

Drug Addiction economic Analysis

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Executive Summary

This paper presents cost-benefit analysis as a methodology to identify relevant consequences of drug addiction and assess the impact of different public policies in this area.

The first part of the paper is a general methodological overview of cost-benefit analysis. It starts by discussing the concept of efficiency.

Then it considers the main principles of cost-benefit analysis: an explicit, comprehensive and non-parametrical evaluation, the additive property of costs and benefits, the probabilistic reasoning and risk assessment. Some conceptual problems are also reviewed: consequentialism, distributive neutrality, incommensurability, and social discount rate.

The second part of the paper provides an application to costs and benefits of drug addiction. The paper looks at health costs (direct and indirect due to behavior under the effect of drugs), losses of productivity, costs on the criminal justice system and civil courts, potential psychological costs and political costs. On the side of benefits from drug addiction, the paper looks at the income generated by the production and trade of drugs as well as the consequences in terms of market structure.

