

Inside the Infamous Silk Road

A Freeman’s Perspective Special Interview

In this fascinating interview, our very own Paul Rosenberg interviews “Mac”, an aficionado of the infamous online black market known as *Silk Road*.

If you haven’t heard of the site, you’re in for a treat – while the product they are famous for is not our cup of tea, the free thinker market that has sprung up around it is something extraordinary. You’ll soon find out why.

Enjoy!

Thomas Anderson
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Paul: Hello everybody. This is Paul Rosenberg from FreemansPerspective.com, and I’m very pleased to be talking today with a friend of mine named Mac. We’re going to be discussing *Silk Road*, which, for those who don’t know is a very, interesting development on the Internet. It’s essentially a cyber black market.

It’s a completely unregulated – by institutions, at least – marketplace where people buy and sell as individuals with no third party mandated to be part of the transaction. That’s probably not quite perfectly said, but Mac will explain some of this to us. Mac, welcome.

Mac: Hello.

Paul: What really interested me about Silk Road was that it fulfilled something that was predicted back in the 90s when a lot of us began to have a great interest in the Internet, primarily because it was a new frontier, in a lot of ways analogous to a new continent.

The great example of this, of course, was the founding of the American colonies in the 1600s – that is the 17th century – long before there was a United States or anything like that. These were times when people were on their own, out doing what they thought was right, trying to survive, helping each other, and building a new civilization.

Those of us who were old enough to see what was coming with the Internet got very excited about it, because this was, in essence, a new continent. A lot of us began to think about the

founding of the Americas and ideas on the natural state, such as from the great philosopher John Locke, who was extremely important to the America of the 17th and 18th centuries. As a matter of fact, I don't think anybody would be remotely close in importance today.

This idea of humans in a natural state, ruling themselves with just nature as their guide, with nobody being able to enforce their will upon everyone else, is a very interesting development and one that a lot of us worked on. And one of the ideas that we had was that there should be gathering places – places to communicate, but mostly places to do business – hidden behind walls of encryption. Truly walled-off, isolated communities where the only interaction there would be voluntary.

People did work on it and people did write about it, such as myself. People did build things that existed and that actually worked quite well. They were very interesting experiments, but none of them has been anywhere close to the size and depth of Silk Road.

Mac, why don't you give us some kind of description of Silk Road in general?

Mac: Silk Road is many things. It's a marketplace; it's a community and a vision. The marketplace is the main site, which has a sort of iconic design due to some of the people who stay there. The marketplace is similar to eBay. There are ways of rating vendors and buyers. There are a lot fewer restrictions in the sense that these people tend to believe that any sort of voluntary interaction or trade is something that should be allowed.

There are certain protections that are put in place from the standpoint of keeping anonymity, and most people expect encryption as a sort of a wall between the usual world and this special virtual world that people like to interact with.

It's of course named after the Silk Road, the historic network of trade routes that connected producers who were able to independently develop different types of ideas and technologies, and then eventually share them as transportation technologies were developed.

Paul: I think it's important to throw something in here, just so people are clear on this, for those who aren't familiar. Silk Road is an Internet site, but you can't get to it through your regular Internet commands. You need to use something called Tor, which is a special technology called onion routing. It's not hard to use anymore. You download a Tor browser and you use it only for what you're doing.

Tor is easy to use but it is slow. So, if you pull up a web page and you're used to seeing it in a fraction of a second, you're in for a surprise with Tor: Pages take a while to load. But, it does work and it is very secure. Please continue, Mac.

Mac: The next thing I was going to mention was Tor. Tor is a utility that people use to help preserve their anonymity. It's used by journalists. It's used by revolutionaries in different

countries. It was originally developed by the Navy to help nuclear submarines communicate more securely, but today some hackers have been able to use it for other uses.

Paul: I’m a fan of an old movie called *The Princess Bride* – just a fun, very quotable film. Tell us about the operator of Silk Road, if you would, please.

