

BUSINESS COUNCIL FOR

Prosperity and Safety

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June 2008

Eleven Ways the War on Drugs is Hurting Your Business

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If you have any investments or are in business, our drug policy hurts you. The return on your investment is reduced. Your expenses are higher than they need to be. The taxes you pay are higher than they ought to be. You face competitors who are financed by criminals enriched by our drug prohibition policy that prevents drugs from being controlled.

For every law-abiding American, the crime created by drug prohibition takes money out of your pocket every day.

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Eleven Ways the War on Drugs is Hurting Your Business

(1) You have fewer customers because the war on drugs reduces purchasing power.

Over the last twenty-four years, almost eight million Americans received felony convictions for possessing drugs or selling them. Tens of millions of others have criminal records for arrests or misdemeanor convictions. Many of these people are drug-free, but still struggle to find a job and a regular paycheck. Ex-felons are rarely hired for responsible jobs – typically they are underemployed, if employed at all. Tens of millions of potential customers can't buy what you are trying to sell.

(2) Your potential customers can't buy your products because the war on drugs has deprived them of credit.

Typically, one-third of your customers use a credit card at the cash register. Banks don't usually offer ex-felons credit cards. Ex-felons' applications for credit are often rejected, even if they have regular jobs. In many neighborhoods, a significant fraction of the men and women walking by your door can't buy your goods or order your goods and services by Internet or telephone.

The average American left about \$9,205 unpaid on their credit cards each month in 2003. With eight million ex-drug felons without credit cards, the market for goods and services is potentially \$73.6 billion smaller.

(3) Fewer customers walk by your door due to drug prohibition crime.

If you are a retailer, you depend on foot traffic. Crime and disorder outside your doors drive potential customers away. The salient fact of the war on drugs is that it causes crime. Drug prohibition causes crime among competing sellers, crime as thieves attempt to rob the wealth of large drug dealers, and crime that is committed by compulsive users to get the money to buy their drugs.

(11) The goods you sell cost you more to purchase.

Americans buy \$300 billion in goods imported from abroad. All these products must pass Customs inspection, along with the thousands of tons of heroin, cocaine, methamphetamine, ecstasy and marijuana that are hidden in legitimate articles as they are smuggled across our borders. A major element of the national anti-drug strategy is to "interdict" the flow of drugs from abroad. Imported goods are searched to detect the presence of drugs. Perishable goods such as meat, dairy products, vegetables and flowers when delayed awaiting inspection are worthless by the time they get to market. Every time your perishable products are lost, your higher prices mean you lose business and your customers subsidize the ineffective anti-drug interdiction effort.

Conclusion

Drug prohibition has serious unanticipated consequences that cost our economy hundreds of billions of dollars in losses annually. Drug prohibition is economically illogical because its objective to make drugs more and more expensive inevitably draws people to seek the higher profits it creates. The failure to tax the \$65 billion in revenues reaped by the drug traffickers amounts to a federal subsidy of about \$25 billion annually.

The Business Council for Prosperity and Safety wants to increase profits for our investors, and to have safe neighborhoods for our families, employees, and customers. The Business Council is working to reduce crime, to reduce the harm from drugs, and to reduce unnecessary taxes by controlling drugs with a logical regulatory system.

The American system of private enterprise balances incentives and regulatory tools that rely upon the rule of law. Those tools – courts, insurance, professional ethics, licensing, regulation, and proper taxation – work for every aspect of the American economy. It is time to use America's legal and economic tools to take the profits of the drug trade away from organized crime and common thugs in order to protect public safety and control drugs.

American businesses manufacture and distribute an infinite array of products without violence or corruption while making a reasonable profit. We can apply the American way of business – the most widely admired in the world – to control the distribution and use of drugs to protect public safety and health.

(9) You pay more in interest and bank charges.

Illegal drug sales are cash transactions. Laundering \$5 billion in cash each month is an enormous task. Money launderers convert cash into monetary instruments and conceal the criminal origin and control of the assets.

To fight money laundering, the government requires that cash transactions of more than a trivial amount be subject to identification and reported to federal law enforcement. The number of financial transaction reports filed annually has grown from 8,000 in 1985 to over 15,250,000 in 2007. It costs a bank, on average, \$25 to prepare, file and audit each report. The annual cost to banks, just for filing these reports, is now more than \$380 million.

(10) Some of your competitors have an unfair advantage because they launder drug money.

To launder drug money, drug traffickers need business allies to move cash into the financial system. High volume cash businesses are ideal to hide drug money. Restaurants, for example, are a \$476 billion a year industry, involving tens of billions in cash each month. Banks expect restaurants to make large cash deposits daily. Restaurants can launder money by including in their daily deposits the cash from drug sales. This gets drug money into the monetary system. **Money laundering restaurants do not need to make a profit on the meals they sell, because selling meals is not their only business.** Businesses that launder money can charge less than you do, take your customers, weaken your revenues, and make it harder for you to make a profit.

Your business may have a line of credit to finance your inventory. You probably took loans to open your business. You probably have to pay on loans and a mortgage every month. You can't escape that "nut." But some of your competitors never have to worry about their debt.

