

Research entitled: The effect of drugs on the economies of countries

Hamdi Mohammed¹ Khaled Haddar²

¹Lecturer at the Faculty of Economics, University of Batna 1 (Algeria)

²University of Batna 1 (Algeria)

The Authors Email: ¹mohammed.hamdi@univ-batna.dz, ²khaled.haddar@univ-batna.dz

Received: 02/2023, Published: 03/2023

Abstract:

Many studies have acknowledged the danger of drug abuse and its negative psychological and social effects on the individual and society, but many of them overlooked the economic effects that trouble specialists. This study aimed to shed light on the various effects of drugs on the economies of countries through their negative impact on increasing levels of Unemployment, public spending and the volume of money laundering operations, as well as pillows contribute to encouraging the smuggling of hard currency abroad and limit the value of savings and investment in the formation of the domestic product.

However, what matters in this research is to stand on his proposals to reduce these effects and dangerous consequences of drugs, which are divided into three stages. In the first stage, countries try to prevent these illegal substances from entering their soil, and the second stage tries to limit the internal demand for them by sensitizing individuals. Its various damages, and the last stage concerns the treatment of punishment of those involved and the treatment of addicts.

key words: Drugs, unemployment, public spending, money laundering, hard currency, saving and investment.

Preamble :The dangers of drugs are no longer confined to the social and health effects that the consumer inflicts as a result of using them, nor to their security risks. Where studies have proven that it is the cause of many road accidents, which led to several human and material losses, and even exceeded, until drugs became an imminent danger that threatens the economies of many countries.

The phenomenon of drug trade of all kinds is considered one of the most serious current economic problems facing various countries, whether developed or developing, because of its significant impacts on the economies of these countries.

Research problem:

The problem of drug abuse and trade is considered one of the most important problems that affect the economies of countries because of its negative effects on societies.

From the above, we can ask the following question:

What are the economic effects of drugs?

Several sub-questions branch from the main question, the most important of which are:

- What is the effect of drugs on money laundering operations?
- What is the effect of drugs on unemployment?
- What is the effect of drugs on public spending?
- What is the effect of drugs on the national currency?
- What is the effect of medicines on savings and investment?

Research hypotheses: In order to answer the problem of the study, the following hypothesis is developed:

- Drugs affect money laundering operations;
- Drugs affect unemployment;
- Drugs affect public spending;
- Drugs affect the national currency;
- Drugs affect savings and investment.

The importance of the research: The importance of the research can be summarized in the following points:

- The research is of particular importance because the Arabic Library is a great scarcity of writings on the philosophical side of the subject, and the lack of interest in university academic studies in it;
- The expected financial and economic return for countries' economies from combating the drug phenomenon.

Research Objectives: This research seeks to achieve the following objectives:

- Focusing on sensitizing societies to the economic costs borne by countries as a result of drug trafficking and abuse;
- An attempt to determine the negative effects of the phenomenon of drug trade and abuse on the economies of countries.
- Develop appropriate proposals that would contribute to defining the means to combat this phenomenon.

Research Methodology: In order to answer the problem posed, as well as to test the validity of its hypotheses, the descriptive approach is followed, and this is consistent with the nature of the subject of the study.

Reasons for choosing the topic:

- Exacerbation of drug abuse and trafficking at the international and Arab levels in particular;
- Always focus on the social and health effects of the phenomenon of drug abuse and trade, and neglect the economic effects.

The first topic: the definition of drugs, language and idiomatically.

In this section, the definition of drugs is addressed through a statement of their concept. As well as identifying the different types of drugs and their different forms, and based on that, this topic must be divided into two demands, the first of which is about the concept of drugs, while the second deals with the types of drugs.

1- The concept of drugs:

Addressing the concept of medicines requires defining it at either the linguistic or idiomatic level:

1-1- language

The word “pillows” is derived from numbness, which is a covering that extends to the maidservant in the direction of the house, and numbness: darkness, and numbness is the lazy, and numbness comes from drinking, and medicine is apathy and weakness in the drinker (ibn mandhor. 2010. P232)

It is said: The organ is numb if it is relaxed, so it cannot bear movement.

