of drugs.”

Source: Stevenson, R. (1998, April). *Costs of the war on drugs*. Paper presented at the conference “Sensible solutions to the urban drug problem”, sponsored by the Fraser Institute, Vancouver, Canada.

- Federally, 11 departments and agencies spend approximately \$500 million annually to address illicit drug use in Canada.
- Since 1997, most of the government's legislative changes related to illicit drugs have focussed on supply reduction (enforcement), not demand reduction.
- While estimates vary, the United Nations believes that the annual global sales of illicit drugs are between \$450 billion and \$750 billion. In Canada, the government's estimates of sales range from \$7 billion to \$18 billion.

- For the roughly 50,000 persons charged, 90 percent of the charges related to cannabis and cocaine. Cannabis accounted for over two thirds of the charges, and about half of all charges were for possession.
- An estimated 125,000 people in Canada inject drugs.
- (In Canada) the economic costs, including health care (for example, HIV/AIDS and hepatitis), lost productivity, property crime, and enforcement are estimated to exceed \$5 billion annually.
- In Vancouver, for example, an estimated 70 percent of criminal activity is associated with illicit drugs. About 63 percent of federal offenders have drug abuse problems.
- A major concern in Canada is the relationship between drugs, organized crime, and violence. A 1998 federal government study of organized crime concluded that the drug trade has a significant impact on Canadians and entails substantial violence. Furthermore, with drugs as its primary source of revenue, organized crime has intimidated police officers, judges, juries, and correctional officers. Such intimidation is a direct threat to Canada's philosophy of peace, order, and good government. Of note is that more than 150 deaths since 1994 have been attributed to "biker" wars in Quebec over control of organized crime, including the illicit drug trade.
- Illicit drugs also represent a source of income for terrorist groups. The United Nations has expressed deep concern about the links between terrorist groups and illicit drug production and trafficking.
- Customs intercepts illicit drugs entering Canada at our borders. For instance, it estimates that in 1999 it seized illicit drugs with a street value estimated at \$351 million.
- The largest cost of CSC (Correction Service Canada) is incarceration. The most serious offence by 17 percent (3,400) of its offenders is drug-related. CSC estimates that about 7 percent of its offenders are associated with organized crime.
- Substance abuse is one of seven criminogenic factors contributing to criminal behaviour. Nearly two thirds of offenders entering the federal corrections system have drug abuse problems. An estimated 53 percent of offenders participate in substance abuse programs while serving their sentences.
- About 95 percent of the federal government's expenditures that address illicit drugs were used for supply reduction (enforcement or interdiction).

Source: *Illicit Drugs: The Federal Government's Role*. Office of the Auditor General of Canada. (2001).

- The international illicit drug business generates as much as \$400 billion in trade annually according to the United Nations International Drug Control Program. That amounts to 8% of all international trade and is comparable to the annual turnover in textiles.

Source: United Nations Office for Drug Control and Crime Prevention, *Economic and Social Consequences of Drug Abuse and Illicit Trafficking* (New York, NY: UNODCCP, 1998), p. 3.

- “In 1992, the Canadian Centre on Substance Abuse estimated that the cost of substance abuse was more than \$18.45 billion, representing \$649 per capita, or about 2.7% of the Canadian Gross Domestic Product.”
- “The economic costs of illicit drugs in Canada were estimated at \$1.37 billion or \$48 per capita in 1992, approximately \$823 million was lost in productivity due to illness and premature death”.
- “In 1992, the cost of illicit drugs to the British Columbia economy was \$207 million or \$60 per capita. During the same period, the number of deaths per capita from illicit drug use was 4.7 per 100,000 (which was the highest of any province).”
- “Studies by the National Institute on Drug Abuse in the US have estimated that in 1991, ‘the costs to society of an untreated heroin user on the street was US\$43,000 and the cost of keeping the individual in jail or in a drug-free program were US\$34,000 and US\$11,000 respectively. The cost of one year of methadone maintenance treatment was only US\$2,400. The Lindsmith Centre, also using US estimates, claims that only 5 to 10% of the cost of MMT actually pays for the medications itself, consequently methadone could be ‘prescribed and delivered even less expensively’.”

