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# Dynamics of Intervention in the War on Drugs

## *The Buildup to the Harrison Act of 1914*

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**T**he Harrison Narcotics Tax Act of 1914 is widely viewed in the scholarly literature as the beginning of the U.S. government's war on drugs (Miron and Zwiebel 1995; Benson and Rasmussen 1997; Libby 2006; Francis and Mauser 2011; McNamara 2011). An essay by Peter Boettke, Christopher Coyne, and Abigail Hall (2013) is an exception that dates the war's start to the Pure Food and Drug Act of 1906. However, the problems that the Harrison Act was intended to address can be directly traced to the unintended consequences of antidrug policies adopted by state governments and the federal government in the nineteenth century. This paper documents these nineteenth-century antidrug policies and uses an economic theory of the dynamics of intervention to explain how these policies led to the adoption of the Harrison Act. These nineteenth- and early-twentieth-century policies represent the beginning of the U.S. government's war on drugs.

With the notable exception of a book by Mark Thornton (1991), the literature on the drug war largely fails to recognize and explain the dynamic nature of the

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*The Independent Review*, v. 20, n. 4, Spring 2016, ISSN 1086-1653, Copyright © 2016, pp. 509-530.

interventions in the war on drugs. The literature on the legislation and outcomes of the period leading up to the Harrison Act, written primarily within the history and medical professions, falls short in explaining how the Harrison Act came about because it does not have a suitable economic framework to interpret the events.<sup>1</sup>

We utilize the theory of intervention developed by Ludwig von Mises ([1940] 1998) and then built upon by F. A. Hayek (1945, [1944] 2007), Sanford Ikeda (1997), and others to explain the evolution of drug laws leading up to the Harrison Act, and, in doing so, we are able to address and utilize insights from David Musto (1973), Edward Brecher (1972), and David Courtwright ([1982] 2001) in a cohesive, not contradictory, manner. This theory allows us to explain how policy X implemented at time  $t$  affected the decision to implement policy Y at time  $t + 1$ .

Each government intervention into the market impacts the information and incentives of a wide variety of market participants who often have goals other than and sometimes contrary to those of the policy makers. But, as Mises states, “interventionism is not an economic system . . . it is not a method which enables people to achieve their aims” ([1940] 1998, 78). Because information is dispersed across the economy often in the form of tacit knowledge (Hayek 1945), policy makers cannot fully anticipate, unless they are omniscient, how the changed information and incentives of market participants will ripple through the market and create secondary consequences that policy makers consider undesirable. When these consequences reveal themselves, policy makers have a choice of repealing their prior intervention or creating an additional intervention to deal with the undesirable consequences. When they choose the latter, “it will only be a matter of time before new, negative consequences of the new intervention manifest themselves—at which point they will be facing a replay of the previous choice” (Kurrild-Klitgaard 2005, 5). Intervention also distorts the discovery process for entrepreneurs (Kirzner 1985). The opportunity set available to entrepreneurs also changes with interventions, and they respond accordingly (Martin 2011, 352). Intervention stifles discovery that would have found ways to serve consumer desires if entrepreneurs had had more freedom to experiment. It also creates superfluous discovery, which takes place when entrepreneurs come upon new business ideas that exist only because of an intervention that made it uneconomical to serve consumers’ desires in other ways. To summarize explanations offered by Mises ([1940] 1998) and Hayek ([1944] 2007), once the road of intervention is chosen, movement along it will only continue because unintended consequences will continue to manifest with each attempt to correct the previous problems. The only way to get off this road is to begin rolling back or undoing previous interventions and allow the market to sort itself out. Unintended consequences alone do not

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1. David Courtwright ([1982] 2001) suggests that his findings are at odds with those of Edward Brecher (1972), David Musto (1973), and others who focus on how laws shaped the opiate-use patterns. He states that “the key events occurred not from 1914 to 1924, but from 1895 to 1914, and involved not the legal, but the medical, profession” (2).

qualify as dynamics of intervention. It is when the creation of these unintended consequences leads to subsequent intervention to correct the problems of the previous intervention that we see the dynamic cycle emerge.

Crisis, or the perception thereof, plays a crucial role in the dynamics of intervention. “Besides permanently increasing the true size of government relative to the size that secular forces alone would have produced, crisis may also affect the operation of the secular forces themselves. . . . Conceivably, without a crisis to break down some of the obstacles to the ongoing growth of government, the secular forces would eventually lose their power to sustain the true growth of government” (Higgs 1987, 61). This is precisely the cycle we find in the war on drugs.

As Mark Thornton describes this cycle, “The demand for interventionist policies such as prohibition arises from the perception that the market process has caused an inefficient outcome or that the market will not correct inefficiencies” (1991, 80). For example, when the government prohibits a drug, people have the incentive to stop using that drug (the intended consequence), but they also have the incentive to switch to a different drug that satisfies similar ends (the unintended consequence), which creates an entrepreneurial opportunity for individuals to supply more of the alternative drug. What this new drug is or the form it takes is impossible to predict *ex ante*, so it requires new legislation *ex post* to deal with it. During the period from the 1880s to the 1910s, the federal government and state governments enacted a series of interventions to try to address and eradicate a growing opium problem in the United States. Each of these interventions in turn created unintended consequences that were addressed with future interventions.

We analyze the series of federal interventions into narcotics markets during the late nineteenth and early twentieth centuries to show why the Harrison Act was passed and how previous interventions created the very problems the Harrison Act sought (and failed) to correct. At several steps along the way, Congress members called into question and tried to limit their own federal jurisdiction, but all of these attempts to tie their hands were rendered irrelevant with the passage of the Harrison Act—“the close interdependence of all economic phenomena makes it difficult to stop planning just where we wish and . . . once the free working of the market is impeded beyond a certain degree, the planner will be forced to extend his controls until they become all-comprehensive” (Hayek [1944] 2007, 137).