In the English language, the word DRUG is used to refer to the chemicals we use daily, as well as to plants, medicinal drugs, and toxic substances.(Al-Salawi.1997.P23)

1-2- idiomatically:

There is no comprehensive definition that explains the concept of drugs. Rather, there is a set of terminological definitions of drugs, which vary between Sharia, law and medicine. Some of them defined them as:

Pillows are any substance whose use leads to a state of total or partial anesthesia with or without loss of consciousness, or gives a feeling of euphoria and happiness.(Al-Ghamdi.1990.P10)

Narcotics technically mean sleep-inducing drugs, and the medical dictionary states that narcotic drugs cause sleep, and narcotic drugs are defined as drugs that relieve pain and induce sleep or forgetfulness.(alghaniu.2006.P7)

From a medical point of view, drugs are every substance that disrupts the nervous system of a person or animal, and from a legal point of view it is every substance that leads a person to addiction and affects one way or another on the nervous system.(almaghribi.1971.P15)

Some researchers know it from a scientific point of view: that an anesthetic is a chemical that causes drowsiness and sleep, or the absence of consciousness accompanied by pain relief.(Muhammad.1983.P16)

Narcotics are also defined as any intoxicating or long-acting substance that destroys the mind partially or completely, resulting in poisoning of the nervous system, and its circulation, cultivation or manufacture is prohibited except for purposes specified by law, and in a manner that does not contradict Islamic Sharia.(Houry.2003.P511)

From the above, drugs can be defined as every intoxicating substance that affects the nervous system of the individual, making him feel sleepy, hallucinating and happy.

2- The second topic

One of the most dangerous harms of drugs is their negative impact on the economies of countries, given their cost to the resources of society as a whole, in addition to impeding its growth. The following are the most important economic effects of drugs:

1-2- Drugs and Money Laundering

Drug trafficking is one of the most important reasons for money laundering; As traders resort to hiding the source of income, trying to legitimize its source. These operations have many negative effects, which are reflected in the national economy, and the financial flows of drug trade are usually directed to buying real estate or investing in clubs and gambling, with

the aim of laundering them, distorting prices, perpetuating unfair competition and reducing the attractiveness of the investment climate for countries.(Report of the United Nations Office on Drugs and Crime.2017.P23)

Drug trade is one of the most important sources of illegal money, which needs to be disguised and laundered, in order to take the image of legitimate money. One of the most important economic effects, resulting from money laundering operations, related to drug trafficking, and money laundering operations have negative effects on the level of income, as drug dealers resort to Drugs lead to laundering their money, which they obtained from selling drugs in foreign banks, and this is what causes a leakage of national income and an economic contraction. Money laundering operations also affect the price of the local currency; As the increase in the supply of local currency leads to a decrease in its value in the currency market. Also, the demand for hard currencies, such as the dollar and the euro, causes a depletion of the national monetary reserve of these currencies.

Money laundering operations cause additional costs to the state budget, as the depreciation of the local currency leads to an increase in the value of imports. It also causes confusion for the monetary authorities, given the difficulty of controlling and supporting the local currency, as a result of its inability to predict the demand and supply of currency, and contribute to the emergence of what is known as the hidden economy, which is difficult to monitor or influence its variables; This is what causes the spread of corruption, both administrative and financial, in the state.

