

Sotirakopoulos, Nikos (2018) Cryptomarkets as a libertarian counter-conduct of resistance. *European Journal of Social Theory*, 21 (2). pp. 189-206.

Downloaded from: <https://ray.yorks.ac.uk/id/eprint/3816/>

The version presented here may differ from the published version or version of record. If you intend to cite from the work you are advised to consult the publisher's version:
<http://dx.doi.org/10.1177/1368431017718534>

Research at York St John (RaY) is an institutional repository. It supports the principles of open access by making the research outputs of the University available in digital form. Copyright of the items stored in RaY reside with the authors and/or other copyright owners. Users may access full text items free of charge, and may download a copy for private study or non-commercial research. For further reuse terms, see licence terms governing individual outputs. [Institutional Repositories Policy Statement](#)

RaY

Research at the University of York St John

For more information please contact RaY at
ray@yorks.ac.uk

Cryptomarkets as a libertarian counter-conduct of resistance

Abstract: Cryptomarkets function as self-regulating forms of governance, close to what Hayek would describe as a spontaneous order. At the same time, in cases like the online market Silk Road, they construct an identity that is framing their illegal activities as operating within a framework of individual rights and voluntary transactions. As it has already been examined in the wider literature, the political and economic philosophy of libertarianism has been mobilized by participants in such markets in order to provide a moral theoretical background in their activities. This article examines a) why libertarianism indeed provides a suitable narrative for such activities; b) how the theoretical work of Foucault on power and resistance (and, more specifically, his notion of ‘counter-conduct’) can help us understand the interaction between the state and cryptomarkets.

Keywords: libertarianism, cryptomarkets, Silk Road, Foucault, dark net

The development of various markets for illegal goods in the dark net in the last 5 years has attracted much attention from various sides. Buyers and vendors aspire to find a more secure environment for doing business, the authorities struggle not to fall behind in combating such activities and scholars have attempted to understand the wider implications of these developments. In a way, cryptomarkets such as Silk Road are the predictable development of a series of procedures. The success of online markets like e-bay where reviews by users can help prospective buyers to decide on their next purchase, and where wannabe vendors are able to directly access a huge pool of customers, hinted towards a potentially successful model for the expansion of such markets in illegal activities. When suitable technology became available (anonymous browsers, like Tor, and a currency leaving few traces, like bitcoin), markets operating in the dark net would claim an important share in trading illegal goods and mainly drugs. Such markets have been characterized by various names; yet, Barrat and Aldridge (2016) seem to have a point in their preference for the more value-free and neutral term ‘cryptomarkets’ (on issues of terminology, see also Barratt, 2015).

Trade in the dark net has been viewed by some enthusiasts as an example of how an unhampered and free market that keeps the distortions of state’s regulations at arm’s length can be a viable model that should be expanded in more and more social spheres. Indeed, the rise of cryptomarkets could be seen as a Hayekian ‘spontaneous order’ (Hayek, 1973; Hayek, 1988); a complex and evolving system that although being efficient, is not organized from the top down, but responds to the various developments in the base and is bettered by its users through trial and error. It has already been established in the literature that the system of ideas that could loosely be described as libertarianism has had some impact on cryptomarkets (Munksgaard & Demant, 2016; Martin, 2014; Vab Hout & Bingham, 2014; Bartlett, 2015). This is not a surprise, as anti-authoritarian ideas had played a part in experimentations in virtual communities of the internet in the past as well. In addition, such communities face the need for the development of an identity, which could operate on the level of ethically legitimizing their *raison d’être*.

This article elaborates on how the ideology of libertarianism plays such a role of providing a narrative and an identity to cryptomarket communities. This is not to say that most of the users are libertarians, or that people buy and sell drugs as an act of defiance to the state. What it means is that there has been an evident attempt by some pioneers of the cryptomarket community to draw a clear line separating their activity, which is viewed by them as noble and praiseworthy, from the state on the one hand, which is viewed as a coercive entity that claims to work on people's best interests and yet interferes in an authoritarian way with their voluntary choices, and on the other hand from the traditional drug markets, which are violent and operate in a dangerous environment. The contribution of this article aims to be twofold. On the one hand, it will provide a theoretical framework that will link libertarianism and the cryptomarkets of the dark net. This framework will be the work of Michel Foucault on power and resistance. Although Foucault was by no means a free-market libertarian, he was interested in how the narrative and practices of power produce (and at the same time are produced by) a narrative and practices of resistance (Foucault, 1980; 1994; 2002). Such a relationship is constantly negotiated and the balance shifts based on various factors, technology being one of them. Thus, cryptomarkets could be viewed as a praxis of resistance and libertarianism the narrative that gives meaning to such a praxis. In addition, the article will examine a tension between libertarianism as a praxis of resistance and what many view as the governing ideology of our times, i.e. 'neoliberalism'. While it can be claimed that both systems of ideas spring up from a philosophical urge for freedom, it will be shown that such a perception can be misleading. Using again the work of Foucault, it will be shown that while libertarianism is a political *philosophy* (i.e. a system of rigid principles dealing with the individual's relationship to others and to the state) having as its root the inalienable and non-negotiable rights of the individual, 'neoliberalism' is a utilitarian (i.e. sidestepping the aforementioned rigid philosophical principles) *praxis*, and more specifically an 'art of government'. Such a distinction must and does create a tension between libertarianism and 'neoliberalism', despite the fact that sometimes the two terms tend to be conflated.

