

THE BLADE

Bitcoin, 'dark web' help illicit goods trade online

Ryan Dunn

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With **Bitcoin** and “dark web” software, the 21st century's illicit marketplace is nearly limitless.

Online offerings include drugs, weapons, and as illustrated locally, fraudulent identification cards. It's the means federal officials said **Mark Simon**, 34, of South Toledo used to distribute fake IDs. Officials recently seized from him \$4.7 million in Bitcoin.

Bitcoins are a virtual currency allowing for mostly anonymous sales for both legal and illegal goods. There are regularly more than 200,000 confirmed transactions involving Bitcoin each day.

Bitcoin is likely not causing a surge in illegal purchases, but it does change their location, said William Luther. Mr. Luther is an adjunct scholar at the Cato Institute, instructor at Kenyon College in Gambier, Ohio, and director of the American Institute for Economic Research's Sound Money Project.

“They're going from streets and physical stores to the Internet. Prior to Bitcoin, it would have been much more difficult to purchase illegal substances online. Not impossible, but much more difficult,” Mr. Luther said.

Purchasing Bitcoins through an exchange typically requires personal information that authorities can later subpoena. The currency also creates a record of transactions that can be tracked if investigators link the account number to personal identity, Mr. Luther said.

“If you sell fake IDs in an alley and walk away with cash, there's no way of tracking that cash back to you,” Mr. Luther said.

Moving drug sales from face-to-face transactions into online sales allows for some screening. There are review networks of customers and screening of suppliers, he said.

Mr. Luther said he expects this may lead to fewer violent crimes and accidental overdoses in the drug trade as well.

A report last year from the Rand Corp. think tank, “Digital Currency and the Future of Transacting,” traced the rise of technology in overall sales. It found growth from early messaging and meetings to bank account encryption and niche shopping sites.

“New business and transaction models facilitated by digital platforms could have wider economic and social implications with regard to the extent of government control over the

economy; the structure of traditional models of tax, Social Security, and pensions, and the role of individuals and communities in the wider financial system,” it read.

Bitcoin's advantages include easier logistics of transferring large amounts of cash and moving across international borders. Their value is notoriously volatile, however. One Bitcoin traded last week for about \$10,000, but was nearly double that in December and under \$2,000 in April.

Federal officials said they identified Mr. Simon by the Reddit username of TedDanzigSr, a frequent poster regarding fake IDs who they said sold them for Bitcoin. The investigators later determined someone by the same account name previously sold on Silk Road.

Reddit is a popular website divided into individual forums on a variety of topics. The former site Silk Road hosted sales of illicit goods on the dark web -- a collection of sites requiring a special browser to reach -- until federal officials shut it down.

Federal charges against Mr. Simon include production of a false identification document. He remains held in the Lucas County jail.

Justin Herdman, U.S. attorney for the Northern District of Ohio, said during a recent visit to Toledo that his office now has seven “cyber-competent” certified prosecutors. Officials have seen a cyber connection and cryptocurrencies in a range of cases.

“I’m told you can even hire hitmen over the dark web and pay for them with cryptocurrency. I don’t think we’ve actually seen that played out on our streets, but it’s certainly a possibility,” he said.

Asked how many cases his office is handling that involve cryptocurrency, Mr. Herdman said he couldn’t put a number on it, but it comes up frequently with narcotics cases.

In Mr. Simon's case, Mr. Herdman said the fake IDs were of “exquisite” quality.

“That is a real concern for us in law enforcement as to how these IDs can be used. It’s not just to get 18-year-olds into bars,” Mr. Herdman said. “There’s the possibility for them to be used in other ways that we’re very concerned about.”