Money laundering is practiced by many means, including the use of limited decentralized methods that include remittances or remittances, as the huge revenues from the illegal drug trade are recycled through legitimate means and pump large cash flows into the country's economy, and can have macroeconomic effects represented in changes in The value of currencies and the increase in budgets and foreign exchange reserves, as is the case in a number of West African countries, some of which were greatly affected by cocaine trafficking. In Guinea-Bissau, foreign exchange reserves increased from 33 million dollars in 2003 to 174 million dollars in 2008; In The Gambia, and in 2012, the US Department of Justice fined a UK bank \$1.9 billion for inaction in oversight that allowed the laundering of at least \$881 million in drug proceeds. Criminal groups are a major threat to sustainable development.(muhrama .2019)

2-2- drugs and unemployment

The spread of drugs means that there is a misdirection of the available economic resources, causing a decline in economic activity, and the state will be forced to transfer a large part of its public spending, to the work of combating and the costs of treating addicts, and this will reduce the funds directed to the purchase of legitimate goods. The spread of the drug phenomenon will weaken the components of the drug. Aggregate demand, which negatively affects the level of national product and the level of full employment, and reduces the

exploited economic resources, including the labor component, as a result of the decline in aggregate demand.

It is also expected that the spread of the drug phenomenon will weaken the productivity of individuals who use drugs, which in turn will negatively affect the level of total production and the level of aggregate supply.

The inactivity of the labor force in the United States has led to significant losses in productivity estimated at 120 billion dollars in 2011, which is approximately 0.9 percent of GDP, and another study conducted on Australia and Canada has determined that drugs negatively affected GDP by 0.4 percent and 0.3 percent, respectively. (drugs.2013)

The 2005 opium ban in Nangarhar province in southern Afghanistan is a successful example, backed by significant development investments in physical and social infrastructure. The opium poppy was replaced by a mixture of wheat and other cash crops such as the region's onions and green beans. Post-ban Nangarhar saw growth. Between 2009 and 2011, there was a significant increase in job opportunities and wage rates. (muhrama .2019)

3-2- Drugs and public spending

The spread of the drug phenomenon leads governments to spend a lot of money and effort in the fight, and this drains the state's public treasury. There is no doubt that spending on the control process starts from preventive measures, through security, medical, judicial and legal agencies, and ending with the treatment of addicts.

Efforts made in the field of drug prevention to sensitize society to the dangers of drugs cost a lot of money in the form of awareness campaigns through various media, educational, cultural and scientific institutions, and other devices.

Fighting the drug phenomenon requires the development and training of legislative authorities, with the aim of putting in place legislation and regulations capable of achieving security, and in order for this to be achieved, the state must spend money to build judicial competencies capable of advancing this task, and it is natural for the public treasury to be the main source for obtaining the funds necessary to achieve this. This is the advanced level of the legal system.

The fight against drugs falls under the jurisdiction of the security agencies concerned with combating drugs, such as the police and customs, which seek to prevent the passage of drugs into the territory of the state and trafficking in it. These agencies are also interested in following up and prosecuting users, and monitoring the sources of promotion and smuggling, with the aim of limiting the phenomenon and undoubtedly, which requires high efficiency of the security forces so that they can achieve their goals, and help them to confront the development of criminal activities related to the phenomenon of drugs. Hence, the huge money spent in this field is considered a financial burden on the public budget.

The field of prisons and corrections is necessary to complete justice, which calls for the preparation of special places for the implementation of penalties, and the state spends, in this field, large sums of money, starting from workers' wages, subsistence, medical care, and other necessary necessities, which drain a lot of the state's treasury.

As for the efforts made in the treatment and aftercare of addicts who are part of the community, it is the state's responsibility to provide the necessary hospitals and medical staff to rid them of addiction, so that they can return to good health and be able to integrate into society. It is also necessary for addicts to undergo a rehabilitation phase, and this calls for the establishment of specialized devices, which requires a lot of money and represents an additional burden on the public treasury of the state.(Ghobari.2007.P161)

Studies show that in 2010 people in the United States spent \$28 billion on cocaine, \$27 billion on heroin and \$13 billion on other types.(muhrama .2019)