Mac: Yes, the fabled administrator, Dread Pirate Roberts, is a very enigmatic and exciting and yet loquacious character that’s very involved in the community. He started the website around February 2011 and has been an instrumental figure in inspiring and keeping the vision, as well as the security, going well. Many other sites have had problems with security, but so far this one has been holding up pretty well.

Paul: Dread Pirate Roberts was a character from the film that I mentioned, for those who don’t get the connection.

Mac: Yes, he was from *The Princess Bride*, the most fearsome pirate on the seas. It turns out as the movie progresses that the sword of Dread Pirate Roberts, I believe, was passed down from pirate to pirate, and there was no single identity that could be destroyed.

Paul: What really interests me on Silk Road are two things, I suppose. One is that it is really very strongly philosophically driven – even though the thing that gets people’s attention on Silk Road is that people buy and sell drugs. They buy and sell marijuana, Ecstasy, even heroin. You can buy and sell – really buy and sell drugs. That’s not my particular cup of tea, but neither would I put anybody in jail for it.

It’s very interesting that Silk Road provides rated sellers and rated buyers and an escrow service. This is the place where, if you were going to buy drugs, you can buy them from legitimate, honest merchants rather than thugs in allies with knives and guns in their pockets. Why don’t you talk about that a little bit, Mac?

Mac: It’s very interesting and exciting to have the opportunity of meeting people who bring goods and services that are unique and special in the world today. They’re very difficult to get. Of course, it’s not just drugs. There are very unique consultants and different types of medical technologies available, and books that are very nice.

It’s important to allow there to be some sort of way of rating the vendors that protects anonymity, as well as allows people to exchange feedback on which vendors are good, which ones are most professional, which deliver on time, and this and that. There are vendors who have gone through more than 10,000 transactions easily, and you can, in general, place some degree of trust into that type of enterprise.

Paul: I hadn’t realized the number was that high – 10,000 transactions!

Mac: Oh, surely.

Paul: Wow. If they’ve done 10,000 transactions and have a good rating, you can be pretty darn sure that this person is going to be more reliable than a website you’ll find on the regular Internet.

Mac: Absolutely. Ratings are something that vendors compete very severely to keep as close to 100% as possible.

Paul: Most of us grow up in a fairly middle-class normal sort of life, and we normally don’t deal with things like black markets. That sounds like something out of a black and white movie. But one of the things that people don’t understand about black markets is, if you’re going to survive in such an environment, you have to provide better services and better goods, and you have to take better care of your customers than you would in a normal, regulated market. Would you agree?

Mac: Absolutely, and competition is very stiff. People are even more serious about security and getting things on time and making sure that everything is held properly.

Paul: There was an article I sent over to you that we both looked at and liked a lot. It was from a website called www.TheUmlaut.com. This particular article was called “Silk Road as a Self-Regulating Black Market,” an excellent article written by a young lady named Andrea Castillo, just posted a couple of days ago. I really like that characterization of it because it is true.

Again, most of us grow up – I did, anyway – looking at black markets as a bunch of shady and dangerous characters in a dark alley in a black and white film. But what Silk Road has shown – and what I’ve learned in other parts of life – is that black markets are, first of all, everywhere. Second of all, they function very well on trust and reputation and ostracism, and they are self-regulating.

Not only is a place like Silk Road effective, but, in its own way, it also has a lot of morality mixed into the philosophy. Would you talk about that for a moment?

Mac: Absolutely. Most of the people there are tied together by a sort of libertarian ethos. Most of the people are very passionate about this thing called Bitcoin, which the site depends on and was founded on. Bitcoin is a way of using money and exchanging goods and services without ever using a centralized system that, for example, is owned by rulers or leaders of a particular geographic area.

A lot of these people do not like the Federal Reserve. They do not like forcibly having parts of their labor extracted from them in the form of taxes. Bitcoin offers the possibility of holding onto the fruits of your labor.

