**SECTION FIVE: CRYPTO, LAW, AND JUSTICE**  
  
**CHAPTER ELEVEN: Dealing With Crime Without the State**  
  
The final challenge for crypto is the same one that confronts anarchism itself: what of law and order? How can crime be prevented and redressed?  
  
Human beings need justice as surely as they need food and shelter. It is an economic good that the free market can and will fill in order to make a profit. The dynamics of how crypto can prevent and redress crime will be largely technological. They will evolve constantly to address circumstances and preferences, most of which are unpredictable. The purpose here is to sketch the principles and context within which free-market justice must function and to argue for its superiority over the state system.

Compared to What?

Perfection does not exist. When assessing and comparing systems that allegedly address the same problem, at least two questions must be answered. What is the goal of each system? And how effectively do they achieve it?

Despite the word “justice” appearing in both terms, the goals of free-market and state justice are incompatible. One empowers the individual; the other centralizes power in the hands of authority. Free-market justice is the full realization of an individual’s right to self-defense; state justice destroys the right of self-defense by centralizing it in the hands of authority. The situation is similar to that in the financial realm. Crypto and the blockchain allow individuals to become self- bankers and to control their own finances; fiat and central banking allow the state to monopolize finance and take control from individuals.

The methodology and goals of the two systems are diametrically opposed and, to understand both, it is useful to compare them, especially regarding crimes committed by individuals against each other.

A fundamental advantage of free market justice must be stated first, however. Free-market justice addresses only the problem of crime—that is, the violation of rights—and it acts only to make the victims whole. The state creates pseudo- crime—that is, it criminalizes peaceful but objectionable behavior—and it acts only to protect its own power. It is difficult to overstate the impact of this difference.

Government is a law factory. It passes laws in the same manner that another type of factory extrudes metal molding…But, whereas a factory which extrudes metal molding is providing a product which is useful to the citizens generally, and which certain citizens will purchase voluntarily; the government factory extrudes compulsion which is useful principally to the government, itself, but is purchased [through taxes and other ‘fees’] in advance by the people, who are never in a position to refuse to buy.— Robert LeFevre, The Nature of Man and His Government

The state’s system of justice routinely manufactures two types of real criminals— people who intentionally violate the rights of others. The largest group consists of sanctified criminals who plunder wealth and impose social control in the name of the state. They are politicians, bureaucrats, law enforcement, and other state agents or their cronies. They rule with a velvet glove when people accept their claim of legitimacy and obey. When people refuse, however, the system’s true nature is seen, and obedience is commanded through raw coercion.

The second group consists of unsanctified criminals. These are individuals who choose violence or the threat of it as a quick path to profit, but they do so without the claim of legitimacy. Common criminals would exist in any system, but state justice multiplies their number by processing people in a manner that strips away their humanity and makes them abandon all belief in law—any law. The prisons

act as training grounds for crime, not only in the how-to sense but also

psychologically.

The system produces pseudo-criminals as well—that is, people whose behavior is peaceful but unacceptable to the state. Drug dealers and drug users are examples.

The state benefits from the manufacture of criminals in at least four ways.

• The human need for safety and justice gives the state a justification to claim a monopoly over the use of violence. The state then centralizes and

industrializes the “services” it provides: the legislative industry, regulatory bureaucracies, the police industry, the court system, the prison industry, the surveillance state, and a myriad of associated industries. State power is cemented into every niche of daily life.

• If people believe the state is the only source of safety, they more willingly accept violence committed by the state. They render obedience for

protection in the belief that there is no alternative.

• The state justifies taxes, fines, and other fees in the name of funding law and order. Safety and its enforcement are cash cows.

• Less direct dynamics, such as prison labor, are extremely lucrative to the state and to the crony corporations that use prisons as manufacturing

centers with extraordinary cheap labor.

An entirely different approach is required to fill the human need for safety and justice. Nothing addresses human needs as efficiently and impartially as the free market. A return to basics is required.

The stakes are high. Consider what currently passes for justice.

