

As we discussed at the beginning of this chapter, the above reasons for government intervention in the market only focus on the economic reasons for intervention. Clearly governments impose regulations for many reasons other than economic reasons. In the case of whether or not to legalise drugs, as we will see in Making the connection 11.1, philosophical, social and moral reasons come into play, and may well override economic considerations. Another example is in the restrictions on business trading hours and regulations enforcing higher wages on Sundays, which stem from religious, social and moral considerations rather than economic. For example, in Western Australia business trading on Sundays and public holidays is limited to small businesses, such as delicatessens and those employing only a small number of workers. The reasons for trading restrictions are likely to have originated from social and political reasons, but the economic effect is to reduce consumer choice and create monopoly profits for those businesses allowed to trade.

## SHOULD DRUGS BE LEGAL?

The 1976 Nobel Prize winner in economics, Milton Friedman, died in November 2006. He was one of the greatest advocates of the freedom of the individual and a lack of interference in consumer choice by government. He argued strongly that individuals making their own decisions on what was best for them in a free market would generally result in the greatest social welfare. Perhaps one of his most contentious propositions was that there should be no prohibition on the production, sale and use of drugs such as heroin. Robert Marks, a leading academic at the Australian Graduate School of Management, commenting on the work of Friedman after his death, wrote:

His self-avowed libertarian, small-government beliefs inform his commitment to ending the prohibition on the manufacture, sale, purchase, possession or use of illicit drugs. He was not 'a zero government person': he saw a real role for government, to prevent people from harming others and to uphold the law. He said that government never has any right to interfere with an individual for that person's own good. This belief informed his advocacy of the legalisation of drugs: his adamant conviction that it was morally wrong for government to attempt to change the individual's drug-taking behaviour 'for his own good'. Only secondarily did the costs and benefits of ending the prohibition matter to him: he argued that eliminating the many costs associated with the ineffective prohibition would vastly outweigh any costs associated with ending the drug war. He did not advocate open slather, just the level of regulation afforded to the legal drugs of alcohol and tobacco.<sup>1</sup>

Marks has also argued against prohibition, and has estimated the cost of existing policies and the benefits of reform. He maintains that:

There have been some advances, usually on account of the public-health risks of shared needles, with needle-exchange schemes and the legal injecting room in Sydney. But the political resistance against these small steps, even in the face of the AIDS/HIV pandemic, is great, and persistent.

It is clear that debate on this issue is both heated and contentious. It involves differing philosophical views on the level of government involvement in individual decision making. The decision of whether to legalise drugs also involves the costs of enforcing prohibition and the public health risks of taking drugs of unknown composition using unclean syringes, versus the health and social costs of any increase in drug usage following any legalisation to decriminalise drugs (see Chapter 4). Normative judgments, moral issues, society's preferences and political considerations are involved in the decision not to legalise drugs in Australia. Economics can contribute to the discussion but cannot decide the issue.

### 11.1 MAKING THE CONNECTION



How far should individual freedoms extend?