We focus specifically on how interventions into smoking-opium markets failed to produce the intended result (the elimination of the smoking-opium vice in the United States), increased smuggling, and incentivized American citizens’ involvement in opium importation. At the same time, patent-medicine use and opiates for nonmedicinal use were on the rise. As an attempt to stifle the nonmedical market for opiates and patent medicines, many states passed laws prohibiting the sale of the medicines without a prescription. As a result, interstate sales of opiates increased to circumvent these laws. Finally, the United States spearheaded an international campaign to shed light on and eliminate the crisis of the “opium evil” around the

world but was forced to confront its own domestic opium problem in a sufficiently comprehensive way to gain the respect of fellow International Opium Commission nations. These three lines of intervention coalesced with the passage of the Harrison Narcotics Tax Act of 1914, which aimed to fix, once and for all, the unintended consequences of the aforementioned interventions.

We begin by analyzing the evolution of the smoking-opium market in the United States and government intervention in that market up through 1909 because smoking opium was regulated much differently from other drugs up until that time. Then we analyze the evolution of all other drug markets through 1909. The next section describes interventions immediately prior to the Harrison Act that led to the adoption of the act. We then explain the Harrison Act's content and ramifications and close by examining how this act led to a wide-ranging escalation in intervention that remained consistent with the pattern established by prior interventions and by drawing broader lessons.

## Smoking Opium

Smoking opium is an alteration of crude opium that can be smoked through a pipe and is far less potent than other crude-opium derivatives and morphine. More interventions occurred in smoking-opium markets because it was consumed mainly by Chinese immigrants to the United States, not because of its potency. Anti-Chinese sentiments spread throughout the country during the 1870s, ultimately resulting in U.S.–Chinese negotiations and the Angell Treaty in 1880. The treaty discussion included consideration of rules surrounding the importation of smoking opium in China and the United States.

Chinese officials were trying to repress the opium economy in China following the Opium Wars and wanted to minimize foreign exports. Susan Capie (1982) states that a provision in the treaty to ban Chinese nationals living in the United States from importing smoking opium would appear favorable to the U.S. public because it was suppressing a vice activity that most American citizens, in particular those living in California, where the Chinese national population was the densest, saw as a detriment to society. Further, “at the time this treaty was negotiated, the State Department hoped that no American citizen would engage in the importation of smoking opium” (International Opium Commission 1909, 7). The Angell Treaty and its implementation into law in 1887 were the first federal attempt to intervene in the opium market other than by increasing tariffs. In the seven-year interim before the treaty had legal standing, Congress voted to raise the smoking-opium import tariff to \$10 per pound, up from \$6 per pound in 1883 (Courtwright [1982] 2001, 17). The \$6 tariff was intended to be prohibitively high but had failed to stop the importation of smoking opium. Between 1880 and the end of 1886, 646,280 pounds of smoking opium were brought into the United States through legal means (Wright 1910, 82).

The implementation of the Angell Treaty in 1887 did not prohibit Americans from importing smoking opium into the United States. Wright pointed out in 1910 that “though Chinese subjects resident in the United States are prohibited in the importation of opium, American citizens have continuously imported the drug in a form prepared for smoking, and have immediately handed it over to Chinese subjects, who have distributed it throughout the country, not only to Chinese, but to any and all who have become addicted to the smoking opium habit” (17). Despite the hope that Americans would not get involved in the smoking-opium trade, the International Opium Commission reported that, “unfortunately, this has not been the case and up to to-day [February 1909] it has been the practice of American firms in San Francisco to import this smoking opium in their own names and than [*sic*] promptly hand it over to the real importers, certain Chinese firms on our Pacific Coast” (1909, 7). As a result of this unintended consequence, more Americans got involved in the smoking-opium importation business in response to a profit opportunity created by the ban.

It is during this period that smoking-opium use spread across the United States, no longer remaining an isolated vice in California. For instance, by 1896 twenty-two states and territories, including California, Georgia, New York, and Massachusetts, outlawed the keeping of an opium den for the purpose of smoking opium (Hamowy 1987, 13). This is also when the demographic of the opium smoker changed. It was no longer only Chinese nationals who engaged in this “seedy” behavior but also the “undesirables” (Courtwright [1982] 2001, 16), “unholy persons,” and “persons of the underworlds of prostitution, crime, and filthiness” (Morgan 1981, 35), and it was increasingly prevalent among the American non-Chinese population. The International Opium Commission stated, “[B]asing our data on the law of averages . . . we are very certain that there are from 100,000 to 150,000 opium smokers in our American white and colored population” (1909, 20). As a result, the importation of opium (prepared for smoking and otherwise) increased, thus nullifying the ends the government sought to achieve with the treaty importation ban—to decrease the quantity of opium imported into the country and to keep the smoking-opium vice away from Americans.

The extent to which the involvement of American importers expanded the networks of opium distribution in the United States is unclear due to limited data on import recipients and interstate shipments. Import data from *Foreign Commerce and Navigation Reports* (1880–1909) show that after 1887 more regions began importing opium. Smoking-opium importation stayed primarily in San Francisco after 1887, but locations such as Puget Sound, New York, New Orleans, and Oregon’s Willamette Valley frequently received imports after 1895. By 1906, Hawaii and Los Angeles were occasionally importing smoking opium. More areas imported crude opium than smoking opium, but it is unclear which cities received crude opium for the production of patent medicines and which received it for the production of smoking opium. Although the causal relationship between American importers and the American

smoking-opium use rates is unclear due to insufficient records, the mere fact that more Americans became involved in the supply side of the smoking-opium market was an unintended consequence that policy makers attempted to correct through additional legislation (i.e., the Opium Exclusion Act of 1909).

As table 1 illustrates, the ban on Chinese importation of smoking opium was ineffective in decreasing the amount of this product coming into the United States because native-born middlemen simply took the place of Chinese importers (Wright 1910, app. 4). After the 1880 treaty, the amount of imported opium rose from more than 77,000 pounds to nearly 300,000 pounds before the importation duties were increased from \$6 to \$10 per pound (see figure 1). To put it another way, the number of addicts whose habit could be sustained for an entire year from the annual import poundage rose from approximately 14,804 individuals to about 57,180 individuals.<sup>2</sup> Imports collapsed after the increase in importation duties but then rose each year, including after the legal implementation of the Angell Treaty in 1887, until they surpassed their pretreaty level by 1889 despite the higher duty and ban on Chinese importation. These official importation numbers, although not perfect because they do not include the amounts of opium smuggled in, reflect the information that policy makers were using to make their decisions to change tariffs and implement prohibitory laws on opium.