The State Destroys What It Cannot Control

Comparing free-market and state justice requires a grasp of the goals and methodology of each. Free-market justice seeks to protect the person and property of individuals and to rectify any violation with as little force as possible. State justice seeks to maintain the state’s control over society and to punish any violation of its rules with as much force as necessary to discourage further violations. The state’s goal makes it a law factory; its methodology makes it a criminal factory.

Most people fail to appreciate the fundamental obstacles placed in the path of crime prevention by the perverse logic of public property, public law enforcement, and public imprisonment. Step one: start with public streets, sidewalks, and parks where every citizen must be permitted unless proved guilty of a crime. Step two: rely on an inherently inefficient public bureaucracy to catch, prosecute, and try those criminals against whom enough evidence of guilt exists. Step three: should they be convicted, subject criminals to the dangerous, unproductive, and sometimes

uncontrollable setting of public prisons to prevent them from engaging in further misconduct. Step four: periodically release most prisoners back into the community and then return to step one and repeat the cycle. Each step follows from the preceding step, and each step unavoidably leaves considerable room for criminal conduct to thrive.—Randy Barnett, The Structure of Liberty: Justice and the Rule of Law

In short, the state creates criminals not only through legislation but also through methodology. It claims authority over the very cement people walk on and then criminalizes them for any misstep. This does not help real victims. Once within the justice system, criminals have little to no chance to remedy their mistakes through restitution. For state justice, the victim is usually the state itself. This is especially true of victimless crimes—so-called “crimes” in which all involved participate voluntarily. Victimless crimes account for the majority of imprisonments.

The state’s monopoly on force is essential to maintain all other monopolies, including over the flow of finance. Anyone or anything that threatens those monopolies is criminalized, including crypto. The state accurately identifies crypto as a violation of its monetary monopoly and privileges. Bypassing the state and central banks is criminalized, therefore, by being associated with black market activity and other peaceful conduct that deprive the state of revenue. These pseudo-crimes justify a crackdown.

Of course, people who use cash do the same, but there is a remarkable difference in how the state approaches offenses committed with fiat.

1) Targeted users are demonized—sex workers, for example—but the cash itself is not accused of being criminal, perhaps because is issued by an agent of the state. That is to say, the vast majority of people who use cash are not viewed as miscreants. By contrast, both users and crypto are demonized. Crypto is the true bull’s-eye, with categories of users that are viewed as unsavory being prominently attacked as a way to undercut crypto’s legitimacy.

2) The entire category of crypto users is criminalized—or, rather, the entire category of those who use unregulated crypto. This is a characteristic of state justice. Categories of people become criminals—drug dealers and sex workers, for example—irrespective of whether any of them have aggressed against another individual. Again, cash is exempt from this treatment, with the vast majority of those who use cash not being accused of crime.

The state’s fundamental problem with crypto, as opposed to cash, is that crypto makes trusted third parties extraneous. This makes the state itself extraneous because it is the ultimate trusted third party. If individuals do not require the state’s trusted third party services, then there is no legitimate reason for the state to exist. That’s why the state is so desperate to convince people that they need it for money, safety, retirement, medical care, education, and every other free- market good and every other service it can commandeer. The current justice

system is about the preservation of the state, not the protection of society or individuals.

Unfortunately, a second justification backs the state’s campaign against unregulated crypto: the claim that crypto violates individual rights. Specifically, crypto is said to be involved in violence against individuals, such as human trafficking. The “unfortunate” aspect of this justification is that some accusations are true. This is the state’s most dangerous attack on crypto because it resonates with decent people who are and should be appalled by crimes like human trafficking.

A March 2018 bitcoin.com article addresses another real crime: fraud. “$9 Million a Day Is Lost in Cryptocurrency Scams,” opens:

In the time it takes you to read this sentence, $850 will have been lost to cryptocurrency scams. In the time it takes to complete this article, that figure will have risen to $17,000. Phishing; fraud; theft; hacking; it’s all rife. In the first two months of 2018, there were 22 separate scams involving thefts of $400,000 or more. Put it all together and that equates to an average of $9.1 million a day. Oh, and that doesn’t include 2018’s outliers— Coincheck, Bitconnect, and Bitgrail. Otherwise, the total would actually stand at $23 million a day.