As far as the structure of this article is concerned, I will begin by presenting the relevant literature on the cryptomarkets and the links already drawn between the dark net and libertarianism. Then, once clarifying why libertarianism has been a prominent ideology in such communities, I will attempt to use Foucault's work on power and resistance to link the narrative of libertarianism with the praxis of the cryptomarkets. At the end, I will examine why neoliberalism as a system of government, far from coming from the same womb with libertarianism, is actually opposed to it.

Silk Road and the rise of markets in the dark net

Since 2011, more than 50 websites operating as market-platforms have appeared on the dark net, i.e. in networks that cannot be accessed through the mainstream browsers and software in the World Wide Web. Though many of them are short-lived (EMCDDA, 2016), there is a constant presence of various online markets where the selling and purchase of various items and services (usually of an illegal nature) is taking place, between participants who are shielded by the anonymity provided by Tor browser and the paying system, which is usually through bitcoins (Barratt & Aldridge, 2016). These crypto-markets are following the model of e-bay, where user-generated feedback plays a key role in the procedure and where the vendor is dealing directly with the

purchaser, the website's hosts providing a platform and a mechanism for solving possible disputes (Barratt, 2012). While assessing the revenue of the various cryptomarkets is, due to their nature, difficult, Soska and Christin (2015) estimate it with some confidence somewhere between \$300,000-\$500,000 per day.

Such cryptomarkets could be considered a hybrid of the so-called 'peer' or 'sharing' economy (despite the fact that, literally speaking, not much sharing is taking place). The characteristics of peer markets that are also present in cryptomarkets are the following (Belk, 2014; Koopman et al, 2014, Woskko, 2014, Munger, 2015):

- They are usually horizontal online platforms, utilizing developments in information technology and facilitating peer to peer sharing of data or products
- They coordinate the acquisition (or the short-term rent) of a commodity or a service; the transaction could be in exchange of conventional money, bitcoins, of another service/product, or for free
- Thus, they help the utilization of dead capital (even if this is someone's time or his ability to grow weed or cook crystal meth) and they push transaction costs significantly down
- They tend to disrupt established markets (even illegal markets) and defy regulations

Having solved the problem of platforms that guarantee anonymity and of transactions that are transparent and guaranteeing at the same time that participants remain almost untraceable, such markets started appearing in the dark net. The pioneer and most well-known cryptomarket has been Silk Road. It was founded in 2011 by a young man under the *nom du guerre* Dread Pirate Roberts and within a couple of years produced revenue of hundreds of millions of dollars (Bartlett, 2014). Its founder was identified by the FBI as Ross Ulbricht, who got arrested in 2013 and received a very harsh prison sentence (life without parole) for, among others, aiding and abetting illegal activities, money laundering and hackingⁱ. In three years of operation, Silk Road had been used by more than 150,000 customers and almost 4,000 vendors. Dread Pirate Roberts explained that the name he gave to the website (the ancient network of trade paths) symbolized his free market vision: "The original Silk Road (...) played a huge role in connecting the economies and cultures of these continents and promoted peace and prosperity through trade agreements. It is my hope that this modern Silk Road can do the same thing, by providing a framework for trading partners to come together for mutual gain in a safe and secure way" (cited in Bartlett, 2014, p. 137). Thus, the libertarian theme that transactions in a free market are win-win and promote social harmony had been central in Silk Road's narrative. In another instance, Ulbricht made the link even more explicit:

"Silk Road was founded on libertarian principles and continues to be operated on them. It is a great idea and a great practical system...It is not a utopia. It is regulated by market forces, not a central power (even I am subject to market forces by my competition. No one is forced to be here). The same principles that have allowed Silk Road to flourish can and do work anywhere human beings come together. The only difference is that the State is unable to get its thieving murderous mitts on it." (cited in Greenberg, 2013).

Ulbricht's missionary attitude was one of the reasons the Federal Court of the US came up with such a harsh sentence. Judge Forest, while reading his sentence, mentioned: "The stated purpose [of Silk Road] was to be beyond the law. In the world you created over time, democracy didn't exist. You were captain of the ship, the Dread Pirate Roberts. You made your own laws" (cited in Thielman,

2015). The judge is right: Ulbricht's was a world based not on majority rule or on the federal laws, but on the principles its members held as true (and moral). As will be shown in the next sections, the attitude of Silk Road *vis a vis* democracy and laws (at least those ones regulating so-called victimless crimes) are clearly in accordance to the libertarian philosophy on these issues. Indeed, the charter of Silk Road tried to articulate a theory of individual rights that would guide the operation of the platform: "We provide systems and platforms that allow our customers to defend their basic human rights and pursue their own ends, provided those ends do not infringe on the rights of others" (cited in Martin, 2014).