Another secondary consequence was a rise in the importation of crude opium, which could be manufactured into smoking opium because under the treaty Chinese importation of crude opium was not illegal. Crude opium is an input in the production of smoking opium, so the intervention in one area (prohibition on the importation of smoking opium) led to an unintended consequence in another area (greater importation of crude opium) that resulted in additional interventions. In response to this failure to curb the importation and the subsequent increase in the U.S. manufacturing of smoking opium, the U.S. government implemented a \$10 per pound tax on smoking opium manufactured in the United States, a \$12 per pound tariff on smoking opium imported into the United States, and a ban on Chinese nationals from engaging in the smoking-opium manufacturing business in 1890.<sup>3</sup> However, once again, Americans were free to engage in this newly created profit opportunity by playing the role of arbitrageur—they could produce smoking opium domestically and turn it over to the Chinese, just as they had done with smoking-opium imports. The evidence from Wright shows that crude-opium importations increased from 380,621 pounds in 1890 to 521,749 in 1891, 587,122 in 1892, and 1,073,999 in 1897 (1910, 81), almost doubling the amount imported five years earlier.

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2. We calculated this number using a high estimate of the daily consumption of an opium smoker of about 100 grains a day (Kane 1882, 19). We converted pounds imported to grains (7,000 grains per pound) and divided by 100 grains for 365 days.

3. McKinley Act of 1890, 26 Stat. 567, chap. 1244 (1890).

**Table 1**  
**Crude-Opium and Smoking-Opium Importation Data, United States,**  
**1871–1909**

Year	Crude Opium (CO)		Smoking Opium (SO)	
	Pounds Imported	Total Tariff Revenue	Pounds Imported	Total Tariff Revenue
1871	158,618	\$158,618	37,824	\$226,944
1872	189,355	\$189,355	49,375	\$296,250
1873	152,770	\$152,770	53,059	\$318,354
1874	170,706	\$170,706	55,344	\$332,064
1875	188,239	\$188,239	62,775	\$376,650
1876	228,742	\$228,742	53,189	\$319,134
1877	230,102	\$230,102	47,428	\$284,568
1878	207,752	\$207,752	54,805	\$328,830
1879	278,554	\$278,554	60,648	\$363,888
1880	243,211	\$243,211	77,196	\$463,176
1881	385,059	\$385,059	76,446	\$458,676
1882	227,126	\$227,126	106,221	\$637,326
1883	229,011	\$229,011	298,153	\$1,788,918
1884	264,746	\$264,746	1,066	\$10,660
1885	351,609	\$351,609	37,465	\$374,650
1886	351,193	\$351,193	49,733	\$497,330
1887	468,153	\$468,153	60,902	\$609,020
1888	290,878	\$290,878	72,856	\$728,560
1889	472,937	\$472,937	79,851	\$798,510
1890	380,621	\$380,621	58,983	\$589,830
1891	621,749	–	61,341	\$736,092
1892	587,122	–	78,526	\$942,312
1893	612,511	–	66,679	\$800,148
1894	716,883	–	51,648	\$619,776
1895	357,981	–	115,709	\$1,388,508
1896	364,268	–	123,544	\$1,482,528
1897	1,073,999*	–	124,099	\$744,594
1898	72,287	\$72,287	117,298	\$703,788
1899	343,283	\$343,283	127,081	\$762,486
1900	537,004	\$537,004	129,335	\$776,010
1901	491,448	\$491,448	139,519	\$837,114
1902	548,674	\$548,674	163,441	\$980,646
1903	486,614	\$486,614	182,629	\$1,095,774
1904	535,048	\$535,048	164,611	\$987,666
1905	456,564	\$456,564	144,997	\$869,982
1906	514,424	\$514,424	139,106	\$834,636
1907	444,121	\$444,121	151,916	\$911,496
1908	320,415	\$320,415	147,624	\$885,744
1909	465,776	\$465,776	118,508	\$711,048

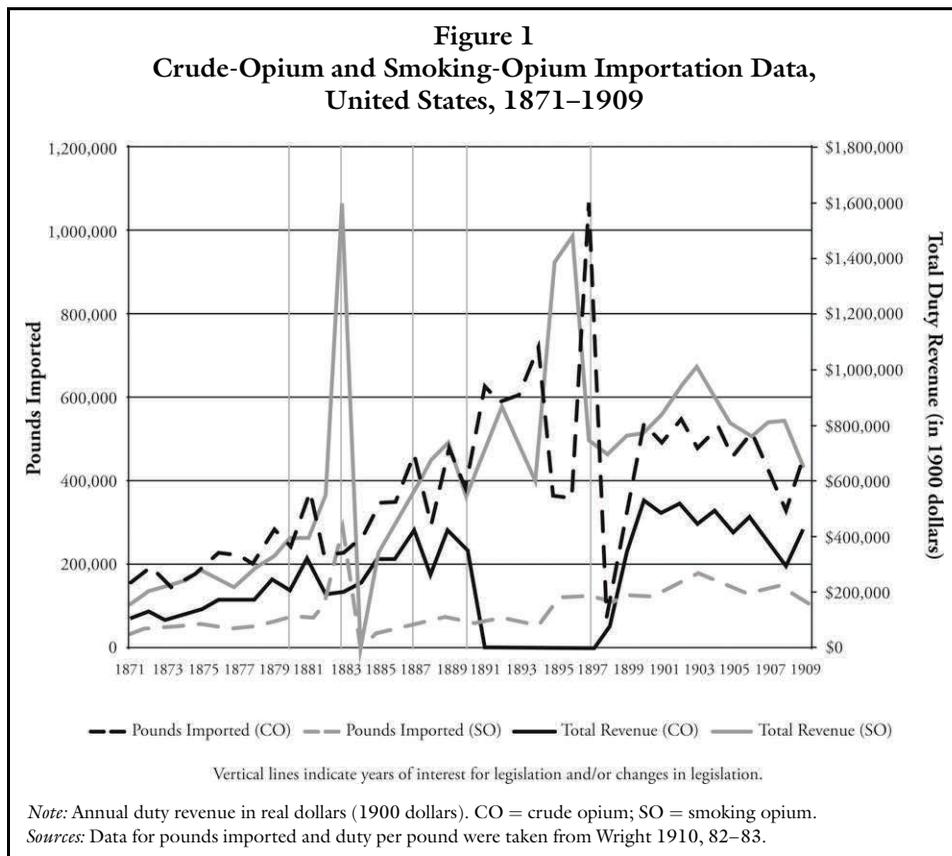
no duty
\$1/pound duty
\$6/pound duty
\$10/pound duty
\$12/pound duty

*Note:* Annual duty revenue in nominal dollars.

