

Praxeology of Privacy

A fundamental treatise on the individual property right to selectively reveal oneself to the world.

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Abstract

Humans act, and humans argue. This is what we assume, and from there we can deduce a plethora of insights relevant to economics, ethics and strategy. The Individual is in a constant state of uneasiness, and has the creative spark to imagine multiple superior scenarios. The heroic entrepreneur acts, allocating scarce resources to manifest his most wanted desires. The Sovereign Individual claims his property, and has the power to defend what is his. In the darkness of cryptoanarchy, cypherpunks control how to selectively reveal themselves to the world, thriving in the free realm of cyberspace. No trusted third party will secure Individual liberty.

Contributions

This is a first draft of part one of the book, intended for early peer review. This work is published [free under the MIT License](#). Contributors to the venture are very much welcome! At this early stage, conceptual review and feedback on the methodological approach are vitally important. Pull requests to fix typos, polish grammar and smoothen prose will be swiftly reviewed and thankfully merged.

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PART I

The Theory of the Private Individual

The Human Axioms

There are two intertwined axioms at the very heart of our problem: humans act and humans argue.

The action axiom states that men allocate means in order to satisfy ends. Men are in a current state of uneasiness, with the creative imagination of numerous future scenarios, capable of making a value judgment to rank ordering these scenarios, and being able to reason about the costs of achieving them. In hindsight, humans judge whether or not the goal has been achieved and the situation improved.

Any attempt to refute the action axiom would in it self be an action, a behavior targeted at a goal, requiring resources, considering the opportunity cost of alternatives, and ultimately subject to a judgment of success or failure. The action axiom is self-evident for actors, and non-actors are not capable of reaching participatory understanding of it.

The argumentation axiom is that humans are capable of reasoning and discerning truth from falsehood. Lower forms of communication include sounds of expression like cries of pain, and warnings or signals of danger. Whereas higher communication entails descriptive language, which can be either true or false, and ultimately argumentation, which entails provable logic and explicit inferences.

Similarly to the action axiom, a claim that one cannot argue would in it of itself be an argument, proclaiming a certain fact to be true, while others are false. Notice that this conundrum is also present for the isolated individual, as alone the thought of "I cannot argue" is an internal argument as well. Furthermore, verbal behavior can only be understood and categorized as argumentation, if the observer has prior reflective cognition. In other words, an argument can only be observed by someone who knows how to argue.

Uneasiness

Humans are in a constant state of uneasiness. Or in other words, humans always have problems. Just one example is the physical requirement to supply the body with energy in form of food to continue to function. But regardless of how many problems have already been solved, there are always more things that can be improved, there is always more potential. If there would exist a state without uneasiness, then there would be no problems to be solved, therefor no action possible. An actor can thus not experience a lack of uneasiness, as he would cease to be an actor in that very moment.

Ends

The general goal of humans is to alleviate uneasiness, to apply the solutions to their problems. Action is the deployment of scarce means to the attainment of the highest

valued end. This requires the creative spark to imagining a future where the problem is in fact solved. Only individuals can have ends, there are no ends of groups or collectives. Individuals must have a possible mode of behavior to enable them to attain the ends. An end that is unachievable for the individual is not relevant for his mode of action. He must have an idea of how to achieve his end.

Means

Actors utilize means to achieve their ends. Goods are the means required in order to satisfy wants. Without utilization of the means, the problem cannot be solved. Means are part of the environment of men, and they are changed by the actions of men, in order to manifest an environment which is more to the liking of the actor.

There are elements of the actors situation which he cannot change or control, those are general conditions of action. However, the other elements are those which he can manipulate to his desire, and these are the means employed by action.

Action thus requires the technological ideas of how to utilize some of the environmental elements as means, with the intent to attaining some ends. However, the general conditions of the environment are out of the power of individuals, and thus they are never objects of any human action.

Scarcity

Scarce means can only be utilized for one task at any given time. If there are multiple different tasks that all require the same mean, then the actor cannot attain all ends at the same time, he must choose one goal, and thus sacrifice the achievement of all other possible goals. Out of scarcity emerges a potential conflict of how to allocate the scarce resources available.

