



-Elasticity is defined as the percentage change in demand over the percentage change in prices ($\% \Delta Q / \% \Delta P$)^a.

Concerning the drug market, people always thought that the demand for drugs was inelastic (as shown in red). This implies that a change in prices produces a slighter change in demand. If legalization were to happen, prices would fall, increasing its demand, but not as much. The total expenditure, would decrease (Total expenditure after prices fall is the square bounded by the final price and Q1). In this case; $(\text{Initial } P \times Q_0) > (\text{Final } P \times Q_1)$.

However, recent studies reveal that the elasticity in the demand of drugs is more elastic (as shown in blue). This implies that a change in prices produces a bigger change in the demand for drugs. In the case of legalizing drugs, prices would fall and the demand would rise at a greater change. The total expenditure would increase (Total expenditure after prices fall is the square bounded by the final price and Q2). $(\text{Initial } P \times Q_0) < (\text{Final } P \times Q_2)$.

As an aggregate result, legalization would bring more money into the market, expanding drug related crime, and welcoming new participants in the drug business.

People who oppose drug legalization, refer to the economy modeled in the second example (demand shown in blue).

^a If $(\% \Delta Q / \% \Delta P) > 1$, demand is elastic. If $(\% \Delta Q / \% \Delta P) < 1$, demand is inelastic