\*“[E]xcess [pounds imported of crude opium in 1897 are] due to anticipated tariff” (Wright 1910, 82 n. f.).

*Source:* Data for pounds imported and duty per pound were taken from Wright 1910, 82–83. Annual duty revenue was calculated from the numbers provided.

In the *Report of the Commissioner of Internal Revenue* in 1892, the commissioner complained that because the law did not include a provision that required all smoking opium imported and manufactured in the United States before October 1, 1890, to obtain a stamp, there was no way to verify the legality of smoking opium



found or seized after that date (U.S. House of Representatives 1892). As a result, the only information the tax collectors could use to corroborate the import or manufacture date came from manufacturers' record books. The commissioner speculated in his report that the record keepers would add false entries before 1890 to legitimize the inventory of smoking opium, but there was no way to prove such falsification, thus rendering the law largely unenforceable.

In 1897, Congress passed the Dingley Tariff Act to decrease the smoking-opium tariff from \$12 to \$6 per pound. In this case, the unintended consequence of the earlier tariff hike had been a substantial drying up of tariff revenue. It came to the attention of Congress "that a higher rate of duty than \$6 per pound is simply an incentive to smuggling and brings no more revenue to the Government."<sup>4</sup> During 1884–96, when the import duty on smoking opium was either \$10 per pound (prior to 1891) or \$12 per pound (beginning in 1891), the average annual duty revenue collected was approximately \$700,245 (in real 1900 dollars).

4. Statement by Senator George Vest, 55th Cong., 1st sess., 43 Cong. Rec. 292 (daily ed., May 27, 1897).

During 1897–1909, when the import duty on smoking opium was \$6 per pound, the average annual duty revenue collected was approximately \$812,825 (in real 1900 dollars). In addition, according to the International Opium Commission’s report on the United States, “the legalized importations fell off considerably, but we are informed by our Treasury Department that we may add to the figures from 1885 to 1896 at least 75 per cent as representing the amount of smoking opium smuggled into the country” (1909, 7).

The dynamics of intervention need not always lead to further interventions. In this case, legislators’ own self-interest led them to roll back their prior intervention because the unintended consequence was a drying up of tariff revenue at a time when tariffs were the federal government’s main source of revenue.

Throughout the 1880s and 1890s, non-Chinese, white American opium dens popped up in major cities, as indicated in many reports published at the time. In an interview with the *San Francisco Chronicle* regarding raids on opium dens in San Francisco’s Chinatown, police officer James Mahoney mentioned how white smokers had been spread outside of Chinatown due to raids, and he suspected the smoking-opium habit would continue to rise: “now that there are scores of places where the habit can be contracted in clean rooms and in respectable portions of the city, the practice will gradually extend up the social grade” (“A Growing Evil” 1881, cited in Kane 1882, 11). Stephen Crane described similar “elegant” rooms used by men of Madison Avenue in New York City for the smoking-opium habit ([1896] 1998, 309). In his history of opiate addiction in the United States, Courtwright mentions the social elite setting up their own private dens ([1982] 2001, 76). It is clear that municipal ordinances and policing activity directly led to the need for increased intervention. The continued police raiding of Chinatowns in these cities, which was intended to decrease smoking-opium use, had a very different, unintended outcome: upper-class opium smokers set up locations in their own neighborhoods to continue their habit with less worry of police interference and with less social stigma because they were no longer socializing with “coolies” in Chinatown.

The first dynamics of intervention in the drug war are evident in policies adopted regarding smoking opium. The ban on Chinese nationals’ importation of smoking opium led to a rise in the importation of crude opium and a rise in the number of U.S. citizens importing smoking opium. Use of smoking opium among the non-Chinese also increased during this time. All of these outcomes were in direct opposition to the intentions of the Angell Treaty clause and subsequent tariff changes. In response, the federal government significantly raised tariffs on both crude and smoking opium to curb use but found its laws largely unenforceable and its own revenue hurt, so it rolled back tariff rates as a result. These interventions left the United States with a worse smoking-opium problem than before they were enacted. Before we examine the next round of interventions, we show how drug use and regulation of other drugs evolved during this time period.

## Morphine, Patent Medicine, and Heroin Use

Prior to the twentieth century, opiates could be purchased from a physician or a pharmacist or even ordered from a catalog without governmental interference.

Morphine revolutionized how the Western world dealt with pain (Terry and Pellens [1928] 1970). Although morphine was commonly used to alleviate more than fifty ailments in the post–Civil War era, the medical community was not entirely ignorant of its addictive side effects. Despite the literature in medical journals surrounding morphine’s potential for addiction, such addiction was not considered a national epidemic at the end of the nineteenth century. Brecher points out that although several national organizations were dedicated to alcohol temperance, national organizations did not exist for stricter drug laws. “The reason for this lack of demand for opiate prohibition was quite simple: the drugs were not viewed as a menace to society” (1972, 7). In fact, many physicians treated alcohol addiction with morphine (Brecher 1972, 9; Morgan 1981, 14).

Several studies have estimated the number of opium users in the late nineteenth century. Charles Terry and Mildred Pellens, building on the data collected by Orville Marshall (1878), estimate approximately 250,000 opium and morphine users in the United States in 1877 (roughly 0.53 percent of the population), stating, “[T]his is a startling figure for the period in question and yet in all probability well below the actual one and deserving of the most careful consideration on the part of those who . . . seek to become familiar with the extent of our present narcotic problem” (1970, 15). Courtwright states that “in round figures there were never more than 313,000 opiate addicts in America prior to 1914” ([1982] 2001, 9). In his book *Dark Paradise: A History of Opiate Addiction in America*, he uses opium import data from 1891 to 1896 and calculates that “it can be said with certainty that there were no more than 222,000 persons addicted to medicinal opiates at this time” ([1982] 2001, 26). He describes the general opiate user of the time: “Patent medicines were used by the poor, yet the majority of addicts were from either the middle or the upper class, that is, they were people who could afford doctors” (56). “Of course not all opium and morphine addicts were rich or distinguished—or even middle class,” he states; “prostitutes and criminals used these drugs as well. Prior to 1900, however, opium and morphine addiction was primarily an upper-class and middle-class phenomenon” (40).

