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Response Paper #4

**MIX OF [3. Formulate an objection:** Recognizing and forming objections can be an important part of philosophy. Select an article from this week's reading list and formulate an objection to one of its theses. Write 500-ish words on what one of the philosophers assigned for this week got wrong.] **AND [4. Extending the argument:** While forming objections is likely more common in texts and discussions, developing an author's argument into a new application can also be an important part of philosophy. Explain an argument from the reading and discuss how that argument might be applied to another issue.]

**Introduction**

In this response paper, I will formulate an objection to Locke's argument that property is a natural right but maintain his idea that property is acquired through labor by extending the arguments to the two consensus protocols for verifying cryptocurrency and adding cryptocurrency transactions to the blockchain: Proof of Stake (PoS) and Proof of Work (PoW).

**Establishing Objection**

In John Locke's Two Treatises of Government, he asserts that humans have a natural right to property upon birth, saying "natural reason...tells us, that men, being once born, have a right to their preservation, and consequently to meat and drink, and such other things as nature affords for their subsistence" (Sect 25). This statement means that a human can own something before there is a governing body, before there is agreement made with someone else, before there is convention. However, I believe Locke is incorrect in this approach and that the Conventionalist approach is more correct. The conventionalist approach stems from David Hume (and Thomas Hobbes) and says that a human owns property through conventions such as consent (Hume) or the state/government (Hobbes).

However, I agree with Locke in how one must correctly acquire property: through labor, through expended energy, not just whoever possessed the item first, through limited expended energy. Locke asserts his claim by saying: *"Whatsoever then he removes out of the state that nature hath provided, and left it in, he hath mixed his labour with, and joined to it something that is his own, and thereby makes it his property"* (Sect 27). While Locke uses the term "labor" in his argument, for the sake of this response paper and to extend my argument to a new field, from here on, I will use the synonym "energy" in place of "labor." I agree with Locke because of the Law of Conservation of Energy. As the Law of Conservation of Energy states, energy can neither

be created nor destroyed; only converted from one form of energy to another form of energy. This allows one to conclude that property should be secured by scarcity by being acquired through something that is scarce: energy.

## Extending Argument: Background

For one to acquire cryptocurrency and for it to be recorded on an immutable ledger (the blockchain), their transaction must either go through/ be verified through a Proof of Stake (PoS) protocol or a Proof of Work (PoW) protocol. The type of protocol is dependent on the type of cryptocurrency, and bitcoin is the only dominant cryptocurrency that uses PoW.

Let's say I want to buy bitcoin. For my purchase to be recorded on the ledger (the blockchain), "miners" have to compete against each other to solve a cryptographic (trial and error) puzzle (the ability to do so is increased when the energy expended is increased[1]). The first miner to solve the puzzle gets the reward. The reward is property: bitcoin.

Let's say I want to buy Ethereum. For my purchase to be recorded on the ledger (the blockchain), there is no competition. Whoever holds the largest stake, in this case, Ethereum, will have the highest probability of being chosen (by the protocol (software)) to record my transaction. In return, they do not get a reward; they do not get property; they only get a transaction fee.

## Extending Argument: My Argument

Now that I have established Locke, Hume, and Hobbes' points of view as well as the difference between PoS and PoW, I will present my argument: Humans own property (that cannot be taken from them involuntarily) through convention. The convention is consent. The consent is based on energy/ who exerted the most energy. My argument is shown to be valid through PoW.

Hobbes' theory that "Humans own property through conventions such as the state/government" aligns well with Fiat Currency. Yes, you have to exert energy at a job, for example, to earn money. However, this convention of acquiring money is regulated by the government and can be manipulated by the government's actions. For a historical example, on April 5, 1933, the US government issued Executive Order 6102, which required that all Americans turn in their gold within a month. While Hobbes is correct on convention, he is incorrect in relying on the state/ government. You do not need a Leviathan; you only need energy.

Hume's theory that "humans own property through conventions such as consent" plus Locke's argument that labor (energy)- mixing is required is well aligned with Proof of Work. PoW is a <u>consensus</u> protocol that requires energy to digitally secure and make scarce property.

Additionally, I find it important to mention that while the PoS protocol is also a consensus protocol, so property through convention (developers acting as state/government), it is

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[1] There is a slight caveat. The Bitcoin network regulates the difficulty to mine bitcoin as more miners come online/ go offline. The point here is simply that large mining companies, who expend more energy to mine, have a greater likelihood of solving correctly than an individual at their home.

missing the critical element of labor-mixing as it is aligned more with the first possession theory. PoS is based on who "staked" or "grabbed" more first. When Ethereum was first created, the Ethereum developers did something called a "premine," in which they took coins for themselves before anyone else could. This action is never possible under the bitcoin protocol.

**Organization of the Above**

|  | **Fiat Currency** | **PoS** | **PoW** |
|---|---|---|---|
| **Nature of Property Rights** | Convention (the state/gov't) | Convention (consent) | Convention (consent) |
| **Principles of Rightful Acquisition** | Labor-Mixing | First-Possession Theory | Labor-Mixing |
| **Philosopher** | Hobbes + Locke | Hobbes + Pufendorf | Hume + Locke |

**Conclusion**

The conservation of energy brings order to society. The conservation of money backed by energy brings order to society by allowing the correct allocation of goods and the assurance that your savings are sound. Bitcoin is how money is conserved, acquired, backed, and secured by energy which is conserved. With bitcoin, for the first time, your property is truly and securely yours: agreed upon by convention, which is consent through energy expended, a naturally scarce resource, and secured by this same scarce resource.

David Hume asserts, *"when [people] have observ'd, that the principal disturbance in society arises from those goods, which we call external, and from their looseness and easy transition from one person to another; they must seek for a remedy, by putting these goods, as far as possible, on the same footing with the fix'd and constant advantages of the mind and body. This can be done after no other manner, than by a convention enter'd into by all the members of the society to bestow stability on the possession of those external goods, and leave every one in the peaceable enjoyment of what he may acquire by his fortune and industry. By this means, everyone knows what he may safely possess"* (3.2.2.9). Hume's assertion describes the problem bitcoin solves and is the basis of the bitcoin protocol, PoW. However, it is incomplete. The input for PoW is energy, which comes from Locke's assertion of labor-mixing to acquire property.

You do not have a natural right to own bitcoin or to just take it. You have to have a convention (the bitcoin protocol) that requires a set amount of energy to be mixed in (labor-mixing). Bitcoin is scarce because it is secured and backed by something that is scarce and that cannot be created from thin air: energy. Consent based on energy puts everyone "on the same footing,...bestow[s] stability…,and leave[s] every one in...[peace]."

Humans own property (that cannot be taken from them involuntarily) through convention. The convention is consent. The consent is based on energy/ who exerted the most

energy. My argument is shown to be valid through PoW. Bitcoin is our first form of true property, something that can be securely and solely yours because of the consensus protocol, which requires and runs on energy and can be transported anywhere in the world.