Source: Transformation Solutions, Ltd. (2001, June). *Review of methadone services in Vancouver/Richmond health region*. Vancouver, Canada: T. Turner.

- According to the United Nations, profits in illegal drugs are so inflated, that three-quarters of all drug shipments would have to be intercepted to seriously reduce the profitability of the business. Current efforts only intercept 13% of heroin shipments and 28%-40%* of cocaine shipments. (*At most; the UN Office for Drug Control and Crime Prevention notes that estimates of production and total supply are probably understated by reporting governments.)

Source: United Nations Office for Drug Control and Crime Prevention, *Global Illicit Drug Trends 1999* (New York, NY: UNODCCP, 1999), p. 51.

- A study by the RAND Corporation found that every additional dollar invested in substance abuse treatment saves taxpayers \$7.46 in societal costs.

Source: Rydell, C.P. & Everingham, S.S., *Controlling Cocaine*, Prepared for the Office of National Drug Control Policy and the United States Army (Santa Monica, CA: Drug Policy Research Center, RAND Corporation, 1994), p. xvi.

- British Columbia’s top commodity is Marijuana.
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| \$6 billion | Marijuana |
| \$5.7 billion | Construction |
| \$5.6 billion | Logging and forest products |
| \$3.7 billion | Mining |
| \$3.4 billion | Manufacturing |
| \$2.1 billion | Agriculture |

In the Lower Mainland, in the last two years, marijuana production has increased from 2.2 to 4.2 billion dollars a year.

Source: Skelton, C. (2001, July 7). *B.C.'s top commodity: Marijuana*. The Vancouver Sun.

In a cost-benefit analysis comparing increased spending to law enforcement, therapy, or opiate/stimulant maintenance the authors drew the following conclusions.

- For every \$1 spent on law enforcement, a total **expenditure** of \$2.41 is generated.
- For every \$1 spent on therapy, a total **expenditure** of \$0.81 is generated.
- For every \$1 spent on opiate/stimulant maintenance, a total **savings** of \$1.61 is generated.
- The average heavy drug user requires more than \$40,000 yearly to support his/her habit.
- If stolen property provides only 20% its original cost, which means an individual must steal \$200,000 worth of goods per year.

Ethisys Inc. (2001, February). *Strengthening the fourth pillar: A cost-benefit analysis of implementing opiate/stimulant maintenance*. Vancouver, Canada: N. Stewart & J. Cheetham.

- According to the United Nations, illegal drugs create enormous profits -- a kilogram of heroin in Pakistan costs an average of \$2,720, and sells for an average of \$129,380 in the United States.

Source: United Nations Office for Drug Control and Crime Prevention, *Global Illicit Drug Trends 2000* (New York, NY: UNDCP, 2000), p. 165.

- “For the Hells Angels and the Rock Machine, illegal drugs “are their biggest money maker, no question about it,” says Chief Supt. John MacLaughlan, an RCMP specialist in the fight against organized crime.
- About 75% of the total revenue for organized crime groups, such as the Hells Angels, comes from drugs.
- “Drug dealers today don’t shoot people because they’re high. They shoot people because they’re engaged in disputes with competitors or customers. They can’t go to court to deal with these disputes. So it gets resolved by the rule of the jungle.” – Ira Glasser, Executive Director, American Civil Liberties Union
- Jorge Madrazo, Mexican attorney general – internationally 40% of the profits of the drug trade spent on bribes.
- UN – illegal drug trade \$400 billion US.
- In Canada - \$4 billion at wholesale, \$18 billion at street level.
- “The income of the drug barons is greater than the American defence budget,” Columbia high court Judge Gomez Hurtado.
- International organized crime revenues = \$1 trillion
International illegal drugs = \$400 billion

Therefore illegal drugs count for 40% of organized criminal revenue.

