



The burgeoning underground economy

Exclusive: Patrice Lewis points out that what the government can't see, it can't control

By Patrice Lewis
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Recently in England, there was [an uproar among customers](#) of the HSBC bank when it “imposed a restriction blocking customers from withdrawing large amounts of money from their own accounts, unless they could provide the bank with a ‘good reason’ for it.” If someone’s “good reason” wasn’t good enough, the bank refused to give him the money. After massive customer complaints, and while still defending its actions, the bank changed its policy.

It’s highly likely that HSBC’s issues go far deeper than a capricious desire to inconvenience customers. But it underscores a very uncomfortable fact: When you deposit money into a bank, you relinquish control over it. You have, in fact, made a loan to the bank. And short of calling the loan by closing the account, the bank (not you) gets to decide when – and if – they will pay you back.

These kinds of actions merely serve to push many people away from traditional financial institutions and off the government radar. As our national debt spirals out of control and the government takes a firmer hold on any and all fiscal transactions, almost by default the underground economy will grow. After all, what the government can’t see, it can’t control.

An underground economy has always existed, and there’s no doubt it’s growing. This is to be expected. While the [official U.S. unemployment rate](#) is pegged at 6.7 percent, [sources indicate](#) that only 47 percent of working-age Americans have full-time jobs. The worse the official economy is, the livelier it’s “evil twin” becomes.

While “underground” may sound subversive and seditious, in fact economic activity that doesn’t involve the government is as old as civilization. One of the reasons tax collectors have been universally loathed since biblical times is because they represent government interference with this natural and spontaneous means of exchange.

It is estimated that approximately one-quarter of all Americans are doing their best to duck under the bureaucratic radar of government-regulated financial institutions. Unsurprisingly, most of the households who are unbanked or underbanked are statistically lower income, averaging less than \$30,000 a year. The government purports to be concerned about those poor fools who keep their money in cash at home. Gasp, what about theft? Gasp, what about fire? Gasp, what about, um, theft and, um, fire?

I remember during the 2008 financial crisis, many people rushed to take their money out of banks due to worries about a possible economic crash. It didn't take long before the federal government began running public service announcements advising against this. In these commercials, a condescending spokeswoman assured the silly citizens that money kept in a shoebox under one's bed was a bad idea (theft and fire, don'cha know) and we can trust the government to handle things, so we should all put our money back in the bank.

But it's not just concerns about bank failures that push people into keeping their money in shoeboxes. Let's face it, banks are nosy. They all want to "know their customers" in order "to better serve them" (ha!) as well as to separate honest citizens from less-than-stellar clients such as drug dealers or money launderers.

However, Cato Institute Senior Fellow [Richard Rahn](#) notes that ordinary upstanding citizens often avoid bank accounts "because they are vulnerable to asset seizure, judgments, levies, etc. Increasingly, bankers and others who provide financial services are forced by governments to spy and snitch on their own customers, and this is a real turnoff for many people, which causes them to find other ways of maintaining financial privacy."

So it can be an attractive thing, this underground economy. Seductive, in fact. We all have an instinctive desire to hide our business from government interference, and consciously or unconsciously we do things that will keep us out of some database. And given the precarious state of our national economy, more and more people are sidling over to "the dark side."

To this I'll add, be careful. Not putting your money in a bank isn't illegal (yet). *Not reporting your income IS illegal.*

But with many intelligent financial experts forecasting a collapse of our economy due to our massive debt and devaluation of the dollar, the underground economy may well be the saving grace of our nation. When people, forced by circumstances, have the means to barter or trade for goods and services, they'll get by.

And it's for these reasons that I urge people to become marketable in a changed economy. Do a mental exercise: if the economy collapsed next week, what can you offer as alternative currency? What skills or abilities or goods or products can you trade that will make your life more tolerable?

American citizens – at least those not lulled by television drivel and the soothing platitudes of politicians – are justifiably suspicious of government interference. As long as that suspicion remains, the underground economy will grow. I once read an unknown person's opinion that was

so succinct I copied it: “Government agencies are sneaky, backbiting, deceitful wretched assemblies of greedy power-hungry people. Sometimes you simply have to beat them at their own game.”

The underground economy is not an all-or-nothing proposition. To completely escape conventional financial transactions means someone would have to forgo buying a home or car, attending college, or investing in traditional retirement portfolios. Most people who participate in the underground economy do so on a part-time basis, paying cash or bartering.

The main objection the government has with the underground economy is that they’re cut out as the middle man. Oh sure, they’ll bleat about “health” and “public safety” and other lofty-sounding goals, but in the end the only thing that’s important is *money* and *control*.

The underground economy won’t be stopped. It *can’t* be stopped. And as the economy unravels, the parallel economy will grow in strength and popularity.

One thing I hope the feds remember is this: The harder you push the American people, the harder they push back. The more you tax, regulate and otherwise strangle a free-market system, the more that system will slip under your radar.

Washington, take note.

Media wishing to interview Patrice Lewis, please contact media@wnd.com.