Businesses established with laundered drug proceeds do not need legitimate sources of credit. Businesses financed with laundered funds create the illusion that they were financed with legitimate funds. The drug traffickers' goal is to operate apparently legitimate businesses that generate for them a "visible means of support," enabling them to pay taxes and avoid suspicion. Overseas, widespread drug money laundering provides increased competitive pressure on American businesses.

The goal of prohibition is not to control drugs or drug using behavior but to make drugs scarce, and thus drive up the price. The illegal drug business is enormous – \$65 billion in annual retail sales in the U.S. Drug dealers have enormous amounts of cash to protect, but they can't hire licensed security firms or call the police – they need criminals willing to use violence to repel robbers. The many inevitable conflicts within the illegal drug business are not resolved in court, but with violence.

The crime of hardcore drug users – if they are in your neighborhood – frightens away your customers. Your customers' cars are broken into when parked outside your stores. Your customers may fear robbery coming to your stores. On the sidewalks outside your stores, drug-using criminals fence stolen property, hawk counterfeit goods, and solicit your customers for sex.

(4) Your overhead is higher because insurance premiums and security cost more.

Every business needs property and loss insurance. Losses from shoplifting were estimated at \$13.3 billion in 2007, according to the National Retail Security Survey. Over \$1.2 billion in property was burglarized from American business premises in 2003. Losses from robberies totaled \$514 million in 2003, according to the FBI. Even if your business were not a victim last year, those losses translate into higher insurance premiums for you. And to prevent crime against your business, you pay for security personnel, equipment and services.

Between fifty and eighty percent of thieves are hardcore drug users. If drugs were legal and controlled and addicts had better access to treatment, maintenance, and harm reduction techniques, addicts would not be driven to crime. Maintaining heroin addicts in Switzerland over the past ten years reduced addict-caused crime, depending upon the crime, by fifty to ninety per cent.

(5) Your health insurance premiums are higher because prohibition does not protect public health.

One of the major costs to American business is the contribution to the health insurance premiums of their employees. Conditions or policies that aggravate health problems raise health costs, and health insurance premiums. Drug prohibition not only makes the drugs illegal, it puts drug users outside the law. Health practitioners distrust illegal drug users. Drug addicts frequently try to obtain drugs by fraud. Health practitioners are prosecuted for prescribing narcotics to drug users. Thus when drug users present themselves for treatment of legitimate medical conditions, they are rejected. Their untreated medical problems become major, expensive problems you pay for.

The White House estimated that the cost of the medical consequences of substance abuse was \$15.7 billion in 2002. The medical care of persons with HIV and AIDS grew to an estimated \$12.3 billion in 2006. For the past 15 years the largest factor in the spread of HIV has been the sharing of syringes by injecting drug users – the cause of infection for thirty-six percent of cumulative AIDS cases in 2000.

Needle sharing is prevented by providing clean needles to injecting drug users in exchange for used ones. Thorough research has demonstrated “clean” needle exchanges reduce the spread of HIV. They have been recommended by the U.S. Public Health Service and the Centers for Disease Control and Prevention. However, anti-drug leaders in Congress and the White House have blocked sterile syringe programs to stem HIV infection. They say it “sends the wrong message,” even though extensive research has established that promotion of sterile syringe use does not increase drug use. But this raises your cost of doing business.

(6) The housing business is further depressed and your real estate taxes are higher because of prohibition crime.

Prohibition crime makes many neighborhoods unattractive to live in or to visit. This significantly depresses the value of residential and commercial real estate in those neighborhoods. Housing is frequently abandoned in those neighborhoods, and lenders won't issue mortgages on such properties.

Abandoned properties in high crime, illegal drug-infested neighborhoods don't pay any taxes. Investment to redevelop properties is deterred. Even occupied buildings are undervalued. Overall, the real estate tax base for the city is depressed. Your tax expense for municipal services is higher.

(7) Prohibition crime creates long commutes and your employees' productivity is reduced.

The crime that flows from drug prohibition devastates large sections of American cities and their older suburbs. Hundreds of thousands of older, well-built homes and apartments that would be attractive to live in, and convenient to jobs and speedy mass transit, are in neighborhoods considered too dangerous by millions of American families. Other affordable housing options are often many miles away from jobs and convenient transit. This results in long commutes that exhaust and frustrate your employees. Parents working far from their children are anxious if they fall sick. Parents rush at the end of the day to pick up children in after-school programs, or to get home for dinner. Such anxiety increases stress, and reduces creativity and productivity. (And such long commutes drive up the price of gasoline, contribute to global warming, and increase long-term economic costs.)

(8) Your tax bill is higher because prohibition wastes taxes.

Federal, state and local governments are spending at least \$50 billion per year fighting the war on drugs. Over the past twenty-five years this spending has exceeded a half-trillion dollars. This spending has been wasted because drug abuse is worse:

*High school kids reported in 2007 that drugs like heroin, cocaine and hallucinogenic drugs are easier to obtain now than in the 1970s and 1980s.

* The number of persons who die from illegal drugs has gone up – the death rate is triple the rate in 1980.

* Heroin and cocaine have become cheaper and purer over the past 28 years. Heroin is about 10 times more pure at retail than in 1980.