4-2-Drugs and the national currency

Drugs affect the quality of world financial markets, foreign exchange rates, movements of hard currencies, and other transactions of an international nature. Because the spread of the drug phenomenon in any of the countries would deplete hard currencies as a result of paying the value of the imported quantities in these currencies. This, of course, lowers the value of the national currency in international markets, as a result of the increased supply of it and the increase in demand for hard foreign currencies, and it reduces the balances of central banks of hard currency.(Ghobari.2007.P161)

Drugs weaken international confidence in the national currency, which may prompt dealers to quickly dispose of it, and an additional depletion of hard currencies, which are usually the effective weapon, and the depreciation of the national currency helps to raise the bill of imports of goods and services, and this may cause a deficit in the trade balance, and balance of payments together. And the fact that most developing countries depend on importing their needs of final goods and services from abroad, this means that the effect of the drug phenomenon in them will be more pronounced.

Drugs are behind the rise in hard currencies, as traders collect them and smuggle them to buy them, and drugs, with the health effects they cause, reduce the productivity of individuals, and this is a major loss and a huge damage to the national economy, which bears the bad consequences of the nation.(Islamic.1986.P84)

5-2- The effect of drugs on savings and investment

Expenditure on drugs is a burden on the budget of the individual and society. The money spent on drugs comes at the expense of the share of the value of consumption and savings, and by reference to the Kenzieh theory, the individual distributes his income between consumption and saving, and since the individual's real income has been directed part of it to drug consumption, the value of his bank savings also decreases, which is directed by those

banks mainly for reinvestment . Because investment comes by exploiting the savings held by individuals, i.e., saving equals investment.

The spread of the drug phenomenon affects the state's general budget, through the noticeable decrease in government revenue, as a result of the evasion of illegal funds from paying taxes, and as a result of the decrease in national income in general, resulting from the spread of unemployment among drug users, and their low productivity.

The spread of the drug phenomenon also generates the spread of unemployment and poverty among users, which is what the state bears in the form of providing financial aid to drug users, and this will reduce the surplus, or increase the budget deficit.

From the foregoing, the spread of the drug phenomenon is accompanied by negative results, affecting the state budget in particular, and the national economy in general.

Conclusion:

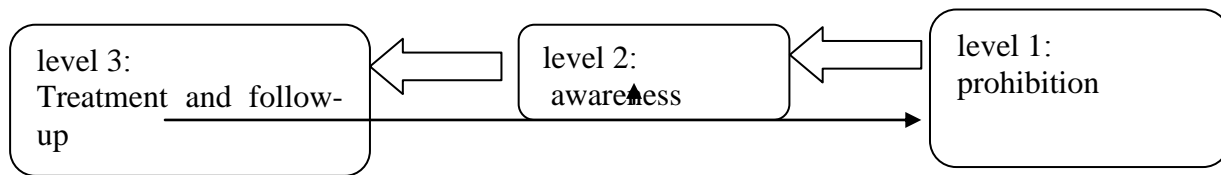
Drugs are a scourge whose danger exceeds the youth, threatening the fate of countries' economy, and making countries unable to progress and achieve targeted development, as drugs cause economic damage to the country because addiction reduces the individual to reach the required level of productivity, which affects the domestic product.

First, the hypothesis test results

- Drugs affect money laundering operations: Money derived from drugs is one of the most important causes of money laundering and has many negative effects on the national economy, the most important of which are raising prices and unfair competition.
- Drugs affect unemployment: the spread of the drug phenomenon weakens the productivity of individuals who use them, and they try to access sources of funds by committing theft crimes without working on a daily basis in institutions.
- Drugs affect public spending: The drug phenomenon increases government spending to combat it, in the form of spending on security, medical, judicial and legal agencies, and ending with the treatment of addicts.
- Drugs affect the national currency: Drugs contribute significantly to raising the price of the dollar and destroying the purchasing power of the national currency. Studies have proven that a large part of the dollar smuggling operations abroad were with the intention of financing the purchase of drugs and bringing them from the producing countries.
- Drugs affect savings and investment: Drugs reduce individuals' incomes, which were programmed mainly for reinvestment.