Putting moral objections aside, Ulbricht has indeed been a successful businessman and entrepreneur...upon his arrest, the FBI confiscated bitcoins equal to almost \$150 million that were his earnings from the administrators' fees from every transaction in Silk Road. The successors of Silk Road, run by unknown administrators after Ulbricht's arrest, are also very profitable: Silk Road 2.0 in only four months in 2014 processed something like 100,000 sales (Bartlett, 2014, pp. 138, 141). The structure that made such enterprise fruitful is similar to the structure that made legitimate online retailers, such as Amazon, and other sharing economy platforms successful: a) a minimization of transaction costs (in this case, circumventing the risk of engaging face to face with outlaws and dangerous people), b) a system based on users' reviews that guarantees that only vendors of quality can survive in the market. Indeed, Bartlett points out that out of some 120,000 reviews in Silk Road 2.0, 95% scores the maximum score of 5/5 stars, whereas only 2% receive 1/5 (idem, p. 160). In forums, dishonest vendors are named and shamed and issues around the quality or counter-effects of the products are discussed. Predictably, the drugs must be of better quality than those purchased on the street – something important, as often the bad quality of the drug can have fatal consequences for the user (idem, p. 152).

Yet, although the merits of such markets on the utilitarian level are easy to defend, the same does not apply when it comes to a moral evaluation. Still, for Martin, "that sourcing illicit drugs online may result in harm is not, in itself, a particularly revealing or useful observation (...). A more productive line of enquiry is whether cryptomarkets present a more or less harmful alternative to the conventional illicit drugs trade" (2014, p. 4). Tucker agrees, claiming that Ulbricht "did not create a black market. He provided a peaceful alternative to the one that already exists, and he brought to it producer accountability, user ratings, and quality control" (2015). Bartlett adds that such markets are likely to reduce the supply chain of drugs, which is basically a chain of crime and violence (2014, p. 162). Participants in the underground cryptomarkets also often see themselves as moral agents pursuing a noble cause. Some vendors in the digital marketplace of 'Evolution' gave the following description of who they are in their sellers' page: "We are a team of libertarian cocaine dealers. We never buy coke from cartels! We never buy coke from police! We help farmers from Peru, Bolivia and some chemistry students in Brazil, Paraguay and Argentina. We do fair trade!" (cited in Martin, 2014, p. 39). The problem with the market being underground is, of course, that such claims cannot be verified; yet, they do reveal a specific attitude of participants to see themselves as political actors promoting what they consider as a peaceful and humane way of life and of dealing with others.

Libertarianism as a mentality of nodal governance

Beyond the clearly libertarian message of Dread Pirate Roberts, a research by Munskgaard and Demant (2016) verifies that if one political discourse is clearly present in crypto-markets, this is

libertarianism (although they locate this tendency mostly in the days of the first Silk Road). Yet, I would like to elaborate on why libertarianism has found a fertile ground in the cryptomarkets; or, put differently, why libertarianism has been a suitable and fitting ideological 'mentality' of nodal governance. After all, the advocacy of free markets and individualism has not always been the usual suspects in subversive (or self-understood as subversive) endeavors. Anarchism, which has some premises in common with many streams of libertarianism, has had a major influence in the early days of web-activism, of counter-culture and of alternative communities on the internet (McKay, 1998; Bartlett, 2015). Yet, usually subversive lifestyles and cultures would also have a strong anti-capitalists ethos, often opposing ideas such as private property. Yet, I claim that it is this very idea of private property and its central role in libertarian tradition, together with the sanctity of individual rights, which render libertarianism a suitable philosophy for offering moral and ethical legitimacy to cryptomarkets and their activities.

There are numerous definitions of libertarianism. For Boaz, "libertarianism is the view that each person has the right to live his life in any way he chooses so long as he respects the equal rights of others. (...) all human relationships should be voluntary; the only actions forbidden by law are those that involve the initiation of force against those who have not themselves used force" (2015: 6). For libertarian anarchist Murray Rothbard, "the libertarian creed rests upon one central axiom: that no man or group of men may aggress against the person or property of anyone else. This may be called the 'nonaggression axiom'" (2006:27). In this context, aggression is understood as the initiation (or a threat) of physical violence against an individual and his/her property. In addition, libertarianism can be understood both as a set of ideas and as a political movement (Doherty, 2007); yet, in the realm of actual politics it has been less successful, with some high-points, like the Ron Paul presidential campaigns of 2008 and 2012 (Doherty, 2012). Libertarianism is closely related to the ideas of the Austrian School of economics (and to scholars such as Ludwig von Mises and Friedrich Hayek), whereas philosophically the main figures that have influenced the movement are the philosopher Robert Nozick, the economist Murray Rothbard and the novelist/philosopher Ayn Rand (although she did not appreciate the label 'libertarian' and she did not consider herself as part of the movement).

Libertarianism is suitable in providing an ideological identity to cryptomarkets both as an economic and as a moral and political philosophy. To begin with, cryptomarkets can be understood as an example of a 'spontaneous order', a notion having its roots in the works of two Scottish Enlightenment's scholars, Adam Smith and Adam Ferguson. The latter, described order (understood as a working system) in a free society "as the result of human action, but not the execution of any human design" (Ferguson, 1767). Hayek goes on to distinguish between 'made' (top down, authoritarian) and 'grown' (bottom up, voluntary) orders. Grown orders, or systems, do not have an external mastermind behind them, but come up as a result of purposeful actions of different individuals who might have a limited view of the whole system, but know very well their immediate environment and act accordingly. Hayek is optimistic that through trial and error, "a process of selection rules has evolved which lead individuals to behave in a manner which makes social life possible" (2013: 42).