The state uses real crimes as cover to achieve its actual goal regarding crypto: to eliminate competition that threatens one of its vital monopolies. Part of the state’s campaign is to exaggerate the real crimes and portray its own services as the only remedy possible.

Crypto is accused of shielding almost every conceivable act of violence. The article “10 of the Biggest Lies Told About Bitcoin” deals with the charge that crypto is the terrorism's money of choice.

If you want to blame a currency, try the U.S. dollar which has been used to fund more wars, proxy wars, bombings, hijackings, and insurgencies than any other. Europol found no evidence that terrorists were using cryptocurrencies to fund their activities. That’s not to say it hasn’t happened and won’t happen. It’s telling however that the only people linking bitcoin with terrorism are governments seeking to crackdown on digital currencies.

Crypto is also accused of facilitating hate groups.

We could launch into a lengthy explanation as to why it’s ridiculous to blame a currency for the actions of a tiny subset of its users, but sometimes the simplest responses are best: “You’ve probably heard about cars—but what you haven’t heard is how much they are helping bank robbers.”

It is often difficult to see through the smoke and discern the hard, cold crimes in which crypto is involved. These crimes must be addressed, however, not only

because they invite state involvement but also because victims deserve redress. But agreeing with the state on this point is the beginning of a deeper dispute that comes down to more fundamental issues.

What is Justice?

Libertarianism is about individual rights, property rights, the free market, capitalism, justice, or the nonaggression principle. Not just any of these will do, however. Capitalism and the free market describe the catallactic conditions that arise or are permitted in a libertarian society, but do not encompass other aspects of libertarianism. And individual rights, justice, and aggression collapse into property rights. As Murray Rothbard explained, individual rights are property rights. And justice is just giving someone his due, which depends on what his rights are.—Stephan Kinsella, “What Libertarianism Is.”

What is justice? The answer is the rudimentary framework for any system of law. The American political-philosopher Michael Sandel answers, “The simplest way of understanding justice is giving people what they deserve. This idea goes back to Aristotle. The real difficulty begins with figuring out who deserves what and why.” [Emphasis added] This is private justice. It needs further definition.

Private justice is distinct from divine justice, the two of which are sometimes conflated. Divine justice envisions a deity or some other ultimate power that weighs each person’s worth on a scale and allocates good fortune on the basis of the reading. “Why me, Oh Lord, why me?” is the cry of someone who believes he has been betrayed by divine justice. The theory underlying this cry is that there is something beyond the non-initiation of force that a good person is entitled to demand of the world: good health, for example. When bad things happen instead, the situation is called “unjust.” The word is either being used colloquially or being misused. Perhaps a better word would be “unlucky.”

Private justice is not based on a deity or some other overarching power. It is, as Aristotle maintains, justice that consists of people receiving what they deserve from each other. And, as Kinsella explains in the opening quote, “Justice is...giving someone his due, which depends on what his rights are.” It is based on human nature and every individual’s self-ownership.

The content of private justice rests on two principles. The first is the non-initiation of force, which is a restatement of a person’s duty to respect the self-ownership of others; justice resides in living together in peace. The second principle is contract law by which a person voluntarily exchanges with another. The justice here resides in each person receiving whatever has been agreed upon. When justice does not occur, a remedy is required. Neither a breach of contract nor its remedy have to involve violence, however. A breach does not even have to be a person’s fault; it could be occasioned by an unexpected change of circumstance. But the person who is disadvantaged by the breach still has a right to be made whole.

That is where the right to justice begins and ends, however. There is a common confusion about justice. Namely, it is often called “unjust” when one party treats another with disrespect or hostility. This assumes that one person can have an enforceable claim to another person’s attitude. No such claim exists; there is only the right to live without being molested and to the fulfillment of a contract. A seller who is rude to a buyer is unlikely to have repeat business, and this is a strong incentive for him to be civil. But the seller’s only duty under justice is to be nonviolent and honest in the exchange, not to manifest the correct attitude while doing so. As Rothbard writes, “It is not the business of the law to make anyone good or reverent or moral or clean or upright.”

