BLACK MARKET: WHAT IS IT?

When government agencies calculate economic figures such as the Gross National Product, they rely on information gathered from legitimate income reports generated by companies, non-profit organizations, and individual taxpayers. What these agencies cannot use in their economic forecasts, however, are estimated in billions of dollars in cash circulating through what is known as the “underground economy” or “black market”.

The black market is a market where all the commerce is conducted without regard to taxation, law, or regulations of trade. The term is also known as the underdog, parallel economy or phantom trades.

The underground economy has been in existence as long as its legitimate counterpart. The difference is that the government has any number of methods for tracking the exchange of goods, services, and currency in an above-board economy, but very few ways of tracking the activities of an underground economy. Prostitutes, gamblers and others earning illicit incomes are not likely to provide the government with accurate income information. A cash-based underground economy works best without governmental interference. The underground economy supports any number of overseas operations, including covert wars, raw drug production and human slavery rings. All of these illegal activities require an abundant amount of untraceable cash, preferably from a strong government with a stable legitimate economy. In developed countries, some examples of underground economic activities include: illegal drugs, prostitution, weaponry, alcohol and tobacco, copyrighted media.

If an economic good is illegal but not seen by many in society as particularly harmful the black market prospers. Black marketers can reinvest profits in diverse legal or illegal activities, well beyond the original source of profit.

Nowadays many people argue for removing the underground markets by making some illegal products legal. This would, in their view: decrease the illegal cash flow, allow quality and safety controls on the traded goods, let the goods be
taxed, providing a source of revenue.