Between 1880 and 1906, no laws were passed on the federal level regarding nonsmoking opium, morphine, and patent medicines. However, it is within this time period that heroin emerged. Heroin was created in 1898 and sold commercially by Bayer. It was marketed as a cough suppressant, used in the treatment of pneumonia and tuberculosis, and frequently used in the treatment of morphine addiction. Heroin and morphine are highly substitutable because upon entering the body they are virtually the same. The advantage of heroin is that it is far more potent per dose, making it a cheaper alternative per ounce. This smaller dosage also led people to

believe that it was not addictive because the onset of addiction took longer (Inciardi 1986, 10). For all of these reasons, heroin emerged as a preferred “nonaddictive” alternative to morphine.

Prior to 1906, only nine states and territories had laws prohibiting the sale of opium except by prescription; nine had laws prohibiting the sale of morphine except by prescription; five had laws prohibiting the sale of heroin except by prescription; and twenty-six had laws prohibiting the sale of cocaine except by prescription (Hamowy 1987, 10–11). Between 1906 and the end of 1914, however, an additional twenty-five states and territories passed laws prohibiting the sale of opium except by prescription (leaving fifteen without such a law); an additional twenty-five passed laws prohibiting the sale of morphine except by prescription (leaving fifteen without such a law); an additional twenty-six passed a law prohibiting the sale of heroin except by prescription (leaving eighteen without such a law); and an additional twenty-one passed laws prohibiting the sale of cocaine except by prescription (leaving only two states, Vermont and South Dakota, without such a law until 1915) (Hamowy 1987, 10–11). By 1910, cocaine was sold largely by peddlers, which made it increasingly difficult for state officials to follow the supply chain from manufacturer to wholesale druggist to retail druggist and finally to the peddler (U.S. House of Representatives 1910b, 17). To bypass state laws requiring a prescription to purchase cocaine (as well as other drugs), individuals in the peddler supply chain would go to other states to acquire bulk quantities of these drugs and bring them back to their home state. Dr. Christopher Koch, while testifying to the House Committee on Ways and Means in favor of the Foster Anti-Narcotic Bill in 1910, explained that “[w]e cleaned it out of the city of Philadelphia, but as soon as we cleaned it out in Philadelphia they started bringing it in from Camden, New York, and Trenton. They would have runners who did nothing but go from one state to the other” (U.S. House of Representatives 1910b, 20).<sup>5</sup>

Pennsylvania passed a law prohibiting the sale of cocaine except by prescription in 1903, but New Jersey did not pass a similar law until 1904, and New York not until 1907. But even with these laws in place prohibiting the sale of cocaine without a prescription, the trafficking across state lines continued because state officials could not require out-of-state manufacturers to turn over their sales records (U.S. House of Representatives 1910b, 21). The creation of trafficking across state lines (along with state laws’ inability to stop it) was one reason further national intervention would be required in 1914.

In the early twentieth century, there was also a growing fear of patent medicines. Patent medicines were simply name-brand, nongeneric medicines such as Dr. Kilmer’s Swamp Root, Coca-Cola, and Bayer’s Heroin. People became worried

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5. Koch was vice president of the State Pharmaceutical Examining Board of Pennsylvania and chairman of the Legislative Committee for the Philadelphia Association of Retail Druggists.

because they often did not know what ingredients were in these medicines. During a time of thriving muckraker journalism, reporters exploited unfortunate deaths and overdoses through newspapers and magazines,<sup>6</sup> giving people a distorted impression of how rampant this problem was.<sup>7</sup>

The federal government responded to the growing hysteria with the Pure Food and Drug Act of 1906. The law prohibited the misbranding and adulteration of food and drugs. In addition, it required all drugs that contained “morphine, opium, cocaine, heroin, alpha or beta eucane, chloroform, cannabis indica, chloral hydrate, or acetanilide, or any derivative or preparation of any of such substances contained therein” to be labeled and list the ingredients present.<sup>8</sup> This listing mechanism is also what Congress and the Narcotics Division of the Internal Revenue Department would use to determine which drugs contained coca, opium, and their respective derivatives under the Harrison Act.

## International Commissions and the Opium Exclusion Act

While public concern about patent medicines grew, international attention to the opium problems in the Far East was also on the rise. Following the Spanish-American War (1898), the United States acquired the Philippines, and opium addiction among the Filipinos became apparent. The Philippines Opium Commission of 1903 “found that the unregulated sale of opium had grave effects on the health and moral capacity of users” (Buxton 2008, 10). As a result, nonmedical consumption was prohibited in the Philippines.

The Philippines Commission called attention to the greater opium problems in the Far East. Many Western countries, especially Great Britain, were interested in joining the commission to stop production in the Far East to decrease a rising domestic drug problem, particularly with morphine. Although the United States was leading the repression of opium in the Far East, between the commission established in 1903 and the one established in 1909, U.S. officials learned of their own domestic opium problems. Hamilton Wright, the U.S. opium commissioner, represented, along with Charles Brent and Charles Tenney, the United States on the Philippines Commission of 1903 and the Shanghai Conference of 1909. During the hearings on the Foster Anti-Narcotic Act in 1911, Wright summarized the issue:

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6. Headlines such as “Druggist’s Error May Have Killed a Child” (1904) and “Old Man Died Suddenly: Police Think That He Took Overdose of Medicine Accidentally” (1901) appeared in the *New York Times* during this period.

7. The most famous articles were in a series written by Samuel Hopkins Adams in *Collier’s Magazine*. The cover featured a giant skull being injected with patent medicines and surrounded by bags of money. The caption read “Death’s Laboratory” and had “The Patent Medicine Trust Palatable Poison for the Poor” etched into the top of the skull (Inciardi 1986, 12–13).