Thus, individuals might act in a way that is relevant to their narrow situation (i.e., a vendor realizing that there is a huge demand for a specific substance, raising the prices), yet such an act, without their knowledge, will trigger events that will create a working system (in our example, due to the

high expected revenue, more people will start selling such a substance and the prices will eventually drop). Again, there might be behaviours that undermine the system (such as a vendor not delivering an order or providing drugs of bad quality), but a working spontaneous order develops mechanisms to protect itself from such behaviours (in our case, ratings that will consider such a seller unpopular, or the admins expelling him/her). After all, a spontaneous order does not mean the absence of rules; it merely means that these rules are set and imposed from within.

This leads us to another characteristic of a spontaneous order based on voluntary social relations, which is the optimum and beneficial use of knowledge. Hayek, in his article 'The Use of Knowledge in Society' (1945), engaged with the problem of utilizing knowledge when planning a social order. Such knowledge (on various issues, ranging from demand, supply, raw materials, special geographical or cultural conditions etc) is dispersed and is impossible to be available in its totality to a single mind (Hayek, 1945: 520). Yet, each and every individual has some important advantage when it comes to the knowledge of the conditions around him/her (idem: 521). As societies are way too complex and conditions change rapidly all the time, the people best coped to deal with such changes are the interested parties and individuals who are more familiar with their social/economic surroundings (idem: 524). The coordination of an 'aggregate' of individual knowledge takes place through various market mechanisms, the most prominent being the price mechanism. Cryptomarkets, providing platforms for individuals to communicate efficiently and cheaply, facilitates significantly the spread of local and specialized knowledge. Most importantly, this happens with minimal transaction costs. A user in need of a substance would gain important knowledge that could satisfy his want by visiting risky places and dealing with dangerous people. With a cryptomarket such as 'Silk Road', the transaction costs are minimised, as the interested parties can now gather in a safer virtual environment, where everyone's wants and what they have to offer can be easily communicated.

In addition, libertarians tend to be against regulations and prohibitions that are imposed on the market. According to Thornton (1991), prohibitionist policies (with the most obvious examples being the alcohol prohibition in the USA from 1920 until 1933 and the drug prohibition, which is still on), fail miserably, as a) the cost of implementation is really heavy; b) enforcement is impossible (drugs are available even in regulated and controlled environments, such as prisons); c) there are severe unintended consequences (such as the rise of criminal activity around the production and trade of such resources, or the surfacing of dangerous substitutes – see also Friedman, 1989). Thus, in the libertarian narrative, a cryptomarket appears as a spontaneous order, a sufficient working system, which allocates resources in an effective way, comes up with mechanisms for dispute resolution, and circumvents the economic inefficiency and the negative externalities of governments' prohibitions.

Munksgaard and Demant (2016) spot another interesting link between the free-market principles of libertarianism and cryptomarkets. Markets are not only more efficient in economic terms, but can also become the vehicle for political change. This is the trend of 'agorism', which falls under the wider umbrella of libertarianism, but favours free association and exchanges of people in the margins of law and the state - characterized as 'black market activism' (D'Amato, 2015) - as the means to undermine Leviathan, rather than political action. The movement's leading figure, the controversial Samuel Edward Konkin III, considered agorism as an integration of libertarian ideas with a kind of activism and civil disobedience that he called 'counter-economics' (Konkin III, 2009). It has to be mentioned, that although some of agorism's basic premises are not necessarily challenged within the milieu, as a movement it became marginal within libertarianism and it also attracted

various criticisms (see for example Rothbard, 1981; Gordon, 2011; Deist, 2015). Yet, Silk Road *de facto* operated as an agorist 'market activism', especially since its founder Ross Ulbricht, as shown earlier, gave the tone of an ideological crusade to his endeavour.

Libertarianism provides a suitable narrative for cryptomarkets not only in terms of an economic theory, but also as a political philosophy regarding the role of the state and the nature and protection of individual rights. For Ayn Rand (1964), individual rights are not a luxury provided by the state, but a necessity determined by human nature itself. Such a premise significantly shrinks the proper role of a government to merely protecting the right to life and its derivatives, such as the right to property.

Thus, the social system in which such premises can be protected is a system recognizing individual and property rights, where individuals are free to think, produce, act and voluntarily co-operate, as long as they do not infringe someone else's rights to life and freedom. For Robert Nozick, such rights operate as moral 'side constraints' upon the actions of others. In his justification for rights, he mobilizes the Kantian principle that individuals are ends in themselves and are not to be treated as means for others' wills or for a 'social good' - unless it is with their consent (Nozick, 1974: 29-34). Thus, a 'non-aggression principle' arises as central and fundamental in libertarian philosophy, where coercion is justified only in retaliation to the violation of individual rights.

An articulate definition of what a government can and cannot do is provided by Wollstein: "What determines what is proper and improper for governments to do are, in essence, the same principles which differentiate the proper from the improper actions of the individual.(...) All that which is immoral for men acting individually is equally immoral for men acting in association. There is nothing a government can morally do, which individuals by themselves cannot morally do." (1969, p.11)

It is clear how these basic philosophical and political principles apply in the case of cryptomarkets. Libertarian theory perceives a market as a series of free and voluntary interactions between consenting (adult) individuals. It is what Nozick would call "capitalist acts between consenting adults" (1974, p. 163). Thus, from a libertarian philosophical standpoint, a cryptomarket, irrespective of the nature of the transactions (with obvious exceptions, such as transactions including minors or slaves) shall be left alone from state intervention not only because it provides a more effective and safer option than, for example, conventional drug markets, but because doing otherwise would infringe the participants' fundamental rights in producing and co-operating with others, which are derivatives of the right to property and, at the very end, the right to life.

