

The Black Market Correction

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It's intriguing to see the *progressive* Left uniting against drug prohibition. They're not with us in spirit, nor should they be, but they've laid the groundwork for its critique, and in a way that is sewn with the same threads of our passing commonalities. Many hold that only "hard" drugs should be combated with force and other "safe" drugs regulated in their consumption. This is certainly disappointing, but we, the *decentralist* Left, can exploit this opportunity.

Despite progressive's claim to command a substantive critique of social and systemic power, they will celebrate governmental structures of plutocracy. They see plutocracy as an *externally constituted* force that can combat diffused power hierarchies while failing to be a part of them. As if it were a "neutral" force, a blank executive slate upon which a rational justice can be inscribed and effectively commanded by the intended rationality of the prescribed justice itself. Exposing the modern progressive's ignorance of the structures of oppression is another opportunity.

We've all seen this mantra, "Legalize it, regulate it, tax it!" Notice the awkward position they place themselves in. The difference between regulation and prohibition, for there to be a distinction at all, is that regulation makes exceptions for the privileged – that's little comfort when you're the one effectively prohibited in either case. While heavy-handedness has resulted in calamity, they're confident that a moderate application of forceful regulation is workable. Public policy writing, it seems, isn't equivalent to playing whack-a-mole while wearing a blindfold.

“Unregulated” Black Markets? Where?

It's often implied that the dangers of criminal drug markets are a result of their "unregulated" character. If we just legalized drugs and let the government regulate their quality and consistency, everyone would be safer. I agree that everyone would be safer under legalization, but regulation has nothing to do with it. Far from it, because the existing harm is spawned from the failures and faults of the regulatory state. Not just because outright banning the production, distribution and consumption of a good is the highest form of regulation imaginable, but because it disempowers consumers by fostering hierarchy and violence on a structural level.

First, prohibition erects strict barriers to entry, requiring that market actors to either possess privileged access to specialized resources – such as the means of producing and distributing the prohibited good in the first place – or go through unreliable channels at differing levels of the economic hierarchy. Not only are prohibited resources made harder to acquire, but the artificial risks and costs that come with avoiding law enforcement ensure that the divide between winners and losers is not a fair one, and that only a fortunate few, who now control the industry, have access to certain resource inputs. The power of consumer-voting is hampered because distributors frequently have different channels of access to the same supply chains. There is little use for a buyer trading one rip-off for another.

Second, the unmatched profits that privileged participants extract from the risk premium and controls on distribution leads to unequal economic power relationships. This kind of violent domination and bullying can be seen in the Mexican drug cartels. In a truly freed market where participation is open to the public, free competition acts as a check on the power and honesty of involved actors. Absent the artificial specialization of necessary resources, most competitive actions delivering short-term profits for smart actors will be leveled overtime when others adopt or modulate their ideas. Instead of the current situation where actors having circumstantially better resources and access to power means that everyone else can't do anything about it. In an

unrestricted market, there would be nothing stopping anyone from having access to the same resource inputs.

Third, the State's forceful monopoly on the provision of law and security reserves for them a special power of exclusion, which, when used, has a distorting effect on black markets. It's a clear case with illegal drug markets. We are disabled from creating our own institutions of justice while at the same time there's a forced need for security – that is protection from law enforcement. So, as black market actors, we are heavily constrained in our options to protect against risk, and hierarchical cartels form in response. Not only does prohibition define what kinds of institutions are possible, but the need for hiddenness and anonymity severely distorts everyday market transactions on an individual basis. It doesn't feel particularly safe exchanging with some shady stranger in his van at night, but there isn't much in the way of options – not as traditionally conceived.

Market Responses

We live in interesting times. The spread of the internet and the information-based economy is empowering people to create the kinds of social spaces for themselves that would otherwise be prohibited. Whereas traditional modes of organization creates visible or vulnerable targets for the State to smash, networks are much more resilient because they can recreate themselves easily. Through this model of networked organization, we are seeing a partial reversal of the forms of economic disempowerment created by state prohibition and regulation.