Second: Suggestions:

Based on the foregoing, this contribution can be made to preventive and curative efforts to confront the economic effects of this problem, and we can put forward this model to combat the phenomenon:



the researcher

Based on the previous figure, a strategy to combat drugs can be built through three stages:

1- The first stage: the prevention stage

-At this stage, countries must coordinate among themselves in the field of information exchange and set international economic sanctions on drug-producing countries. Countries must also harness all material and human means for customs and border police agents to prevent the entry of drugs into their national territory, in addition to establishing independent security agencies for the police. In order to combat dealers and abusers of this substance.

- Restricting and controlling the funds of the drug trade in coordination with all financial authorities and bank managers to prevent money laundering operations.

2- The second stage: the awareness stage

- Raising awareness of the serious and devastating damages to individuals, families, societies and countries, especially the deadly diseases caused by drugs, and the consequent social and economic damages.

- Awareness programs, cultural, religious, recreational and social, must be prepared for all individuals, and all actors in civil society and active associations should be involved in preparing these programs, and sensitizing the extent of the benefits that accrue to society without addiction.

- Attempting to establish financial support funds as a result of symbolic contributions aimed at making all individuals feel involved in solving the problem and fighting the drug phenomenon.

-Establishing local bodies to combat the phenomenon, consisting of volunteers, and coordinating with various security agencies

-Employing volunteer and unemployed youth and involving them in cooperating with work teams in their efforts to prevent addiction.

- Activating the role of the media to combat drug abuse, as well as by encouraging the function of scientific research and studies on the phenomenon of drug abuse, by studying the

various causes that led to its spread and analyzing its results to reach recommendations for treating the phenomenon.

- It is necessary to work to inculcate Islamic traditions in young people, as well as correct behavior through education, within the various educational, media and religious institutions.

3- The third stage: the treatment stage

-Conducting medical examinations and analyzes for school and university students to ensure that they are free of any narcotic substances and to identify those who have committed addiction, is of paramount importance, with the aim of early detection and treatment of cases.

-Facilitating the therapeutic means by those that he resorts to to treat the abuser after taking drugs or to treat the drug addict, and among the most important of these means physical, psychological and mental treatment appears.

-Toughening the criminal and civil punishments issued against drug dealers, by issuing the death penalty or life imprisonment, among the reasons that lead to a decrease in the rate of drug crimes.

-Interest in establishing and expanding youth care units in the various stages of education and in residential complexes, and benefiting from the experiences of individuals who have been able to quit drug abuse.

- The necessity of subjecting addicts who have been subjected to punitive sentences for drug offenses under the care and follow-up of the authorities after the expiry of their sentence, for fear of returning to addiction.

- Bibliographie

Islamic, a. a. (1986). Drug damage. Cairo: The Imam's Message Series.

Al-Salawi, m. a. (1997). Drugs in Morocco and in the world. Quneitra: Dar Al-Bukili for printing and publishing.

Al-Ghamdi, A. p. (1990). The impact of drugs on the nation and ways to prevent it. National Festival of Heritage and Culture. Riyadh.

alghaniu, S. M. (2006). drugs. Egypt: House of Legal Books.

drugs, c. a. (2013). The Economic Consequences of Drug Abuse, Chapter One. Vienna.

almaghribi, S. (1971). The phenomenon of drug abuse: its definition - a brief history. Research presented to the Arab International Symposium on the phenomenon of drug abuse (p. 15). Cairo: Arab Organization for Social Defense.

Encyclopedia. (s.d.). Récupéré sur http://www.moqatel.com/openshare/Behoth/Ektesad8/Mokhaddara/sec11.doc_cvt.htm.

Report of the United Nations Office on Drugs and Crime. (2017). The problem of drugs, organized crime, illicit financial flows, corruption and terrorism. Vienna.

Houry, M. a. (2003). Crime causes and control. Damascus: Dar Al-Fikr.