Paul: You sent over, one day, a couple of quotes from the Silk Road forums, and one of them I think was [economist and political theorist] Murray Rothbard and another one was somebody else who sounded just like Murray Rothbard. It was really just excellent stuff. The forums over there have to be very interesting.

Mac: Yes, there's a high degree of passion there, because a lot of the people that engage in business through this website are attempting to go about a sort of productive work while having to risk their lives over it, even though it's an entirely non-violent type of work. They care very deeply about these issues.

Paul: Yeah, they do, and they really are putting their lives on the line. There's a certain type of aliveness that comes from acting on your beliefs. A lot of us have grown up thinking, "Oh yeah, this is right, or this is right," but when you actually act on it – not talk, not argue, not even write usually, but actually act on what you believe – it changes you in a way that mere talk can't, and it's very interesting. One of the words that you've mentioned a couple times so far has been "passion," and that is exactly what grows in people when they're actually acting on their beliefs.

For most of my life, I've heard people in high places complaining about apathy, and the young people are apathetic, and all that sort of thing, but you find out – at least this is my belief – that apathy dies when action begins. When people begin to act on what they believe is true, whatever it is, even if they're incorrect in their belief – when they begin to act on their belief, not only do they find out whether it's a good belief or a bad one, but that's where passion, real passion, comes from. It grows out of that. Is that your experience as well?

Mac: Yes. There's one more thing I'd like to mention too about the community. There's a shared spirit of recognizing that the impossible is possible. It's something that everyone is very obviously aware of in this community. The Silk Road, the administrator, and all of the people who engage in business and commerce on the site very intimately experience the fact that what they thought was previously impossible is easily possible and has some surprising degree of safety.

Paul: For those who haven't experienced it, that's a very exciting thing to be part of. It's the type of thing that really changes you.

Let's get back to just a couple more things I want to know, and then we'll move on a little bit. One feature that interested me was that not only are the sellers rated, but the customers are rated too, for the safety of the sellers, yes?

Mac: Well, only slightly. There is no formal system to actually rate the buyers. There is more pressure on the vendors. Something that the vendors do amongst themselves is they blacklist or talk about buyers that were essentially scammers – in the forums and between each other.

Paul: Okay, good. There is an escrow system built in, right? Would you talk about that, please?

Mac: Yes. With transactions like this it can be difficult to find a trusted party in the situation. In this case, what the site and the administrator offers is a trusted third party. When somebody is interested in purchasing something anonymously, they send their money through Bitcoin over to the third party, who verifies that they actually have the money and that they’re willing to give it to the vendor. When that happens, the vendor sends over the product, and when the buyer receives the product he releases the escrow.

If there’s ever any problem in a situation, there is arbitration that can occur, but use of the arbitration system is extremely uncommon. Usually people can figure things out themselves.

Paul: Excellent. That’s very interesting, and that’s really how it goes when you get rid of the ruler standing in the town square, because people flock to him, saying, “Hey, come swing your sword for me and hurt this guy, because I don’t like what he did.” When that’s absent, people get along better. Even when there are disputes, they tend to work them out quite well most of the time..

One of the other things that interested me was the fact that there used to be weapon sales on Silk Road, and that many of the users said, “No, no, no. We don’t want buying and selling of guns here, because it just makes a problem and makes us look bad. Let’s stick to all the other things and not guns.” Tell us about that episode, if you would please, Mac.

Mac: Of course. Originally when the site came out, guns and other firearms and munitions were fully available on the site. However, I think after the first summer or during the first summer, when more people started coming in, there was a social outcry where almost every other thread on the forums was about whether or not we should allow firearms to be sold on the website. A lot of people thought that it created negative goodwill.

What ended up happening was the site administrator decided to force the firearms market into a second market that was called The Armory. That site ended up being shut down, because the amount of revenue that it brought in was not enough to keep the server costs and maintenance going. During that time it was possible to get very interesting weapons, hopefully in an anonymous way, from very interesting people.

