Teacher: Dr. Hanane RABAHI – Specialty: Language Contact and Sociolinguistics Variation- English Language.

Drugs and the development

Objectives

By the end of this lecture, the students should be able to:

1. Enhance economic growth through infrastructure investments and reforms to increase national income levels.

2. Implement strategies to ensure access to essential services like healthcare, education, and clean water for the population.

3. Pursue economic growth and basic needs strategies simultaneously to foster comprehensive development.

4. Recognize and incorporate drug control and abuse issues in development planning to mitigate their economic impact.

Teacher: Dr. Hanane RABAHI – Specialty: Language Contact and Sociolinguistics Variation- English Language.

Drugs and the development

The conventional method of development has focused on fostering economic growth by investing in infrastructure, aiding in the establishment of institutions, and encouraging economic reforms. These initiatives aim to boost overall income, providing both the population and the government with greater material resources to address their needs. Furthermore, development initiatives often include a basic needs approach, which prioritizes the implementation of government programs to guarantee essential hygiene, access to clean drinking water, primary healthcare, education, and literacy. Many development assistance organizations, both nationally and internationally, have simultaneously pursued strategies for economic growth and basic needs.

In the past, drug control and the issue of drug abuse were rarely seen as top priorities for development planners, even within programs focused on basic needs. This was largely due to the fact that many development assistance initiatives were aimed at fostering economic growth or addressing certain basic needs of the population, such as health or education. Consequently, there has been a lack of awareness regarding the importance of considering drug-related issues, especially in areas where a significant illicit drug industry exists, whether at the national or regional level.

The significance of illicit drug production to an economy can differ greatly from one country to another. As previously mentioned, the revenue generated from the drug trade is extremely high in certain nations. For instance, in Colombia, an expert on the subject estimates that those involved in the illegal drug industry possess "substantial combined drug and capital income in relation to the size of the country's economy." He adds that "from 1976 to 1986, gross private fixed investment fluctuated between $1.6 and $3.7 billion, averaging $2.8 billion, which clearly suggests that illegal entrepreneurs had the ability to invest in Colombia amounts comparable to what official statistics attribute to the entire private sector of the nation" (1, p. 315f). This perspective on the drug trade's influence is not uncommon. The United States Office of Technology Assessment has reported that in Bolivia, the coca economy generates approximately $600 million in foreign exchange annually, which is equivalent to the total of all other exports combined (2, p. 5). Additionally, it has been found that a notable portion of the workforce is engaged in the coca economy: 7 percent of the labor force in 1990, although this is a significant decrease from the 20 percent estimated to have been employed in coca during the late 1980s.

The financial implications of drug abuse can be divided into two categories: direct and indirect costs. Direct costs encompass the heightened expenses associated with law enforcement, judicial systems, military efforts, rehabilitation programs, welfare support for addicts and their families, and enhanced security measures implemented by businesses. On the other hand, indirect costs involve the disruption of legitimate industries, a loss of economic control, expenditures on drugs, and the misuse of funds acquired from drug trafficking, as well as fiscal challenges stemming from the inability to impose taxes on the drug trade. Regarding the impact on legitimate industries due to the cocaine trade, analysts have noted that in a developing nation, the influx of foreign currency from the cocaine industry can lead to a situation where local currency becomes devalued, making local goods less competitive in both international and domestic markets (3, p. 2).

Reduced control over an economy manifest in various ways. Since money derived from illegal activities typically does not integrate into a country's formal economic system framework, it becomes impossible to incorporate these funds into macroeconomic planning. This leads to significant inaccuracies in the assessments of national income and expenditure. A country expert has pointed out the necessity for better data on the illegal sector, noting that "substantial financial flows go unrecorded, and the vast amounts generated by the opiate industry do not appear in investment figures. This leads to the overarching conclusion that much of the investment is unproductive and geared towards speculative activities. Furthermore, an increasing portion of the GNP is generated outside official records, thereby limiting intervention options. This situation inevitably distorts macroeconomic planning." Additionally, government control over expenditures diminishes as they must allocate resources to safeguard the financial and banking systems from subversion, which involves implementing more banking regulations, enhanced reporting, and various anti-money-laundering initiatives.

Research has shown that individuals from lower-income backgrounds tend to allocate a larger portion of their earnings to purchasing drugs compared to those from middle or upper-income brackets, which places a heavier financial burden on their families. An expert on Pakistan has noted that "the majority of spending on heroin comes from lower-income groups, while the profits from the heroin trade primarily benefit upper and middle-income groups" (4, p. 6-11). The National Survey of Drug Abuse indicates that the poorest 20 percent of the population accounts for nearly half of all drug users, particularly heroin addicts. The lowest income groups are the most heavily represented among drug users, followed by the higher income groups, while the middle-income group has the fewest drug users in Pakistan. Additionally, drug traffickers typically do not reinvest their illegal earnings into productive ventures, and employment opportunities within the illicit drug trade do not significantly contribute to community development. According to this expert, the drug industry employs less than 1 percent of Pakistan's labor force.

A significant indirect cost associated with the drug industry stems from the inability of governments to impose taxes on it. Consequently, governments are compelled to raise taxes on those who are likely to pay. However, the externalities linked to the drug industry—namely, the concealed economic and social costs of illegal drug production and trafficking—cannot be passed on to those engaged in these activities. As a result, these costs become an additional burden for the law-abiding citizens. Experts point to cocaine as a prime example of market failure, which occurs when market dynamics promote behaviors that are detrimental to society while discouraging more beneficial actions: "Market failure happens when there is a discrepancy between the costs an individual incurs for an action and the societal costs of that action. In the case of cocaine, market failure is evident—the market incentivizes cocaine production despite its negative impact on society—because the approximately 5% to 15% of the national population involved in the cocaine trade do not bear a significant portion of the societal costs they create" (3, p. 10). This market failure scenario is not limited to cocaine but also extends to the production and sale of other illegal drugs.