The Silk Road (SR) has made a tremendous impact over the last few years, and its recent take down by the FBI was a great injustice, to be sure, but for perhaps the first time we are seeing a blunting of blows. The U.S. government's response shattered the SR's disruptive constituents into a million pieces. Those pieces are being taken up by super-empowered groups and individuals to be forged into weapons of their own. Consumers are making use of a growing array of darknet marketplace alternatives – included among them is a bottom-up remaking of SR itself – and with but a few hiccups along the way we have been relatively unhampered in our ability to peacefully exchange goods and services with each other, regardless if they're "prohibited" or not.

To better understand the roles these distributed alternatives have to play, we should draw our attention to the innovations and failures of the original SR. SR was a "hidden" service deployed only on the Tor network, i.e. you could only access it if your browser was configured to use the Tor network or if you just used the Tor Browser Bundle. Functioning much like a tweaked Amazon or eBay, it offered a host of useful features that helped facilitate trust between sellers and buyers, such as an Escrow payment system, seller feedback, and dispute resolution. According to their civil forfeiture complaint (PDF), the FBI purchased samples from SR's drug listings and laboratory-tested them (page 6), and typically found high levels of product purity matching what was advertised. The reputation-based nature of SR, combined with often accurate information on seller profile pages and the official forums, empowered buyers to make informed choices and remain safe.

SR's critical point of failure was its centralization. Although the ability to operate "hidden" is a useful byproduct of the Tor network, the service can be compromised given a few mistakes by its founders or if the physical servers are discovered. Upon the initial SR seizure, the contingency mechanism that would release members' on-site Bitcoins to their chosen addresses was never

activated due to unforeseen circumstances. All of its useful functions were internalized, requiring blind trust in the honesty and competence of the site's administration.

It's true that the long-term returns on sales commissions proved a greater incentive than short-term gains from scamming the entire user base and making off with their Bitcoins, but the failures of hidden services like "Sheep Marketplace" and "TorMarket" illustrate that this only happens so long as the future prospects of the service seem good. TorMarket shut down without warning and was never heard from again, after a period of disruption and uncertainty in other marketplaces and being subjected to several DDOS (Distributed Denial of Service) attacks that left users unable to access the Bitcoins in their on-site personal and Escrow wallets.

Those are lessons that had to be learned. One "hidden" service called "The Marketplace", located on I2P, instead of the Tor network, is not, as they explain, actually able to steal from the digital wallets you create for Escrow. Although it remains centralized in other ways, there is a large community interest in giving more control to the end-user, from which "The Marketplace" forged its model in recognition. Other markets are performing similar experiments. The potential for fully decentralized marketplaces is there – where essential buyer/seller protection features exist trust free and it is being realized by projects like Open Transactions.

This phenomenon is similar in effect to the 'invisible molotov' described by William Gillis:

For those of us interested in resisting and undermining coercive power, the issue is less how a truly freed market might one day improve our lives, but rather how the faint sparks of freedom in the market today are already working against hierarchy, banditry and the concentration of power and how those sparks might be stoked. Therefore our interest is not the market's invisible hand, per se, but the invisible molotov it carries.

The tighter their grip, the more that slips through their fingers. The networked social systems we create for ourselves can stand up to fragility. In fact, it's an environment where we thrive; as anti-fragile institutions we self-modulate and *improve* in response to failure. The monolithic State requires stability and predictability, but in the new millennium that's a dying cause. The ends of total social control are the only means of its survival, but these distributed elements of disruption are here to stay. This system of conglomerates and nation-states continually provoke this disruption and thus participate in its own destruction. A surging *black market correction* is unraveling the institutions of "neutral" power that progressives dream of commanding, all the while provoking frantic reactions that reveal their nature as not-so-innocent forces of totalizing oppression.

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