Paul: I imagine so, yes! Let me start wrapping up here. There was a great passage at the end of the article on Umlaut that I referred to earlier, and I like this a lot. The author characterizes here the guys who use Silk Road as ‘ne’er-do-wells,’ and I think what she meant was the Chuck Schumers of the world, the US Senator who was famous for decrying the evils of Silk Road. I think she would call them ne’er-do-wells. The author writes this:

“If a globally-scattered group of ne’er-do-wells on the internet can manage to peacefully exchange in a high-risk, extralegal market traditionally fraught with violence, it is worth

wondering what upstanding merchants and customers might be similarly capable of in the absence of centrally-imposed regulations.”

I liked that a lot and I think it's a very important question. Do you have any thoughts on that?

Mac: Some very deep comments. I do like it and I hope to see us going that way, although there will be bumps along the road. I think that Bitcoin and other digital currencies are excellent platforms to go about doing that, although it will depend on the people to act on their own, as the State will tend to resort to violence and surveillance.

Paul: Right. For Silk Road to continue long term, or for other ones like it to continue long term, it's going to require a lot of adaptation, because Bitcoin in particular is – I don't want to say a threat – Bitcoin is so small compared to the 'regular' economic system that it can hardly be considered a threat – but the people who run the central banks, the World Bank and such, are worried about Bitcoin. In my opinion they're worried about it because it's honest currency. They make arguments that it could destabilize things or it could be the tool of drug dealers and all that sort of thing...

Mac: Don't forget terrorists.

Paul: Of course not, and kiddie porn – that too. But the truth of the matter is, just in the last few years HSBC, Wachovia, and Wells Fargo have been caught laundering hundreds of billions of dollars for violent narco-traffickers, and no one went to jail and nobody lost their job. They faced only minimal fines, so all the talk about Bitcoin being bad in some way, that it's going to cause problems, is really insulting. But they are coming after it anyway.

Bitcoin faces challenges, but the exciting thing to me in Bitcoin, Silk Road, and other areas is there's all these people, thousands of them, mostly younger people who are not just having opinions, but are actively doing things, making things, buying things, selling things, writing programs, and adapting. Really, in my opinion, they're doing their best to create a better, freer world, at least in part and at least as much as they can. That's why I think Silk Road is so interesting.

What thoughts do you have on that large subject that I just threw at you?

Mac: I can say two things about it. At some point, Dread Pirate Roberts posted a quote that I will paraphrase about the idea of the world being an Amazonian jungle, and this group of people sort of being a seed that has just popped out of the fertile soil and is going to attempt to make its way through the environment, even though there are other animals and plants that have been evolutionarily honed to express their niche and possibly destroy other things that might threaten that niche. That is one important thing that he said that I think is applicable to what you just said.

Also, the Bank of Thailand recently outright banned and made illegal all Bitcoin transactions in the country. I don't think there was much discussion about it. Somebody decided to ban it.

The second thing I wanted to say is I'm about 20 years old, and every male who is my age who knows how to use computers is aware of Bitcoin. Most of them think it's a very positive thing, and all of them are also aware of Silk Road. Most people that I know haven't used either one, but everybody knows about it, and everybody would easily be able to use it if they wished to.

Paul: Interesting, very interesting. I didn't realize the awareness was that high.

Mac: My friends tend to be computer-savvy, but there is a much higher awareness than people realize if you look at certain age groups.

Paul: I'm considerably older than you, and if I were to take this idea to an average group of people my age, I would get blank stares from most of them.

Mac: None of them would have heard about it except through television news, probably.

Paul: Right, perhaps that way, yes.

This has been a wonderful interview. Anything you'd like to add before we go?

Mac: I encourage people to be curious about things and try to dip their finger into the other side.

Paul: Great. Mac, thank you so much for your time.

Mac: It's been great. Thank you.

Paul: Bye bye.