The Economics Behind the Epidemic:
Afghan Opium Price and Prescription Opioids in the US

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Abstract
This paper studies the relationship between opioids prescription rates in the US and the price of dry opium in Afghanistan. Using quarterly county-level data for the period 2001-2016, we investigate to what extent fluctuations in the price of opium affect the amount of dispensed prescription opioids. We find that a 10 pp decrease in the price of opium is associated with a 0.3 pp increase in the prescription rate for every 10 pp increase in the number of mining sites per capita. We also document a clear substitution effect between natural/semi-synthetic and synthetic opioids. While the prices of prescription opioids have remained stable over the considered time period, thus ruling out potential demand-driven mechanisms, our results suggest that supply factors might have played a crucial role in the opioid crisis experienced by the US over the past decades.

Keywords: Prescription Opioids, Drugs.
JEL codes: L65.

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