

Underground Economy, the creature of corrupt government

By Dallas Libertarian Examiner, Garry Reed
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Black market kidney - This unemployed Israeli sold his kidney in the US for \$20,000 in 2005. The more governments destroy freedom the more people discover it underground. (AP Photo)

Richard W. Rahn, writing in a recent Cato Institute article titled "[New Underground Economy](#)" observes "The underground or 'black' economy is rapidly rising, and the fault is mainly due to government policies."

The underground economy refers to what governments call the black market and what libertarians call the free market.

The free market, of course, is capitalism. Progressives and other socialists still labor under the old Marxist definition of capitalism even though [corporatism replaced capitalism](#) at least a century and a half ago.

Corporatism is the grotesque shotgun wedding between government and corporations, with the government holding the shotgun and the corporations delivering the dowry. Income from the corporations is interbred with tax money stolen from citizens at the point of the government's shotgun and circulated back and forth between the partners of this malignant marriage until there's no difference in any of it and both become both filthy and filthy rich.

Libertarians accept capitalism because capitalism is what happens when free people freely trade with one another, but libertarians reject corporatism because it's an unholy coupling of Count Dracula and his Vampire Bride.

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Black Market Meds – The more Americans are taxed to death the more they'll turn to the underground market - places like street corners, online pharmacies, foreign sources - for drugs that are cheaper, possibly counterfeit, and potentially deadly. (AP Photo/Kin Cheung)

economy is the cash economy, both the legal one such as the construction and services industries and the illegal one like drug dealing and prostitution.

In this economy, taxes are neither withheld nor paid.

In numbers, "at least 17 million adults" do not have bank accounts (they are "unbanked") while "roughly 21 million" are "underbanked," relying on "nonbank institutions, such as check cashing and money transmitting services."

The result is that the currency held by individuals and businesses has grown by 13.3 percent, causing tax revenues at all levels to fall rapidly.

Free people created free trade, known as "capitalism." Coercive governments created the Rosemary's Baby known as a corporation. ("companies are artificial persons created by operation of law" – [Corporate Law, Wikipedia](#))

Progressives, unaccountably eager to worship big collectivist government, still parrot Karl by blaming all the world's ills on capitalism rather than on the obvious culprit: government.

But that's just opinionizing; it's not exactly, or even remotely, what Rahn is saying.

What Rahn means by the underground



Black market Inspection Sticker – The ubiquitous windshield inspection sticker is just another government tax that keeps going up and up. Any wonder they're being stolen and sold in the underground market? (AP/Robert F. Bukaty)

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Rahn covers a multitude of reasons why people go underground, and they're all government-caused, such as the "know your customer" and similar anti-money laundering regulations, IRS crackdowns on "tax cheats," legal and political conditions that make even innocent people vulnerable to asset seizure, judgments, and other levies, policies that force banks to spy and then snitch on their own customers, and the ever rising fees that banks charge in an effort to recoup the lost profits from all those lost customers driven underground by government abuse.

In short, the more corrupt and controlling a government becomes the more its citizens go off the grid, making more economic activity untaxable, causing government to increase tax rates and collection efforts to recover the shortfall, driving more people underground, and so the macabre money dance continues.

"In some developing countries and/or highly corrupt countries," Rahn reports, "underground or 'off the books' activities are estimated to be as high as 70 percent of all economic activity."

Welcome to the brave new future of fedmed and cap-and-trade and ever increasing wealth redistribution where fewer and fewer innocents will be taxed to support the ever-growing numbers of free riders.

Welcome to your future.

(NOTE: sorry, in the title, "corrupt government" was a needless repetition.)

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