Physical resources are scarce, as they can only be in one place at any given time.

If there are not enough scarce means available to satisfy all the ends, then these goods must be economized. They must be allocated carefully, because if the good is applied to a less important problem, then it will not be available for solving the more important one.

On the other hand, if the scarce good is abundant, then it is not subject to economization and can be considered a non-restraint for action. For example, air is generally abundant on earth's atmosphere, thus there is no need to economize how much air to breath in. However, once underwater and with only a small bottle of pressurized air, the actually scarce resource will be consumed quickly, and thus the actor has to economize how to use the resource.

Non-Scarcity

There are however, non-scarce means that can be utilized for as many tasks as desired, simultaneously and at infinite scale. Thus there is no question for which task to apply the good, the good is available for any possible task. No opportunity cost, and no sacrifice.

Information, patterns and ideas are non-scarce, they can be copied ad infinitum without taking away the use from anyone. The individual can continuously use the same strategy and information across solving different problems. He does not "forget" a piece of information after using it.

These non-scarce means are information are an essential component of every action. Because even if all scarce physical goods are abundantly available, without the knowledge of how to change those means in a way that they attain the desired ends, no action is possible, and all problems remain unsolved.

Consumption goods

Those goods which are immediately and directly serviceable in the satisfaction of the actors wants are consumption goods. They are of a lesser order, and by themselves sufficient to alleviate the uneasiness of the actor, their use leads to an immediate satisfaction.

Consumption goods are not necessarily destroyed after each use, some goods can provide direct service for a prolonged period of time.

Production goods

However, most human desires are so sophisticated and complex, that only very few natural resources are sufficient in themselves to be satisfactorily consumed directly. The second category of goods are those, which only indirectly serve human desire.

These goods of higher order can be shaped and transformed into consumption goods in the future, but only by human action. Thus all steps in production take time, and the end result is always uncertain.

Factors of production can be sub-categorized into those that are of natural origin, and those that are man-made. The original factors of production can again be divided into the use of human energy, and non-human natural elements. The former is labor, the later is land.

Scarce production goods are thus land, labor and capital goods. These can only be used in one production stage at a time, and are often used up in the process.

However, there is one additional non-scarce resource required in production: the technological idea or strategy. Without such plan, the actor would not know how to move from one stage of production to another. Neither would he know that the consumption good is actually desirable. A recipe is required for every action and stage of production. Yet contrary to the previous scarce production goods these ideas of how to transform goods are non-scarce and can be enjoyed across numerous production stages and they even cannot be used up.

Subjective preference scale

Each individual has the choice of using his available scarce resources for numerous alternative ends. The one he chooses is his highest valued end, while all other alternatives are lower valued ends.

Each individual can, subjectively, rank order all his ends, by taking two outcomes, and asking which of them is better. When doing this with all current problems, the result is an ordered list with the most valued end on the top, and each following being less important.

This is an ordinal value scale, an absolute rank ordering. We cannot say by how much "units" one end is more valuable, but only that one is generally more valued than the other. This ordering of ends and means into a hierarchy is helpful in finding out what the most pressing problem is, that problem that if alleviated, the uneasiness would reduce the most.

Yet this subjective value scale differs for each individual, and even for the same individual across time. New ends can be introduced, while others become undesirable. The value judgment is in constant flux.

The exact naming of this value scale is irrelevant, it can be problem solving, welfare, happiness, utility, or satisfaction. The important concept is that the different ends are ranked based on their quality for the individual.

Humans value means in proportion to the ends that they can achieve. Consumer goods are valued according to the satisfaction of the individual. Producer goods of higher order are thus valued in anticipation for the lower order producer goods and ultimately the consumption goods that they will be transformed into.

Law of marginal utility

Each distinct unit of means involved in human action is valued separately. Actors do not choose from general categories like steak vs bananas, but always with specific quantities of each, like one steak vs two bananas.

However, the subjective value scale is ordinal, not cardinal, and thus the value of multiple distinct units of a mean cannot be the multiple of a single units' value. In a scenario where multiple means must be chosen in aggregate, the value of the aggregate is unique in its rank in the individuals subjective value scale.