- American State Department Report: "The drug trade's wealth, power, and organization equal or even exceed the resources of many governments."
- "In Canada, the federal government conservatively estimates illegal drug revenues at \$7 billion to \$10 billion a year."
- "Many critics, including Nobel Prize-winning economist Milton Friedman, have long argued that the best way to deal with organized crime is to cut off the money that is its lifeblood. That cannot be done by law enforcement alone, they say, because the economic law of supply and demand (if people demand certain goods and services, someone will supply them, somehow) has to be reckoned with. Instead, governments must legalize goods and services they have banned. When these are supplied by lawful companies, organized crime will lose them as sources of revenue. Illegal drugs are the biggest revenue sources; to hit organized crime, legalize drugs."

Source: Gardner, D. (2000, September 13). *Illegal drugs, indecent profits*. The Ottawa Citizen.

- According to a United Nations report, "Over the past decade, inflation-adjusted prices in Western Europe fell by 45% for cocaine and 60% for heroin. Comparative falls in the United States were about 50% for cocaine and 70% for heroin."

Source: United Nations Office for Drug Control and Crime Prevention, *Global Illicit Drug Trends 1999* (New York, NY: UNODCCP, 1999), p. 86.

- In the USA he has estimated that tax revenues of at least \$3 billion and perhaps as much as \$17 billion could be raised by a regulated and taxed drugs trade. Together with the virtual elimination of expenditures on enforcement a net improvement on the US federal budget of some \$24 billion could be expected.

Source: Chief Constable Barry Shaw, Cleveland Police Dept. UK quoting Jeffery Mirron (chair, Dept of Economics, Boston University)

- \$1 billion is being spent on drug enforcement in Canada every year.

Source: Report of the Senate Special Committee on Illegal Drugs. Chair, Pierre Clakude Nolin. September 2002. P.332

- Treatment costs for HIV/Aids in British Columbia in 1999-2000 are projected to be 72.3 million. In the long term, local estimates of the lifetime expense of medical treatment for an IDU living with HIV/Aids is \$134,559. (Hanvelt et al, 1999)
- In 1999, 1,002 injection drug users accounted for 9,483 in-patient days at St. Paul's Hospital. (St Paul's Hospital – unpublished data)

- B.C.'s annual per capita drug related costs (\$60) are higher than those of any other Canadian Province. (Canadian Center for Substance Abuse, 1992)
- The total cost of drug related hospitalizations was approximately \$27 million.
- The Vancouver Police Department reported 1,819 illicit drug-related offences in 1998.

Kerr Thomas. (November, 2000) *Safe Injection Facilities: Proposal for a Vancouver Pilot Project*. Harm Reduction Action Society.

- Cannabis exports from BC are \$2 billion a year
- If cannabis were taxed this would generate \$2 billion (conservative estimate)
- A modest (100 plants) grow-op owner can generate a gross revenue of \$80,000 per year.
- The cannabis market should be taxed to remove the illegal income from organized crime and create an additional revenue source for government

Source: Easton, Stephen. *Marijuana Growth in British Columbia*. Fraser Institute. May 2004

- Size of US market for illegal drugs is \$60 billion
- Total cost to society of illegal drug production is \$105 billion
- Legalization would produce \$45 billion in taxes per year
- Legalization of drug use and taxing consumption would be the more efficient method of reducing consumption than continuing to prohibit the use of drugs.

Source: Becker, Gary and Murphy, Kevin. *Battle Tactics: The Economics of the War on Drugs*, Capital Ideas, Selected Papers On Price Theory. The University of Chicago Graduate School of Business. May 2005

This fact sheet was created by Mark Haden, Addiction Services : Vancouver Coastal Health.

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