8. Pure Food and Drug Act of 1906, Pub. L. No. 59-384, 34 Stat. 768 (1906).

If Mr. Payne [a House representative from New York] had not had his bill passed excluding smoking opium, we would have gone into that conference (having called a conference to suppress the traffic) legalizing the importation of the drug, which has been legalized since 1840, in spite of the fact that every municipality in this country and nearly every State has a law prohibiting the use or the manufacture of that drug. That was the reason why we had to press for the passage of the opium exclusion law—so as to “save our face” (to use a Chinese expression) in Shanghai. It was realized at the time that that law was only a first step and that something more comprehensive was necessary. (U.S. House of Representatives 1910b, 89)

So in February 1909, at Wright and Payne’s urging, the United States enacted the Opium Exclusion Act, the first nationwide ban on smoking-opium importation regardless of importer nationality, with saving face as the immediate catalyst for its passage. During House debates in 1913, Representative Francis Harrison recollected the decision to pass the act: “We found, however, that although the commissions met primarily at our request we ourselves were open to some reproach in these matters, inasmuch as we permitted the importation of smoking opium into the United States, and during the preceding 50 years we had actually collected about \$27,000,000 of revenue upon this drug. So when that was called to the attention of Congress we passed the opium-exclusion act [*sic*], which absolutely forbade the importation of smoking opium into the United States.”<sup>9</sup>

The goal of the Opium Exclusion Act was to signal that the United States was taking the commission seriously, but it also aimed to minimize the amount of domestic fallout by choosing to eliminate the substance most closely affiliated with Chinese nationals because the jurisdiction of federal prohibition was still contentious.<sup>10</sup> However, this increase in importations of smoking opium took place despite previous interventions to exclude Chinese nationals from importing smoking opium, got Americans involved in the smoking-opium trade, and increased the number of American smoking-opium users despite the initial hope that smoking opium was strictly a Chinese vice. The previous interventions by U.S. representatives and international delegates were unsuccessful and created unintended consequences that had to be addressed through additional legislation. “It has been shown that none of the federal enactments up to the time of the passage of the opium-exclusion law of

9. Representative Harrison of New York, testimony, U.S. House, 63rd Cong., 1st sess., 138 Cong. Rec. 2192 (1913).

10. “But Wright and others were soon caught in a bind as they considered legislative programs: to close all loopholes meant offending pharmacists, manufacturers, and physicians by a multitude of detailed controls; easing up on the controls would provide ways for the unscrupulous dealer to continue his evil trade. And then, of course, a perennial problem continued to complicate the matter—the federal government had limited police powers. The State Department thought the most likely prohibition to gain quick congressional approval would be a ban on imported smoking opium” (Musto 1973, 34).

February 9, 1909, controlled in any way the importation and use of habit-forming drugs in the United States” (Wright 1910, 54). But, once again, policy makers were unable to foresee all of the unintended consequences, and as a result only the importation of smoking opium was prohibited.

The Opium Exclusion Act created the incentive for users and producers to substitute into crude-opium importation, substitute into other opiates for consumption, and increase domestic manufacturing. In May 1910 during House Ways and Means Committee hearings, Wright testified, “Since the prohibitory law of February 9, 1909, the price of smoking opium, owing to its scarcity, has advanced from about thirteen to sixty dollars a pound. In view of this advanced price certain individuals claim that it would be profitable to grow poppy in this country, produce opium from it, and then manufacture such opium into the form known as smoking opium. As a matter of fact, several individuals have actually applied to the Treasury Department for licenses under the act of October 1, 1890.” He went further to explicitly reference the failure of previous interventions and prescribed a solution: “Since 1860 . . . there has been a 351 percent increase in the importation of all forms of opium compared to a 133 per cent increase in population. So that I regret to say that our state laws, while they are good, have not been effective, and where they are defective they have been almost useless. The illicit traffic in these drugs will not cease until the Federal Government efficiently cooperates with the States” (U.S. House of Representatives 1910a, 508, 509).

From 1860 through 1879, an average of 191,618 pounds of crude opium were imported annually, but between 1880 and 1909 the amount rose to 549,373 pounds. From 1860 through 1879, an average of 40,165 pounds of smoking opium were imported annually, but between 1880 and 1909 the amount rose to 108,883 pounds. We can see from these numbers that the importation of crude and smoking opium increased despite the importation bans, the enactment of state laws, and increases in import duties. A minimum of 22,226 addicts each year could be sustained by the imports between 1860 and 1879 (crude and smoking opium combined), and a minimum of 63,120 could be sustained each year between 1880 and 1909.<sup>11</sup> These addicts amount to less than one-tenth of a percentage of the total population.<sup>12</sup> However, in passing the Opium Exclusion Act in 1909 and in preparation for the Harrison Narcotics Tax Act in 1914, policy makers were under pressure from other commission nations to implement laws similar to theirs. Compared to other commission nations, such as Italy, Spain, Austria–Hungary, Germany, and Holland, the United States had significantly higher per capita imports of opium (Wright 1910, 45). The pressure to conform was significant, so although the U.S. import numbers are not

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11. We calculated this estimate in a manner similar to that in note 2, but the smoking opium equivalent of crude opium is about half of the weight. Smoking opium was used as a baseline comparison, but the true number of addicts sustained would be higher because patent medicines and other more potent opiates require a smaller annual maintenance dose.

12. Calculated based on an average population of 39,918,180 people for 1860–79 and 69,695,878 for 1880–1909.

that alarming (relative to modern use rates), there was a perceived crisis or epidemic when U.S. figures were compared to those of the other countries.

Following adoption of the Opium Exclusion Act, Eugene Block concluded his magazine article “Fighting the Opium King” with a very important insight into the unintended consequences of the importation ban: “The present scarcity of smoking opium . . . has caused an enormous increase in the use of morphine among drug fiends, for medicinal opium, which may be imported in unlimited quantities, can be refined into morphine very cheaply. But still more important, perhaps, is the attempt now being made on the Pacific Coast to grow the poppy from which opium can be extracted” (1911, 184). Intervention into the smoking-opium market through a unilateral importation ban changed the relative prices of smoking opium and its close substitute, other opiate drugs. According to Courtwright, “one of the earliest and most significant incentives to the use of heroin was the ban on imported smoking opium. This trend, according to Pearce Bailey, began about 1910, as veteran smokers and their recruits, deterred by the new crackdown on the dens, abandoned the pipe for more powerful and legal forms of opiates. Smoking opium could still be had, of course, but it ‘became very expensive and could only be obtained in small quantities by those who could afford if at all’” ([1982] 2001, 93). Although the Opium Exclusion Act did see its intended result as the number of opium smokers decreased, it also had the unintended consequence of greater numbers of individuals using other more potent and addictive opiates such as heroin and morphine.<sup>13</sup> This increase in the number of opiate addicts is a primary problem cited in the passage of the Harrison Act, and it was directly caused by the prior intervention.