Returning to Sandel’s early statement, the who of justice is twofold: 1) whomever is deprived of what is rightfully his—bodily autonomy, property, or a contracted benefit—and 2) the person responsible who owns the victim a remedy. The how is addressed in this chapter. The why is because every person is a self-owner.

Few things are as just as the free market in which two people directly exchange for agreed-upon values and then walk away, each satisfied. A woman who buys a tomato and goes home with her purchase to make a salad is enjoying justice. The tomato vendor who pockets the woman’s money and moves on to the next customer is also experiencing justice. The free market provides people with what they deserve by right. In other words, the free market is Aristotelian justice in practice.

Another way of saying this is that private justice is proprietary. In his essay “The Proprietary Theory of Justice in the Libertarian Tradition,” the co-founder of the modern Voluntaryist movement, Carl Watner, provides a fair summary of private justice. “The proprietary theory of justice is concerned with just one thing: the crucial determination of just versus unjust property titles of individuals in their own bodies and in the material objects around them.”

The most persuasive theorist on proprietary justice may well be the libertarian legal scholar Randy Barnett. In his book The Structure of Liberty, Barnett argues that law should be privately administered, with any inefficiencies addressed by the free market. Part of the efficiency of proprietary justice derives from its sheer simplicity and the minimal number of laws. Barnett writes of the current system, “Every dollar spent to punish a drug user or seller is a dollar that cannot be spent collecting restitution from a robber. Every hour spent investigating a drug user or seller is an hour that could have been used to find a missing child. Every trial held to prosecute a drug user or seller is court time that could be used to prosecute a rapist.” Barnett argues that private law is the solution to the inevitable corruption of vested interests and monopolies.

The Requirements of Private Contract Law

Contract law requires two things to function: the presence of agreement and an instrument of enforcement. The contract is the presence of agreement; it expresses the consent and the terms agreement. Contracts can be implied,

verbal, or written, but the more explicit the agreement is, the easier the

administration of justice becomes.

The obstacle over which law often stumbles is the instrument of enforcement. How do you enforce the law on another person and exact restitution? Ethical and practical issues arise. A common ethical issue: what about the individual rights of those forced to provide restitution? A common response: anyone who violates the rights of another relinquishes his own to the proportional degree of the harm inflicted and until this harm is rectified. A common practical issue: restitution invites the participation of a trusted third party. In state law, the third party consists of state agents who often use violence. In proprietary or free-market law, the third party consists of free-market agents who are restrained by dynamics like the use of proportional force and the need to preserve a good reputation. But any model that depends upon a trusted third party is vulnerable to corruption, incompetence, and other risks.

Satoshi removed the trusted third party problem from economic exchanges, but the blockchain can also remove it from many areas of the law. A peer-to-peer transfer on the blockchain fulfills all the requirements of a good contract. It embodies a voluntary agreement; it memorializes the terms of the exchange; its validity is proven through transparency. The blockchain can also fulfill a requirement of law—namely, it is an instrument of enforcement in and of itself. When it does so, it is called a smart contract—a self-executing contract. A recent U.S. Senate report states, “The concept [of smart contracts] is rooted in basic contract law. Usually, the judicial system adjudicates contractual disputes and enforces terms...With smart contracts, a program enforces the contract built into the code.” Smart contracts offer the same opportunity to avoid the trusted third parties of lawyers and state courts as crypto avoids central banks. Moreover, In acting as both the agreement and the instrument of enforcement, crypto can eliminate much of the expense of justice.

Today’s smart contracts are undoubtedly primitive compared to the ones that will evolve, but they are a proof of principle.

The impact on society of such mechanisms as self-executing contracts could be enormous. In a society organized around exchange, contracts would be the basis of all law. Even the use of violence that violates individual rights can be viewed as a breach of the duty—the implied contract—that everyone must respect the rights of others if they wish to claim these rights for themselves. Again, those who commit crime lose their own rights to the same extent as they have denied them to another and for as long as the wrong is not remedied. Then the contract is reinstated. All law can be reduced to contract.