So long as an additional unit can be used to satisfy an end, having more goods is valued more than having less goods. However, having ten times as many goods does not mean it is ten times as valuable.

Goods can be interchangeable, if the actor has equal satisfaction with the different means. For example, three different bananas provide each equal satisfaction, and thus the actor is happy with any one of them. If contrarily, the options have each unique characteristics, like rib-eye steak, sirloin steak, or flank steak, then these are not three interchangeable units, but each unique in the preference scale. As soon as the actor values each unit of a mean distinctly, it is no longer part of the supply of the homogeneous good.

The first unit of mean will be allocated to the highest value end on the individual's preference scale. The next available unit will be used to satisfy the second highest end. Each additional unit of mean will thus lead to the satisfaction of lower valuable ends. Contrarily with a decrease in available homogeneous means, the actor will stop the pursuit of the previously satisfied lowest valued end.

The greater the supply of a good, the lower the marginal utility. The lower the supply of a good, the higher the marginal utility. When choosing between units of two good based on the supply available. The marginal utility is higher for that good which the actor prefers.

Choice

Choice, then, is at the core of what it means to be human. With numerous problems, but limited scarce resources, humans must inevitably make a value judgment and choose one out of many. Every single action is the proof of that choice, and it implies the infinite number of alternatives that have been sacrificed. Whenever there is choice, there is exchange. The individual exchanges a current state of affair, for a future one that he deems superior. The list of alternatives that were not pursued are the opportunity cost of action, those potential future scenarios that were disregarded and not manifested.

Judgment

Judgment is the other side of choice. After the act, individuals can judge themselves regarding whether or not their allocation of means has led to their ends being achieved. The individual knows if his situation has improved, or worsened. This is a crucial ability to receive feedback across time and to qualify the success of a past exchange.

When repeatedly after the action the situation is worse than expected, then either the goal is unattainable, the utilized means are not relevant, the actually relevant means are not utilized, or the correct information of how to apply the means to achieve the ends is not known.

But in any case, humans know when they do not live up to their potential, when they do not manifest what they know that they could achieve, if only they get their act together.

Time

Time then, is experienced within every action. There is a clear differentiation in the timeline of "before" and "after" the act. Specifically there is a period before the action started, a point where the action begins, a period of production during the action, a point at which the action stops, and a period after the action.

The period of production is separated into working time and maturing time. Working time is when labor energy is expended, whereas maturing time is a required waiting time, without direct exposure of labor.

Memory of past actions and their results guide the current moment decision making. Previous successful application of means to achieve ends are positively remembered and attempted again. Whereas those strategies and means that lead to a failure are noted for their disutility. Also the capital goods acquired in the past are still relevant in the current moment decision making.

Yet every act presupposes the imagination of future scenarios, with consideration of how the individual actor can causally influence these. Because of this plentiful human imagination of what might be, the future becomes uncertain. Out of all the possible dreams, which single one will manifest as actuality?

Once the act is done, there is no turning it back, time has passed irreversibly. Time travel is not possible, neither going back in time and choosing a different action, nor going forward in time to see the actual result of potential actions. This makes choices permanent, both the good and the bad ones. Time is thus a crucial component of the opportunity cost of action.

Furthermore, any individual's time is strictly limited in supply, a short span between birth and death. The number of actions is thus limited as well. The number of anticipated future

actions is thus decreasing with every passing moment of life.

Time Preference

The total time of individual human existence is limited, and the future is uncertain. It is very well possible to die in the very next instance, and the chances of death increase the longer we predict into the future.

Therefore it is reasonable to assume, that all things equal, individuals prefer satisfaction of their ends sooner, rather than later. The extent of how far gratification can be delayed is described as time preference. The longer an individual can delay satisfaction, the lower his time preference.

The extent of time preference varies across individual, and it is not objectively better or worse to have a higher or lower time preference. This is a human preference, which is subjective to every actor, and thus no qualitative judgment can be made.

However, any actor displays at least a positive time preference. Every act leads to a realized satisfaction of ends, not deferred to the future. Thus only a non-actor can be considered to have zero time preference.