## **The Harrison Narcotics Tax Act and Its Lingering Consequences**

An amendment to the Opium Exclusion Act was passed in January 1914, and in December that year the Harrison Act was passed. Both pieces of legislation were passed to address problems and unintended consequences that were the result of the prior government interventions into the narcotics markets, furthering the dynamics of intervention.

Because the prohibition on importation pushed prices higher, there was a major incentive to smuggle smoking opium into the United States. As Representative Harrison put it, “It was soon found that it was difficult to enforce that act, and that the smuggling of smoking opium, beginning on the 1st of April 1909, had been growing

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13. For a relevant potency comparison, one grain of smoking opium is equal to two grains of crude opium (Kane 1882). One grain of morphine is roughly equivalent to 7.322 grains of crude opium, and one grain of heroin is roughly equivalent to 6.732 grains of crude opium. Calculated using the equivalent provided in DuMez 1924.

ever since, in spite of all the efforts of the Government to stop it; and this act is designed to cure the defect in the opium-exclusion act [*sic*] and to stop that smuggling.”<sup>14</sup>

So the amendment to the Opium Exclusion Act added a clause stating that any smoking opium found in the United States would be presumed to have been imported after April 1909 and thus would be in violation of federal law unless the owner could prove the contrary with appropriate documentation. Representative Harrison mentioned in a report that after the act went into effect, “there was a consequent rise in the value of smoking opium, with the result that an immense quantity of this form of opium has been smuggled into the country, chiefly at Pacific ports and over the Mexican border” (1913b, 2).<sup>15</sup> He stated that the smugglers were relatively easy to catch during the customs searches at the border, but there was an additional problem. Many smoking-opium importers, knowing the law was going into effect in April 1909, “ingeniously remove the customs stamp from the containers of the drug legally imported before the February Act became effective; then refill the containers with the smuggled opium, replace the stamp, and put the smuggled opium openly on the market” (Harrison 1913a, 2–3). The goal of the new amendment, by assuming that all smoking opium found was imported after April 1909, put additional pressure and costs on smugglers to provide evidence and shipping records that would prove that the smoking opium in question was shipped into the country legally.

The Harrison Act was passed for multiple reasons: to fulfill the agreements the United States made in the International Opium Commission in 1912; to confine narcotics traffic to legitimate medical channels;<sup>16</sup> and to bring drug transactions into the light of day. It also aimed to eliminate drug peddling, provide more information about the narcotics supply chain, and lift up and support states’ rights by creating a mechanism through which antinarcotic states could better enforce the importation of drugs into their state from states where narcotics were regulated differently.<sup>17</sup> State governments previously could not require out-of-state manufacturers of cocaine and opium to turn over their distribution reports, so an interstate commerce

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14. Representative Harrison of New York, testimony, U.S. House, 63rd Cong., 1st sess., 138 Cong. Rec. 2192 (1913).

15. A major unintended consequence of the Opium Exclusion Act was the exposure of Mexico to the opium-smuggling network. Gabriela Recio (2002) cites the year 1910 as the approximate beginning of the drug trade in Mexico.

16. “The opinion of in fact every one except illicit dealers is that the traffic ought to be greatly diminished, and that narcotics should be confined to legitimate medical channels. The only question at issue has been how best to do it. . . . [I]t has been decided by them [representatives of the U.S. Opium Commission and the Departments of State, Treasury, and Justice] that only by customs law and by the exertion of the Federal taxing power can the desired end be accomplished” (Harrison 1913a, 2).

17. “The different States of the Union have, by pharmacy laws, made most strenuous efforts to prevent the indiscriminate sales of narcotics. . . . But these laws have been ineffective because of the failure of the Federal Government to control the importation and interstate traffic in the drugs. It is the unanimous view of State, Territorial, and municipal officials charged with police laws aimed at the traffic in narcotics that these laws will remain ineffective to a large extent until the Federal Government acts in support of them” (Harrison 1913a, 3).

clause was sought out to allow states to gain additional information about where drugs found in their state were originating, thus increasing the jurisdiction of state and federal government power (testimony by Dr. Koch, U.S. House of Representatives 1910b, 21).

The passage of the Harrison Act was an arduous process—previous versions of the bill (the Mann bill and the Foster bill) died in Congress before the act was voted into law (Musto 1973). Many of the issues concerned how the law would affect pharmacists' and physicians' jurisdiction in writing and filling prescriptions, how it would create excessively punitive measures to deal with addicts caught violating the law, how it would include drugs such as cannabis that were not considered habit forming, and how it would create extensive regulations for patent medicine and drug manufacturers. It was also an uphill battle trying to get the southern states on board (Musto 1973, 40–48). Many House and Senate representatives from southern states were cautious of any attempts by the federal government to impinge on state-level policing power, given their position following the Civil War. David Musto (1973) suggests that much of the discussion surrounding southern blacks using cocaine was strategically used in the hearings to convince these southern congressmen to get on board with cocaine taxation (and later prohibition) on a federal level so that they could avoid a violent uprising.

At the behest of Protestant missionaries, temperance groups, and religious groups, something needed to be done to resolve “the obvious damage that this ‘sinful, depraved and immoral behavior’ caused among the ‘inferior races’” as well as the “foreign drug habits [believed] to be a moral threat to native-born Americans” (McNamara 2011, 98). As a result, the Harrison Act, passed as an interstate commerce regulation, was able to get more states on board by mitigating the upheaval surrounding a congressional circumvention of states' policing rights (McNamara 2011, 99). The act required every person involved in the supply chain of opium or coca leaves and any derivative or compound thereof to register with his state's internal revenue office. These individuals had to keep records of how much and to whom they sold. The act also made it unlawful for anyone not registered with a state's office of internal revenue or not on the certified sale ledger of a registered supplier to be in possession of the aforementioned narcotics. The bill's goal was not to set prohibitively high sin taxes on the narcotics (because only those involved in the supply chain, not the consumer, were taxed \$1 per annum), but to better regulate and track the channels through which these drugs were sold and administered.