An article in Futurism, “An AI Law Firm Wants to Automate the Entire Legal World,”

indicates how easily the transition from physical contracts and lawyers to smart contracts and algorithms could be. “On LawGeex [an automated service], users upload a contract and, within a short period of time (an hour on average), they receive a report that states which clauses don’t meet common legal standards.

The report also details any vital clauses that could be missing, and where existing clauses might require revision. All of this is calculated by algorithms.” For a modest fee, LawGeex can detect clauses that enable fraud or provide inadequate protection.

Such services highlight a rarely discussed aspect of justice; it is an economic good. Basically, there are two sides to justice as an economic good. Owners should pay for the cost of protecting their property, if they choose to do so. Criminals should pay for the cost of restitution, which includes the restitution itself, the expense of attaining a remedy, and the inconvenience or suffering of the victim.

The economic analysis of crime starts with one simple assumption: Criminals are rational. A mugger is a mugger…because that profession makes him better off, by his own standards, than any other alternative available to him…. If muggers are rational, we do not have to make mugging impossible in order to prevent it, merely unprofitable….If little old ladies start carrying pistols in their purses, so that one mugging in ten puts the mugger in the hospital or the morgue, the number of muggers will decrease drastically–not because they have all been shot but because most will have switched to safer ways of making a living. If mugging becomes sufficiently unprofitable, nobody will do it.—David Friedman, “ Rational Criminals and Profit-Maximizing Police ”

Anyone who values their property should make crimes against it unprofitable and difficult. This approach by itself could vastly reduce crime. People generally handle their personal safety in one of four ways, however.

• People self-protect. They directly assume responsibility for their own safety by protecting access to their property and by learning self-defense. This

involves costs such as locks and an investment of time.

• People ignore their own safety, relying on luck or the good will of others. The cost is the potential damage to their property and person.

• People trust to state protection. The cost is their freedom and the chance of real safety.

• People view safety as a private service to which they subscribe—hiring a night watchman, for example. The cost is the cost.

If safety is a good, like food or shelter, then the consumer of the good should bear the price of procuring it. The cost is not always monetary. It can be the time and energy it takes to set up protections. (See discussion of protection in the preceding chapter.)

A glimpse of how free-market protection might work for communities is offered by networks that do not enjoy the protection of police and need to take care of themselves. Consider sex workers. The property here is the sex worker’s body.

In her article “A Hundred Years of Crypto Anarchy,” block chain engineer Elaine Ou comments, “Public Key cryptography isn’t just for encrypting private messages. It also provides proof that the sender is who they say they are. When buyers and sellers conduct transactions, they sign messages with their private keys. The signatures become digital identifiers.” If this seems peripheral to preventing violence, talk to sex workers whose front line defense is to verify the identities and reputations of clients, which they then share with each other through networking. An overlooked role of a pimp—many of whom are not abusive—is to ensure the safety of sex workers by screening customers, handling money, providing transportation or safe places, and waiting. Pimps are trusted third parties and, like every third party, they can be more trouble than they are worth. Crypto shifts this dynamic so that some tasks of a pimp are replaced by a peer-to- peer filter with transparency. The sex worker is in control, which translates to less risk of violence and more money, both of which promote safety.

The second economic aspect of proprietary justice is making the criminal pay the cost of remedying a crime. What would this look like?

A commonly proposed mechanism of restitution has been the private defense agency (PDA). The PDA is a free-market business whose profits and reputation depend on the accuracy and fairness of its practices in remedying crime. A victim of crime freely chooses the trusted third party, whose trust is tested by the constant presence of competitors. The business relationship lasts only as long as the customer values the service.

The PDA’s purpose is to recover stolen or damaged property or the value of it from the criminal; again, the property damaged may be the victim’s body. But the PDA also acts as a protection for the victim and for the aggressor himself during the recovery process. The victim is insulated from any harm or danger that might be involved; the aggressor deals with a professional who wishes only to secure restitution, not to vent anger. Indeed, the PDA has a strong business incentive to avoid the expense and complications of injuring anyone.