A question that has to be asked is why participants in cryptomarkets even attempt to provide an ideological and moral narrative for their actions. The rise of sub-cultures and the forming of identities among drug users and traders have been widely identified in the literature (see for example Anderson, 2001; Gambetta, 2009; Sandberg, 2012; Skarbek, 2014); yet, the use of a political philosophy to frame such activities is unusual. However, such a framing makes sense according to Martin's thesis that cryptomarkets should not be viewed solely under a 'criminal-centric perspective', but as 'sites of informal nodal governance' (2014: 11); a notion he borrowed from Shearing and Wood (2003) and Burris et al (2005). Shearing and Wood emphasize the importance of a rising 'fourth sector', beyond the state, corporations and NGOs etc, where informal working systems of governance arise (2003: 405). These terms will be further elaborated, as they can be helpful towards making sense of the rise of cryptomarkets.

Burris et al define governance as “the management of the course of events in a social system” (2005:2) through mechanisms that make sure that the targets of such a system are met. Nodal governance is the network of mechanisms through which “a variety of actors operating within social systems interact along networks to govern the systems they inhabit” (idem: 5). Burris et al are influenced by Castell’s (2009) work on networks and by Hayek’s (1945, 2012) work on spontaneous order (see next section), as they both explain how complex and sometimes decentralized systems operate efficiently and create their own order. Nodal governance does not apply only to institutional networks, such as for example a trans-national corporation, but also to non-institutional groups, gangs, and in our case, cryptomarkets. Yet, for such a system to operate, some characteristics need to be present (Burris et al, 2005: 12):

- “• A way of thinking (mentalities) about the matters that the node has emerged to govern
- A set of methods (technologies) for exerting influence over the course of events at issue;
- Resources to support the operation of the node and the exertion of influence; and
- A structure that enables the directed mobilization of resources, mentalities and technologies over time (institutions)”

Martin (2014) analyses how these characteristics operate in a system of nodal governance such as a cryptomarket. What is of great interest is the first element, i.e. mentalities, or, as he puts it, “cultures, philosophies and political ideologies” (idem: 12) that frame the ethical identity of the organization, or, put differently, its ideology. Such mentalities need the relevant technologies (in our case, encryption, p2p contact etc), resources (an initial capital, servers etc) and institutions for mediating disputes, setting a framework of rules and so on (idem). For Martin, mentalities are key for the operation of a cryptomarket such as Silk Road. He mentions how popular a Silk Road’s forum on ‘Philosophy, Economics and Justice’ was, with threads such as ‘An Ethical Code As A Freedom Fighter In The Drugs War’ that clearly indicate a libertarian ethos (idem: 14). He is right to point out that, as mentioned earlier, this does not mean that the majority of the users are participating in such a system as a political gesture. Yet, the need for the community to construct an identity based on such values is important and indicates at least a tendency towards constructing a ‘mentality’ or a culture around the operation of a network like a cryptomarket around ideas of liberty and individual rights.

Cryptomarkets as a counter-conduct of resistance against governmentality

Up to this point, the article examined the link between libertarian ideas and cryptomarkets. In this section, it will be shown how the praxis of cryptomarkets mobilizes the libertarian narrative as a form of resistance to state coercion. For such an analysis, the work of Michel Foucault on power and resistance will be of use. More specifically, his notions of counter-conduct will facilitate an analysis of the interaction between state and cryptomarkets. Foucault is useful in such an analysis for two reasons. First, because he had a dynamic approach on the state, which goes beyond the usual libertarian understanding of it as an exogenous super-imposed structure, and realizes it as an episode (though a crucial one) in the long history of power relations and of what he called governmentality, i.e. the construction of a subject that is to be governed, supervised and disciplined,

and also the technologies and the 'nodes' of such a regime (Foucault, 2007:184, 238; Dean, 2010: 18). Secondly, despite a different understanding of the state's nature, and despite the fact that he rarely mobilized the political philosophy of classical liberalism, Foucault actually experimented with ideas that could be considered close to libertarianism. As Behrent mentions, Foucault's main criticism against liberalism (and on what he called 'neo-liberalism', as will be shown in the next section) was that 'it is not liberal enough' (2016:28). He was quite sceptical about the "theatrical and tragic harshness of the state that in the name of its always threatened and never certain salvation, requires us to accept acts of violence as the purest form of reason, and of *raison d'état*" (Foucault, 2007:267). Together with libertarians, Foucault recognized the state's inherent tendency to expand in more and more areas; or, as he called it, state's 'endogenous imperialism' (Foucault, 2010: 187). Of course, such a qualitative expansion is compatible with state's shrinking in some areas, which is the bulk of Foucault's analysis of neo-liberalism (Foucault, 2010; Zamora and Behrent, 2016). Yet, all this is part of what Foucault calls *raison d'état*: the rationality that attempts to justify the maintenance and preservation of the state (2007: 238) and which libertarian philosophy has constantly tried to delegitimize and undermine.