The list of the Harrison Act's unintended consequences after 1914 is stark. As McNamara (2011) and Boettke, Coyne, and Hall (2013) point out, one direct consequence was the lack of clarity regarding doctors' privileges. There was a great deal of ambiguity in the law as it was written; it stated that selling drugs without a prescription was unlawful and listed several exceptions. One of the exceptions was “the dispensing or distribution of any of the aforesaid drugs to a patient by a physician, dentist, or veterinary surgeon registered under this Act in the course of

his professional practice only.”<sup>18</sup> It was unclear whether prescribing drugs to addicts was within a physician’s “professional practice.” The final ruling of *Webb et al. v. United States* (249 U.S. 96 [1919]) stated,

As to question three [3, “If a practicing and registered physician issues an order for morphine to an habitual user thereof, the order not being issued by him in the course of professional treatment in the attempted cure of the habit, but being issued for the purpose of providing the user with morphine sufficient to keep him comfortable by maintaining his customary use, is such order a physician’s prescription under exception (b) of section 2?”]—to call such an order for the use of morphine a physician’s prescription would be so plain a perversion of meaning that no discussion of the subject is required. That question should be answered in the negative.

After this trial, it was unambiguous that any physician caught prescribing opium, coca, or their respective derivatives to an addict for the purposes of maintenance was guilty of a federal crime. Therefore, not only were consumers forced to pay higher prices for these narcotics, but also addicts’ and habitual users’ safe, previously legal supply was eliminated. This is also the beginning of the diminution of legal recourse for consumers who were sold inferior drugs. By criminalizing this line of supply, any individuals involved in these transactions would consequently implicate themselves by seeking out legal recourse. Thus, if there were any disputes, they could be settled only outside of court. This problem was amplified as the interventions continued, leading to greater exacerbation of information asymmetries between supplier and consumer. This unintended consequence has had the most devastating effect on the progression of the market for drugs into an unsafe and criminal environment.

The Harrison Act was also a pivotal point in the transfer of decision-making power from Congress to other bureaus—namely, the Narcotics Control Division of the Internal Revenue Department. It is here that we see the beginnings of the incentive and jurisdiction problems outlined by Bruce Benson, David Rasmussen, and David Sollars (1995, 25). Because these various bureaus and government agencies are competing for budget allocation, they need to exert their presence and authority to show that they are doing tasks worthy of funding. Narcotics bureaus succeed in this mission by increasing the complexity of drug laws, adding more punitive measures, and implementing prohibitions that they can then enforce. This problem only intensified with the passage of the Narcotic Drugs Import and Export Act of 1922 and the Heroin Act of 1924. The former act “prohibited the possession, use, or import of narcotics (primarily cocaine and opium) in any situation other than for medicinal use, established the Federal Narcotics Control Board to enforce

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18. Harrison Narcotics Tax Act of 1914, Pub. L. no. 223, 38 Stat. 786 (1914).

the act, and set out mandatory requirements for those foreign countries wishing to import or export narcotics for legitimate purposes from the United States” (Dillinger and Cameron 2011, 546). In 1924, the Heroin Act was ratified, thus making illegal the manufacture, distribution, sale, and possession of heroin. The American Medical Association called for a ban on heroin in 1920 due to concerns about safety and potential for addiction (Courtwright [1982] 2001, 92). The Heroin Act was passed in response to the realization that heroin was in fact a potent, very addictive drug. Heroin was an ideal drug for the black market because it could be easily diluted and sold at varying levels of potency. In addition, it was faster acting relative to morphine once it entered the body, and it was cheap (Courtwright [1982] 2001, 105). “Heroin,” says Courtwright, “owing to its black-market virtues, was replacing smoking opium and morphine as the underworld opiate of choice” ([1982] 2001, 111).

Moreover, nothing was done to correct for the information problem created by forced labeling under the Pure Food and Drug Act. Because these newly labeled drugs were deemed dangerous and were now relatively more expensive, if not banned entirely, as heroin was by 1924, experimentation with other, previously less-utilized or unknown substances became popular, in particular marijuana, which in turn led to the passage of the Marihuana Tax Act of 1937.

## Conclusion

The Harrison Narcotics Tax Act of 1914 accelerated the war on drugs in the United States and led to many unintended consequences that spurred future interventions. But the Harrison Act itself was a product of prior interventions into narcotics markets. It was a later chapter in a greater dynamics story that began after the Civil War, starting with moderate tariff changes and treaty agreements and leading to the ban on the importation of a single substance, smoking opium, by a single subsection of the U.S. population, during which time the demand for opiates to alleviate daily annoyances and pains increased. Government officials thought that intervention on a federal level would help to correct what they perceived to be market failures.

The problems the Harrison Act sought to correct—such as increased drug importation, increased drug use, overprescription of medicine, and the involvement of criminals in the drug trade—had been either entirely brought about or exacerbated by previous federal interventions into the smoking-opium and other opiates markets. Each of these federal interventions created unintended consequences that necessitated, from the government’s perspective, future interventions to correct these errors, which started a vicious cycle. By looking back at the late nineteenth century for the origins of drug intervention and prohibition, we can see how moderate changes in tariff rates or bans in subsections of the market can have unintended consequences that force the hand of future policy makers to do something to correct for perceived “market failures.”

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**Acknowledgments:** We thank Mark Thornton, Joe Salerno, Adam Martin, Phil Magness, Charles Long, Eduardo Segarra, Art Carden, and the participants at the Association of Private Enterprise Education’s annual conference in 2014 and the Free Market Institute’s research workshop for helpful comments on prior drafts.

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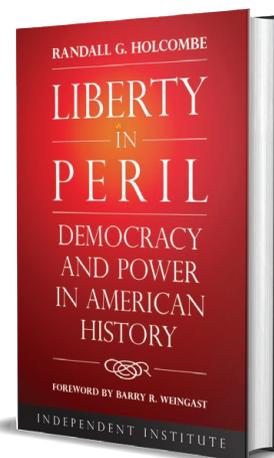
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