Disrupting Drug Markets: 
The Effects of Crackdowns on Rogue Opioid Suppliers

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Abstract

More than 564,000 Americans have died from an opioid-related overdose since 1999. In this paper, I estimate the impacts of enforcement actions taken against rogue doctors on the supply of prescription opioids, black-market prices, and health outcomes. Exploiting plausibly exogenous variation in the timing and location of controlled substance license audits, I find that cracking down on a single doctor decreases city-level opioid dispensing by 10% within three months and 25% after two years. This decline in legal supply persists across space and time and results in a 44% increase in the black-market pill price. Significant heroin substitution also occurs, yet for each additional heroin overdose death, there are two fewer non-heroin opioid overdose deaths. The mortality declines are strongest among young and prime-aged males. These results highlight a novel tradeoff policymakers should consider when attempting to address drug abuse through supply-side interventions: reductions in the flow of new users must be balanced against the harm that arises when existing users substitute to more dangerous drugs.

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