For Foucault, the crucial point that marked a qualitative change in the exercise of power was the shift from law as the restitution of harm to law as the imposing of the sovereign's will (a will that conveniently appears as an expression of the social body). Foucault characterized this passage from tort law to infraction as 'diabolical' (1994: 42-49). Libertarians tend to adopt a similar approach, claiming that the axe of justice should fall only on those who actually harm specific individuals, as opposed to the so-called victimless crimes (drug use and peaceful drug dealing falling in the latter category). Another thing that Foucault and libertarians would agree on is that interventions of governmentality tend to have as scope the expansion of state's power, rather than the wellbeing of its subjects. As Foucault put it, the state is less interested on the patient (or, in the case of regulating cryptomarkets, the drug user) *per se*, and more interested on exercising power *over* the patient (2004:33). The governing 'art' of micro-managing, examining, limiting and disciplining individual conduct was, according to Foucault, the 'pastoral power' and signalled the passage of the individual to the level of the object of governing (Foucault, 2007; 125-129).

Again, it has to be made clear that although Foucault considered the state as "the coldest of all cold monsters" (1994: 417), this article does not claim that Foucault necessarily shares the libertarian narrative. Despite being increasingly critical of the welfare state, he precisely mentioned that he was not convinced that a free market could offer a successful alternative (1994: 372, 373, 379). Yet, irrespective of the proposed remedy, sharing aspects of the diagnosis can place Foucault and libertarianism closer under an analytical framework. Such a framework becomes more convincing with Foucault proceeding to examine the forms of resistance employed by the subjects of this life-shaping 'pastoral power' of the state. Part of this power has to do with what Foucault characterized in *The Birth of the Clinic* as 'the gaze' (1989) and later developed into his analysis of the 'panopticon' (1991; 1994). Thus, if the gaze is a central tool of pastoral power and governmentality, avoiding the gaze is the first and obvious act of resistance (Foucault, 1980: 155; 2007: 205). Yet, avoiding the gaze cannot only take the form of escapism. If a government, according to Foucault, is a 'conduct of conducts' (1994: 341), then an escape from government needs to be accompanied by a new working system. Foucault provides a call to arms for an 'anti-pastoral revolution' (2007: 15); a praxis of resistance that would be a 'revolt of conduct', or a 'counter-conduct' (*idem*: 200, 201), against both

the sovereign (the state) and against 'pastoral governmentality', i.e. against the materialization of power and control over the individuals.

Historically, Foucault traced such counter-conducts to the secret or marginal religious communities of the Middle Ages. He emphasized the importance of asceticism, as an individualist praxis of not only escaping the gaze, but also of struggling for meaning with oneself, away from the authoritarian orthodoxy of the established church (idem: 205). He also mentioned the Taborites, who created a self-organizing system of inner democracy and accountability, where power-relations might not disappear, but where the rules are more transparent and there is an air of freedom (idem: 210). For such societies, the enemy and the supreme evil was the official Church, which was given names such as 'The New Babylon' (idem: 205). Interestingly, such medieval communes have been the subject of research and within libertarian circles, reaching more or less similar conclusions (Piombini, 2017). Foucault also referred to 'medical dissent' communities from the 18th Century, experimenting with new or alternative forms of medicine on the margins of the established medical institutions (idem: 198).

One could draw parallels between such praxes of resistance and the cryptomarkets. Participants in the latter also attempt to escape the gaze of governmentality, in order to pursue what they consider as peaceful endeavours. In their case, the enemy, the personification of evil and the threat from which one needs to stay safe is not the church, but the state. Yet, cryptomarkets attempt to get rid not only of the state, but also of power relations that are present in the conventional drug markets (or in the corporate world). Like the religious communities Foucault described, they do not do away with power, but they attempt to put it under a frame of accountability and transparency. We have already seen how spontaneous order plays a role in cryptomarkets; yet, it is also present in Foucault's analysis. He uses sympathetically the example of Quakers' communities as an early attempt to establish some sort of order from below, as a form of self-defence against the draconian jurisdiction of the state (1994: 62). Beyond operating as a point of historical reference, a bottom-up working system (what libertarians would call 'spontaneous order') is important for Foucault also in the struggles of today. As he mentioned, "'what is to be done' ought not to be determined from above by reformers, be they prophetic or legislative, but by a long work of comings and goings, of exchanges, reflections, trials, different analyses" (idem: 236).

Another common element in the Foucauldian counter-conducts and cryptomarkets is their quasi-political function. According to Foucault, the importance of the marginal communities and institutions he described was to "put in question, work on, elaborate and erode pastoral power" (2007: 202). If the state is an "institutionalization of the pastorate" (idem), i.e. a sophisticated mechanism that constitutes subjects that are to be constantly observed, judged and disciplined, then a resistance to such a mechanism is *de facto* political. Thus, one could claim that cryptomarkets play a political role not only when this is openly declared with pride, such as in the case of the first Silk Road, but also when this is happening without the relevant political consciousness of the actors. Again, it needs to be reminded that this should not be considered as an ethical or moral verdict on cryptomarkets or the activities taking place in them. Similarly, Foucault's analysis did not pass a value judgment on these religious communities or in alternative medicine. They are simply put on a framework of the relationships that are constantly developed and re-negotiated between power and resistance. As he puts it elsewhere, "there is no relationship of power without the means of escape or possible flight. Every power relationship implies, at least in potential, a strategy of struggle (...)

Each constitutes for the other a kind of permanent limit, a point of possible reversal” (Foucault, 1994: 346). Thus, one could see a two-fold relationship between the state and the cryptomarkets, where the one constitutes a limit for the other.