Entrepreneurial profit

Individuals value goods based on the relation of its position in the preference scale to the total available stock of that good. Whereas consumer goods have a direct use value, production goods are valued for their potential transformation into ultimate consumption goods. Thus, the value of a production good is based on the least important good which he would have to forgo if a unit of production good is removed. In other words, the value of a production good is the satisfaction provided by its marginal product.

Because consumer goods have to be produced, it follows that the factors of production are naturally scarce too. Even though one factor can be potentially utilized in the production of numerous different consumer goods, the actor must choose one of many. A single producer good by itself cannot be transformed to a consumer good, that would not be a producer good at all, but already a consumption good. Rather, two or more producer goods must be combined in order to advance the production stage.

This means, however, that for a given quantity of production factors, the actor tries to maximize the value of the produced outputs. This is regarding quantity, quality, and timeliness of production. Thus, for any quantity of production goods, there is one single optimal outcome where the subjective value is maximized.

Specialized factors

Factors of production can be more or less specified. A highly specific factor can only be used to create one consumer good. Whereas a non-specific factor can be used in the production process of numerous different consumer goods.

A highly specific factor of production might be a medicinal herb, that when extracted and distilled, can be used to cure stomach ache. But there is no known other medicinal benefit of this herb, it tastes bad and has no nourishment, thus it is not desired for food. A specific factor is thus only valued in relation to that one good it can produce, if the value of the product vanishes, then the factor likewise loses all of its value.

Whereas a nonspecific or convertible factor is for example iron, which can be shaped into swords, engines or jewelry. If any one of the products loses its value, then the production good itself still retains its value related to the other still valued products.

If the value of a good changes, the value of its specific factor will change more drastically than that of the generic factor.

Labor and leisure

Humans have unlimited ends, yet the factors of production required to create consumer goods are scarce. Thus in order to satisfy more ends, more consumer goods need to be produced, which in turn requires an increase in the supply of its factors. Because natural resources are inherently limited, the only other options are to increase the stock of capital goods, or to increase the expenditure of labor.

There are, however, limitations on the extent that labor expenditure can be increased. Firstly, by the quantity of humans available, second by the quality or skill of each human, and finally by the willingness for those humans to work.

The willingness to work, depends like all action, on choice and opportunity cost. The opportunity cost to labor, is leisure. Leisure is assumed to be a consumer's good, directly satisfying ends. Increased labor thus decreases the supply of leisure, which in turn increases the marginal utility of leisure, and decreases the marginal utility of the consumer's good. Whereas an increase in leisure, decreases the marginal utility of leisure, but decreases the supply of labor, and thus increasing its marginal utility. Man labors only when the marginal utility of labor outweighs the marginal disutility of leisure forgone.

The disutility of labor can further increase above the leisure foregone, in the case that the labor has undesirable aspects in itself. Both cleaning the dishes, and working in the

depths of a coal mine decrease the actor's leisure, however, working in a coal mine is for many actors more painful than cleaning the dishes.

Whereas labor is always targeted towards the attainment of a final product, play is action which is purely for its own sake. Play is thus, like leisure, a consumer's good with diminishing marginal utility.

The question of what to labor on, depends on the disutility of leisure foregone and the dissatisfaction of the specific work itself, as well as the utility of the contribution towards the production of the desired goods. Every hour of labor will be spent on attaining that good with the highest marginal product.

Capital Formation

Nature given resources are inherently limited in their available supply, and labor is limited in both its supply and its disutility of leisure foregone. In order to increase satisfaction of wants for a given period of time, the only method is to increase the quantity of capital goods employed.

In a primitive scenario, where the actor has zero producer goods, all of his time is spent on either leisure, or on acquiring consumer goods directly. This limits the actor to satisfying only those wants which do not have to rely on production, and only a small quantity of consumer goods will be procured.

In order to increase productivity, the actor must mingle his unaided labor with the available natural resources to create capital goods of lower order. This always comes at the expense of satisfying his direct wants of consumer goods. The time spent on creating a producer good cannot be spent on leisure, or on acquiring direct consumer goods.

Deeper production stages can either increase the quantity of the same good, or enable the procurement of a new type of good not previously attainable without the required producer goods.

