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The journey from Homo Economicus to Black Market



Market Democracy reinforced by free will is, by nature, the ideal regime. In such a regime, it is natural for people to price or bargain goods or services according to their scarcity or abundance in order to meet their needs.

This process or “realm” called the free market does not welcome any sort of government intervention unless it is absolutely necessary.

Because, once the government intervenes, it might want to control the markets for an indefinite period of time. In this context, I think that it would be appropriate to quote from "Atatürk and His Economic Thinking" by Prof. Mustafa Aysan:

“...Self-interest is in perpetual conflict with public interest. Self-interest, however, which is the motivator of competition, is not alone enough to establish a well-functioning economic order. Those who believe otherwise allow themselves to be fooled by a mirage. Individuals and corporations are relatively weak in character compared to a centralised political organisation, which we call a ‘state’. However, a free and competitive market may not always be just towards all segments of society, such as pitting the powerful against the weak, or the rich against the poor. It should perhaps be considered permissible, in principle, to accept that the state must also regulate some economic affairs, just like it regulates political and intellectual affairs. In this case, the activities of the state and those of the individuals must be kept separate. Drawing the boundaries of the state's activity and setting the rules it must accordingly follow while not restricting the citizens' freedom of individual enterprise are matters that must be considered and determined by those who have been authorised to govern. In principle, the state must not absorb the individual. However, for the welfare of the individual, it must take general circumstances into consideration as well. Also, the state must ensure that individual activity should remain the main source of economic progress. The most important principle of democracy is to enable individual activity and freedom in all aspects of life, especially in the economic field, while guaranteeing the state's own activities

do not stifle individual enterprise...”

Neither socialism nor capitalism alone is capable of maximising the welfare of the whole society

This economic thinking of Atatürk tells us that neither socialism nor capitalism alone is capable of maximising the welfare of the whole society. Because human behaviour is inconsistent and unpredictable.

Also, it has been proven in the past that it is not possible to enhance prosperity and welfare through market-determined prices and quantities or through a completely centralised political regime. So, can rationality help maximise welfare?

The concept of rationality

To answer this question, we need to discuss the definition of “rationalism”.

“The concept of rationality, which is the basis of economics, has been around for centuries and defined in many different ways. Among these definitions, the one that is most compatible with economics is the assumption that people behave in rational ways, therefore their decision-making is predictable and consistent. Let's consider an example to further describe the concept of consistency. If a consumer spends most of their income on a television set, then we could say that he or she behaved rationally, because a television set clearly comes first in the range of preferences of the consumer and helps him/her maximise the benefit it would provide. Producers seeking maximum profit, just as consumers seeking maximum satisfaction is considered rational behaviour in economic theory”.

Although rationality and consistency are concepts related to each other, it is clear that they cannot give an assuring idea whether behaving rationally will maximise welfare.

Perhaps, it would be more plausible to define

maximum welfare as "the highest level of welfare that can be achieved under the circumstances".

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However, regardless of the era or the regime, the unchanged fact is that when every time the government intervenes in prices, it distorts the market equilibrium and causes a black market to arise.

Economists agree that decisions taken by the government for the benefit of the society as a whole often tend to affect the market negatively.

The rules regulating how a government may intervene in markets and economy has been prominently discussed not only by economic theory but also by political science.

Black market

Historically, far-sighted leaders such as Atatürk have been cautious about government intervention in the market. The reason for this will be made more apparent in the description below.

"A black market tends to arise when the government does not permit the price of a good to be determined by the market".

As the description clarifies, the main cause of the problem is that the government determines prices in line with its own evaluation of socioeconomic or socio-political concerns, rather than the agreement between those who demand and supply goods.

Sometimes, a government intervenes in the market, because it is concerned about possible social unrest that could result from high cost-of-living, high inflation or high prices.

The occurrence of black-market transactions is not only about price

Whatever the reason might be, a government enforcing that goods are sold under a government-mandated price limit usually causes some complications.

Complications could include some of the suppliers deciding to stop selling at low prices imposed by the government, which would result in a contraction of supply, inevitably black-market transactions: under-the-counter deals at prices that are even higher than original prices determined by the market.

The occurrence of black-market transactions is not only about price, but also about goods that are not allowed to be bought and sold.

Unintended consequences

When a government prohibits trading of some goods or services that it considers to be immoral or indecent, undesirable consequences may arise when such items are traded on the black market.

The National Prohibition Act, a nationwide ban on the manufacture, sale, transport and import of alcoholic beverages, lasted from 1919 to 1933, failing to produce the desired result.

On the contrary, it brought about unintended consequences such as a rise in organised crime as well as illegal manufacture and sale of alcohol associated with an increase in smuggling.

Similarly, the 1973 and 1979 oil crises led to price and quantity controls on petrol in many countries, including Turkey, and the surfacing of the black-market petrol dealers.



With concern, I watch state capitalism growing steadily in the world and governments more and more tending to eliminate the free market economy - Emre Alkin

Due to the limited capacity of stadiums and other sports facilities, tickets for sports events, such as football, basketball and tennis, often end up on the black market.

Tickets, especially for finals or matches between strong rivals, are frequently sold on digital platforms at prices that are several times higher than the original selling price.

The same illegal transactions are often observed in relation to music and art events. To prevent such black market selling and buying of tickets, event organisers ensure that the name of the legal ticket holder is printed on the ticket.

Playing with fire

However, despite all efforts, little progress has been made in curbing black-market trading. Except for sports or concert tickets, the only option to lower prices is to increase the supply of goods and services.

In times of extraordinary circumstances, attempts were made to push the price down by issuing ration cards or ration books in order to reduce the demand, but it has been experienced that this was not a successful solution in terms of fighting the black market, not to mention that this method entitling individuals to certain rationed goods would be inappropriate in ordinary times.

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governments more and more tending to eliminate the free market economy.

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Intervening in both the supply and price of goods and services is like playing with fire.

Soon, we might stand with our hands tied and watch neo-liberalism inflict great damage on the world – in the sense that governments will revive the black market and further fuel the cost-of-living crisis as a damaging consequence of their interventions to prevent inflation from rising.

I would like to dedicate this article to all wise and sensible politicians, in the hope that it will get their attention.