

THE LOSS ADJUSTORS

The effects of a recession on drug markets is hard to predict, but what is for sure is that buyers and sellers in the trade will be lightning-quick to adapt to a new economic climate. By **Steve Sampson**

When Prime Minister Gordon Brown conceded in October that the UK economy was sliding into recession, retailers, manufacturers and service industry chiefs retreated to their boardrooms to analyse the impact on their sectors.

For many businesses, looking back at the impact of the 1980s recession in the UK and US brought little relief. For those working in or monitoring the drug sector the comparison is alarming: the recession a little more than two decades ago and the resulting unemployment and poor social conditions were cited as the cause of a mushrooming both of heroin use in the north of England and of crack use in the US.

A simplistic analysis of the drug markets in recession was wheeled out by a tabloid paper earlier this month: "An addict doesn't want less heroin because there's a recession," one drug insider said. "Economists have a word to explain demand for highly addictive substances: it's 'inelastic'; demand doesn't go down in line with affordability."

But according to leading economists, academics and criminologists interviewed by *Druglink*, such a simplistic view of the global and local drug markets underestimates their complex and highly flexible nature.

On a very basic level, consumers spend less on luxuries during a recession, says Professor Mike Hough, director of the Institute for Criminal Policy Research at Kings College London, which is conducting research into the way in which the drug markets work. "The majority of illicit drug users who fund their [drug] use through legal income will have to tighten their belts, and much as one can predict alcohol use to decline in recession, so too should illicit drug use. Counterbalancing this, some of the growing groups facing economic hardship and the strains of unemployment may be more inclined to use illicit drugs."

Christine Godfrey, head of health sciences at the University of York, agrees that these basic rules apply, but

says the drug suppliers could consider compensating for falling incomes.

"The supply chain could react by revising its pricing and distribution systems to retain its customer base, just as any retail sector might. This may include dropping prices and extending credit or supplying more affordable lower grade drugs."

A RECESSION WILL OPEN A WINDOW OF OPPORTUNITY FOR THE DRUGS TRADE TO FLEX ITS FINANCIAL MUSCLE

Godfrey's greatest fear, however is that the recession may undermine all the work that has gone into capping problematic drug use globally and at a local level.

"While we have seen a levelling in problematic use globally, as a result of a recession we may see this rise where individuals experience life-changing shocks through redundancy," says Godfrey. "A high-flying city banker who previously used cocaine in the controlled environment of his daily working life may find his use becoming problematic if he suddenly finds himself unemployed."

Dick Hobbs, criminologist at the London School of Economics, says trying to second guess how global or local drug markets may react is as intangible as gambling on the rise and fall of any other commodity market, be that oil or technology stocks. He says drug markets will react very differently to local circumstances in different markets at different times.

"You can't try to predict the impact of the recession based on what happened in the 1980s, there are too many fresh variables. There has been a succession of drug use phases since then, now it is a very different market place. We can only really put a shape to how a market is reacting in hindsight."

Tony Newman, communications director for the Drug Policy Alliance in the US, sees a potential for a convergence between the illegal drug sector and the pharmaceutical sector, where prescription drugs can only be obtained by those with health insurance.

"The vast majority of Americans use legal drugs on a regular basis. Some people get their sleeping pills or uppers at a pharmacy, while others buy their highs and lows in the form of illegal drugs on the street," says Newman. "If more and more people lose jobs, and therefore their health insurance, we may see a shift from pharmacy drugs to illicit drugs. Marijuana may become a cheaper sleeping aid or anti-anxiety drug than its prescribed competitor."

One issue that brings a consensus of opinion, however, is that a recession will open a window of opportunity for the drugs trade – and the organised crime networks that underpin it – to flex their financial muscle: attracting new recruits to distribute drugs and in some cases filling the gap by providing finance where mainstream banks and lenders have retreated.

"Illicit drugs markets might be stimulated by people being readier to participate in the illicit drugs distribution system, as opportunities for legal employment shrink," says Hough.

But while suppliers may swell their supply chains, Simon Mackenzie, a criminologist at Glasgow University, believes the drug market's influence may be greater still, filling the gap left by the collapse of businesses.

"As legitimate businesses go to the wall, they make better targets for corruption by organised criminals," he says. "There might also be increasing opportunities for organised crime groups to buy-up 'bombed-out' local businesses, helping them to infiltrate the legitimate economy or operate front companies to help launder their money."

■ **Steve Sampson** is a freelance journalist specialising in economics