

POLICY PAPER ON THE BENEFITS AND COSTS OF LEGALIZING HEROIN ON THE
SOCIETY

Name

Module

Date

Introduction

Heroin refers to an opioid, which is majorly used as a recreational drug due to its euphoric effects¹. Massachusetts has passed a policy to legalize the drug, and private sellers will be allowed to sell the drug to anyone over the age of 21 years. All the sales of the drug will be subject to tax. There are benefits and costs including opportunity costs that legalizing heroin may have on the society.

Benefits and Costs of Legalizing Heroin to the Society

Legalizing heroin will enable the government to regulate it and make it safer for use². The government will be able to control where it will be sold, how it will be sold and to whom it will be sold. Additionally, legalizing of the drug will come with benefits of education to the users. The government will advise the users on how to use the drug. It will also have warnings on the harmful effects of using the drug. Regulation will also lead to an increase in the quality of the drug, and thus it will become safer to use.

The users of heroin will benefit from legalizing the drug since the prices will reduce and it will be readily available in the market. Presently, it is illegal to sell the drug, and the penalties involved if a person is found with it are enormous. That makes the black market sellers sell it at very high prices. Further, the prices are high since it is not readily available. Legalizing it will make it readily available in legal places, producers will increase, and the costs will reduce.

The non-users would benefit from reduced crime and corruption. Black markets exist because currently, it is illegal to possess or sell the drug, legalizing it will eliminate the black markets. Violent crime among the illicit heroin market participant will disappear with the legalization of the drug. Additionally, income-generating crime, which is committed by users will reduce since legalization will lower the prices. Corruption will decrease in the sense that, the sellers will not have to bribe anyone wherever they are caught.

Effect of tax on a perfectly competitive market for heroin

All the heroin sales will be taxed, and thus, more revenue to the government. With more revenue, the government will be able to do most of its functions effectively. In a perfectly competitive market for heroin, the taxes will increase the prices of the drug.

In the short run, both the producers and consumers will be affected by the tax imposed. When tax is imposed on a product, its cost will rise. For example, if the tax is imposed to companies producing the drug, then they will have to raise its price to cover for the tax costs. If the tax is imposed to the consumers, then the price of the drug will also rise to even higher rates and its demand might reduce; in this case, the sales will, and it will affect the producers. Herein, the consumers will be paying more, but the producers still get less for the purchases. The loss in producer and consumer surplus will be dependent on the demand curve elasticity. When elasticity is low, the loss in consumer surplus will be higher, and producer surplus will be lower³.

The supply curve remains elastic even in the long run, and the tax will only reduce the consumer surplus. Producer surplus will stay at zero since there are no profits made. The expected tax revenue will depend on the amount of tax that will be imposed on heroin⁴. Elasticity in the above case is the degree in which producers or consumers change the amount supplied or their demand for heroin due to price changes. The tax collected should be used to increase social welfare such as social security Medicare and food security programs.

Conclusion

Legalizing heroin will be beneficial to various parties including the users, the non-users, and the government. Each of the parties will benefit in its way. The government, for example, will have an increase in its revenue, meaning more programs may be done if the collected revenue will be effectively used. Therefore, the policy is excellent.

¹ Cerdá, Magdalena. "A public health of consequence: let's ask about who benefits." *American journal of public health* 107, no. 3 (2017): 396.

² Cerdá, Magdalena. "A public health of consequence: let's ask about who benefits." *American journal of public health* 107, no. 3 (2017): 396.

³ Folland, Sherman, Allen Charles Goodman, and Miron Stano. *The Economics of Health and Health Care: Pearson International Edition*. Routledge, 2016.

⁴ Folland, Sherman, Allen Charles Goodman, and Miron Stano. *The Economics of Health and Health Care: Pearson International Edition*. Routledge, 2016.

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