Foucault also had an interesting insight on the role of change in the negotiation of power-relations. It only appears as a note that never made it to his lectures at the Collège de France, but it is important in our understanding of the rise of cryptomarkets. He claimed that changes (in our case, technological developments, such as Tor and bitcoin) that bring about a renegotiation of power/resistance tactics “allows the modification of power and the bringing into play of theoretical elements which morally justify and give a basis to these tactics in rationality” (Foucault, 2007: 216). In a later lecture, he came back to this theme, by mentioning how there was a point where feudal structures could not anymore contain the burgeoning economic and political relations unleashed by the rising capitalism and the industrial boom (idem: 229). Maybe it could be claimed that the rapid changes evolving around the so-called Web 2.0, cryptography and cryptocurrencies will put even more to the test the statist model of a tight control not only of the economy, but of the subjects’ bodies and choices. Yet, technological changes do not operate in a void. They take place within structures that are influenced by ideas around what is ethical and what constitutes a proper way to organize a system or a community (Elder-Vass, 2016: 164). Thus, the analysis on how libertarian ideas fit in with such changes (or even how they influence innovation) is an issue of theoretical importance and a discussion that had to be made. The last question that is to be posed is how these ideas and practices as the ones analysed in this article fit in within the wider socio-political environment that has been described as ‘neoliberalism’.

Conclusion

This article attempted to offer a theoretical evaluation of the cryptomarkets on three levels. On the one hand, it argued that cryptomarkets could be understood as working systems based on the model of spontaneous order, which need an identity based around values. Such an identity has been fittingly provided, at least in the case of Silk Road, by the economic, moral and political principles of the libertarian philosophy. It has been suggested that libertarianism’s emphasis on individual rights, property rights and the non-aggression principle provides a suitable framework against the coercive intervention in the activities of the cryptomarkets. Finally, it was shown that Foucault’s analysis on the link between power and resistance is a useful theoretical tool for grasping the relationship of the state with cryptomarkets.

There are undoubtedly limitations in such a theoretical approach that tries to link the three aforementioned levels. As it has been hinted, the fact that according to libertarian philosophy transactions between consenting adults shall not be interfered with, does not imply that such transactions enjoy an ethical sanction. What is missing, and what could be the focus of future research, is an ethical evaluation of the cryptomarkets, having as starting point relevant approaches in the libertarian, or wider, literature. Yet, there is a theoretical contribution by this article, as it provides a wider understanding on why libertarianism is having an ever more noticeable presence on debates around the challenges brought about by rapid changes in technology and human interaction. Such debates and libertarianism’s presence in them are expected only to multiply and be even more significant in the future.

References

- Anderson E (2001) *Code of the Street: Decency, Violence, and the Moral Life of the Inner City*. New York: W. W. Norton
- Barratt M (2015) A discussion about dark net terminology, in *Drugs, Internet, Society*, 15 January 2015, available at: <http://monicabarratt.net/a-discussion-about-dark-net-terminology/>
- Barratt M & Aldridge J (2016) Everything you always wanted to know about drug cryptomarkets* (*but were afraid to ask). *International Journal of Drug Policy*, 35: 1-6.
- Bartlett J (2015) *The Dark Net*. London: Windmill Books
- Behren M (2016), Liberalism without Humanism: Michel Foucault and the Free Market Creed, 1976-1979, in Zamora D and Behren M (eds) *Foucault and Neoliberalism*. Cambridge: Polity, pp. 24-62
- Belk R (2014) You are what you can access: Sharing and collaborative consumption online. In *Journal of Business Research*, 67(9): 1595-1600
- Boaz D (2015) *The Libertarian Mind: A Manifesto for Freedom*. New York: Simon & Schuster
- Burris S, Drahos P and Shearing C (2005) Nodal Governance. *Australian Journal of Legal Philosophy* 30:1-43
- Castells M (2009) *The Rise of the Network Society*. Second Edition. Somerset: Wiley Blackwell
- D'Amato D (2016) Black-Market Activism: Samuel Edward Konkin III and Agorism. In *Libertarianism.org*, 28 April, available at: <http://www.libertarianism.org/columns/black-market-activism-samuel-edward-konkin-iii-agorism>
- Dean M (2010) *Governmentality: Power and Rule in Modern Society*. 2nd Edition. Los Angeles, London, New Delhi, Singapore, Washington DC: SAGE
- Deist J (2015) Is Ross Ulbricht a Libertarian Hero?. *Mises Daily Articles*, 6 February, available at: <https://mises.org/library/ross-ulbricht-libertarian-hero>
- Doherty B (2007) *Radicals for Capitalism: A Freewheeling History of the Modern American Libertarian Movement*. New York: Public Affairs
- Doherty B (2012), *Ron Paul's Revolution: The Man and the Movement He Inspired*, New York: Broadside Books
- European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) (2016) *EU Drug Markets Report: In-depth Analysis*. Available at: <http://www.emcdda.europa.eu/system/files/publications/2373/TD0216072ENN.PDF>
- Ferguson A (1767) An Essay on the History of Civil Society. In *Online Library of Liberty*, available at: <http://oll.libertyfund.org/titles/ferguson-an-essay-on-the-history-of-civil-society>
- Foucault M (1980) *Power/Knowledge: Selected Interviews and Other Writings 1972-1977*. London: Longman
- Foucault M (1989) *The Birth of the Clinic*. London and New York: Routledge
- Foucault M (1991) *Discipline and Punish: The Birth of the Prison*. London: Penguin
- Foucault M (1994) *Power: Essential Works of Foucault, 1954-1984*. Volume 3. London: Penguin Books