The individual will only work on increasing his capital stock, if the sacrifice of leisure foregone and of direct consumption in the present is estimated to be lower, than the potential benefit of more consumer goods available, and a higher satisfaction of wants per unit of time in the future. The extent to which present sacrifice outweighs future return, is the individual's time preference.

The point when the actor will stop to acquire direct consumer goods, in favor of laboring on indirect producer goods, depends on the individual's subjective value scale. The more

urgently he wants the producer good, the higher the rate of restriction of direct satisfaction.

Since after the completion of the producer good, the individual's productivity increases, he can either leisure more, or accumulate more consumer goods. Thus in order to maximize overall satisfaction, it might be favorable to prioritize the accumulation of producer's goods.

The time of production includes not only the time of the individuals direct action to create the producer's good, but it includes the entire waiting time starting from the first action of production, until the ultimate consumer good is completed. An increase in capital goods decreases the time until satisfaction of consumption goods.

Capital accumulation inherently relies on savings, meaning that not all desires are satisfied, even though the necessary consumer goods would be available. Without a saved stock of consumers goods, the actor cannot spend his time on deepening the production stages. He must instead invest some of his saved capital to sustain him during the production process, and he can only do this when previously he did not consume these relevant goods.

Most capital goods are perishable, meaning that they get used up and transformed during the process of production. Some goods might be transformed completely by only one use in the production stage, for example the flower required to bake a bread. Whereas other capital goods can be used in numerous production stages before it perishes, for example the oven that bakes the bread. For those long-lived producer goods, the depreciation rate is the inverse of the total expected lifetime.

If the actor wants to sustain his standard of living, he must strive to repair or replace the perishable capital goods at the time where they do break. This constant investment in upkeep of course also requires preexisting savings, like any production does.

Actors have three options: increase the capital structure, maintain the capital, or consuming the capital. The choice depends on the individual's disutility of waiting, which in turn depends on time preference, and his utility of higher productivity and thus more consumers' goods.

In order to satisfy his most urgent wants first, other things equal, the actor will build those consumer goods, which have the shortest production stage. Thus any additional saved capital, will be invested in marginally deeper production stages. Thus a wealthy economy with lots of capital will have production stages so deep, that those higher order capital goods are far removed from the ultimate consumers' good.

Capital goods are stored up land, labor and time.

The present value of a future good is derived by discounting its future value with the rate of time preference. The higher the time preference, the higher the rate of discount, and thus the lower the present value of the future good. Individuals invest in production stages of those goods that have a higher discounted present value compared to the value of the present goods forgone.

The individual has at any time numerous potential investment opportunities, all discounted by his time preference. He will first invest his capital into those production stages with the highest present value, then into the second highest valued, and so on. On the other hand, with each investment, his stock of available present goods decreases, thus increasing the marginal value of the future consumers' goods. Investment stops at that point where the disutility of the present consumer goods is larger than the discounted present value of the future product.

The individual makes constant judgments of the uncertain future, and evaluates the likelihood that any possible scenario might end up manifesting in his experience. He acts toward that future scenario with the highest perceived value. However, if the resulting scenario is worse than he expected, then his speculations have failed. He either was wrong in the theory of how his actions would play out, or he made an actionable mistake deviating from the strategy.

As the quality of producer goods depreciates with time and use, and the replacement or repair comes with considerable opportunity cost, there is a point where the abandonment of a good is economically rational. Abandonment of capital means to forgo all possible use of that good in production and consumption, thus decreasing the quantity, quality and number of ends satisfied. However, when the continuing cost of maintaining the capital good is marginally higher than its potential benefit, abandonment leads to an increase in total capital, it is not a waste.

In the choice of which land to use in production, the actor evaluates the different options based on their prospect of satisfying his ends. If the goal is to have more fruits, then settling on a land with fertile soil and existing fruit trees is more satisfactory than the other land with barren rocks. Capital will be deployed to develop those land areas which have a positive marginal return, whereas submarginal land will not be developed.

Land in its original state is not directly suitable for production. Instead, man has to labor the land, to shape and refine it into a state where it is more useful for his satisfaction. This act improves the land, and turns it into a saved capital good, the prerequisite of production.