

4. Conclusions

Perhaps the most striking observation about illicit drug prices is simply that they are still extraordinarily high per unit weight, even though prices have declined over the past 20 years. Gold sells for about \$400 per ounce. Marijuana is quite literally worth almost its weight in gold, selling for approximately \$325 per ounce in 2003, according to information from STRIDE. Cocaine, d-methamphetamine, and heroin are even more expensive, selling at the gram level for the equivalent of about \$3,020, \$4,410, and \$10,260 per ounce, respectively. Hence, these more expensive illicit drugs are quite literally an order of magnitude (or more) more expensive per unit weight than gold. High prices can be beneficial in that they discourage consumption.

Another striking characteristic of drug prices is their extreme variability over quantity levels, between locations, over time, and from transaction to transaction. The variation across quantity levels is due to the substantial quantity discounts given for all four drugs examined here. For example, the price per expected pure gram of powder cocaine is nearly three times higher for small transactions (< 2 grams) than for larger transactions (> 50 g). The price per expected pure gram of crack cocaine at the lowest quantity level is 3.5 times higher than the price at the higher quantity levels.

There is also substantial spatial variation in prices. In 2001, for example, street level prices for powder cocaine varied considerably across the five cities for which there are sufficient data to generate city-specific estimates, ranging from a low of \$59 per expected pure gram in San Diego to a high of \$121 in Atlanta. Comparable variation was observed in heroin prices.

Prices also vary substantially over time. The overall trend for powder cocaine, crack, and heroin showed a steep decline during the 1980s, a spike in prices in 1989–1990, then relative stability, with a modest decline during the 1990s and early 2000s. Variation in marijuana prices was also substantial but followed a very different pattern. Marijuana prices rose from 1981 to 1991, fell through 2000, and have since rebounded somewhat. Variation in d-methamphetamine prices over time has been the most volatile, with multiple sharp spikes that may be related to the advent of various precursor control regulations.

The final form of variability—variability in transactions that occur at the same time, in the same geographic location, and of the same size—is no less important. The time series generated in this report focus on average prices in particular places and times, but at any given time, location, and quantity level, a broad range of prices is likely to be observed.

Trends and variation in purity are drug-specific but are also quite common. Cocaine purities are now typically fairly high at all quantity levels. Substantial cutting, or dilution, of powder cocaine occurs but is no longer the norm. Heroin today is much more pure than it was in the early 1980s, and the gap between purity of larger and smaller observations has shrunk considerably. However, substantial evidence of routine dilution of heroin remains. D-methamphetamine purity has varied dramatically and irregularly over time, although it has usually moved in the opposite direction of prices.

This report merely documents and describes the trends in price and purity. Some patterns are easy to explain and interpret, while others deserve further exploration. Subsequent work should

focus not only on further refining and updating of the descriptive trends, but also on correlating these trends with other data indicators both to externally validate the trends identified here as well as explain what drives them.