- Foucault M (2004) *Society Must Be Defended: Lectures at the College de France, 1975-1976*. London: Penguin Books
- Foucault M (2007) *Security, Territory, Population: Lectures at the College de France, 1977-1978*. Hampshire, New York: Palgrave MacMillan
- Foucault M (2010) *The Birth of Biopolitics: Lectures at the College de France, 1978-1979*. Hampshire, New York: Palgrave MacMillan
- Friedman M (1989) An Open letter to Bill Bennet. In *The Future of Freedom Foundation*, available at: <http://fff.org/explore-freedom/article/open-letter-bill-bennett/>
- Gambetta D (2009) *Codes of the Underworld*. Princeton: Princeton University Press
- Greenberg A (2013) Collected Quotations of the Dread Pirate Roberts, Founder of Underground Drug Site Silk Road and Radical Libertarian. *Forbes*, 29 April, available at: <http://www.forbes.com/sites/andygreenberg/2013/04/29/collected-quotations-of-the-dread-pirate-roberts-founder-of-the-drug-site-silk-road-and-radical-libertarian/#2aac10d24f51>
- Gordon D (2011) Sam Konkin and Libertarian Theory. *LewRockwell.com*, 30 June, available at: <http://archive.lewrockwell.com/gordon/gordon88.1.html>
- Hayek F (1945) The Use of Knowledge in Society. *The American Economic Review* 35(4): 519-530
- Hayek F (1988) *The fatal conceit: the errors of socialism*. London: Routledge
- Hayek F (2012) *Law, Legislation and Liberty*. Revised Edition. London and New York: Routledge
- Kinkin III S E (2009) *An Agorist Primer*. California: CoPubCo
- Koopman C, Mitchell M and Thierer A (2014) *The Sharing Economy and Consumer Protection Regulation: The Case for Policy Change*. Mercatus Center, George Mason University, available at: <http://mercatus.org/sites/default/files/Koopman-Sharing-Economy.pdf>
- Martin J (2014) *Drugs on the Dark Net: How Cryptomarkets Are Transforming the Global Trade of Illicit Drugs*. Hampshire, New York: Palgrave Macmillan
- McKay G (1998) (ed.) *DiY Culture: Party and Protest in Nineties Britain*, Verso, London, New York
- Munger M (2015) *The Third Entrepreneurial Revolution: A Middleman Economy*. available at: http://econ.as.nyu.edu/docs/IO/37424/Munger_Third_Entrepreneurial_Revolution2.pdf
- Munksgaard R and Demant J (2016) Mixing politics and crime – The prevalence and decline of political discourse on the cryptomarket. *International Journal of Drug Policy*, 35: 77-83.
- Nozick R (1974) *Anarchy, State and Utopia*. Malden, Oxford, Victoria: Blackwell Publishing
- Piombini G (2017) Conceived in Liberty: the Medieval Communes of Europe, in *Mises Wire*, 24 January, available at: <https://mises.org/blog/conceived-liberty-medieval-communes-europe>
- Rand A (1964) *The Virtue of Selfishness*. New York: Signet
- Rothbard M (1981) Critiques of the *New Libertarian Manifesto*. In *Strategy of the New Libertarian Alliance*, 1: 3-11
- Rothbard M (2006) *For a New Liberty: The Libertarian Manifesto*. Second Edition. Auburn Alabama: Ludwig von Mises Institute
- Sandberg S (2012). Cannabis culture: A stable subculture in a changing world. *Criminology & Criminal Justice*, 13(1): 63-79
- Shearing C & Wood J (2003) Nodal Governance, Democracy, and the New 'Denizens'. *Journal of Law*

and Society, 30(3): 400-419

Skarbek d (2014) *The Social Order of the Underworld: How Prison Gangs Govern The American Penal System*. New York: Oxford University Press

Soska K & Christin N (2015) *Measuring the longitudinal evolution of the online anonymous marketplace ecosystem*. 24th USENIX Security Symposium, available at: <https://www.usenix.org/system/files/conference/usenixsecurity15/sec15-paper-soska-updated.pdf>

Thielman S (2015) Silk Road operator Ross Ulbricht sentenced to life in prison. *The Guardian*, 29 May, available at: <https://www.theguardian.com/technology/2015/may/29/silk-road-ross-ulbricht-sentenced>

Thornton D (1991) *The Economics of Prohibition*. Auburn, Alabama: Ludwig von Mises Institute

Tucker J (2015) The Deeply Tragic Sentencing of Ross Ulbricht. *Liberty.me*, 29 May, available at: <https://tucker.liberty.me/the-deeply-tragic-jailing-of-ross-ulbricht/>

Van Hout M C and Bingham T (2014) Responsible vendors, intelligent consumers: Silk Road, the online revolution in drug trading. *International Journal of Drug Policy* 25(2): 183–189

Wollstein J (1969) *Society Without Coercion: A New Concept of Social Organization*, Society for Rational Individualism

Woskrow D (2014) *Unlocking the sharing economy: an independent review*. Available online at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/378291/bis-14-1227-unlocking-the-sharing-economy-an-independent-review.pdf

ⁱ Ulbricht was also accused for orchestrating murders. The charge was not included in the indictment (though relevant evidence was used in court) and Ulbricht denied such charges.