Friedman offers one vision of a PDA in his book Machinery of Freedom. Friedman begins by considering “the easiest case” of a conflict, which is “the resolution of disputes involving contracts between well-established firms...Currently, arbitrated decisions are usually enforceable in the government courts,” Friedman admits, “but that is a recent development; historically, enforcement came from a firm’s desire to maintain its reputation.”

What of disputes involving violence, including theft? “Protection from coercion is an economic good,” Friedman explains. “It is presently sold in a variety of forms— Brinks guards, locks, burglar alarms. As the effectiveness of government police declines, these market substitutes for the police, like market substitutes for the courts, become more popular. Suppose, then, that at some future time there are no government police, but instead private protection agencies. These agencies sell the service of protecting their clients against crime. Perhaps they also guarantee performance by insuring their clients against losses resulting from

criminal acts.” Insurance that has been purchased from a PDA becomes the immediate remedy offered to the victim, perhaps in the same manner as car insurance pays for damages after an accident; the PDA can then pursue remedy from the criminal with the added incentive of recouping its money. Or a victim can hire the PDA after a crime has been committed; then the PDA would investigate and retrieve both the property and the cost of its services from the aggressor.

Friedman concludes, “What I have described is a very makeshift arrangement. In practice, once anarcho-capitalist institutions were well established, protection agencies would anticipate such difficulties and arrange contracts in advance, before specific conflicts occurred…” But, again, it is not possible to predict future mechanisms of restitution.

In fact, the most accurate response to a question posed earlier—what would proprietary just look like?—is one many people will find unsatisfying. No one knows, anymore than anyone knew how Bitcoin would morph and manifest itself.

One Reason the Future Face of Proprietary Justice is Unpredictable In Human Action, Ludwig von Mises argues for the concept of “consumer

sovereignty,” which expresses how consumers and producers relate in a market economy. Producers are the engine of prosperity, Mises claims, but they are not the ones who determine the direction an economy takes. Consumers are. Specifically, consumer preference is. These diverse preferences lead to an explosion of economic choices—a dynamic that would be true of the economic goods of safety and justice.

Consumer sovereignty flies in the face of the mainstream belief that capitalists and businessmen determine the course of an economy along with the lives of average people within it. Traditional wisdom: economic control is vested in the ownership of the means of production while average people are forced to accept the crumbs.

To Mises, the relationship is symbiotic, with the consumer being an equal or greater partner. He describes the sovereignty of consumers.

The direction of all economic affairs is in the market society a task of the entrepreneurs. Theirs is the control of production. They are at the helm and steer the ship. A superficial observer would believe that they are supreme. But they are not. They are bound to obey unconditionally the captain's orders. The captain is the consumer...Neither the entrepreneurs nor the farmers nor the capitalists determine what has to be produced. The consumers do that. If a businessman does not strictly obey the orders of the public as they are conveyed to him by the structure of market prices, he suffers losses, he goes bankrupt, and is thus removed from his eminent position at the helm. Other men who did better in satisfying the demand of the consumers replace him.

A consequence of consumer sovereignty is that no one can foresee the preferences expressed in the marketplace, including the consumers themselves. No one can predict the institutions, agencies, or dynamics that will arise to profit from those preferences. Undoubtedly, technology and other innovation will evolve to offer new alternatives; the change will be dizzying. Mises observes:

They [the consumers] are no easy bosses. They are full of whims and fancies, changeable and unpredictable. They do not care a whit for past merit. As soon as something is offered to them that they like better or is cheaper, they desert their old purveyors.

The free market shifts constantly in response to how consumers vote with their dollars. It is fluid, in flux, and beyond anyone’s ability to predict. Consumer sovereignty is one of the main reasons why it is not possible to offer a fixed blueprint of how proprietary justice will perform in the future. It is only possible to describe the concepts surrounding justice, not the specific applications.

Toward A New Vision of Justice

Cryptocurrency changed the world’s view of money—of what it was and what it could be. Proprietary justice similarly revolutionizes the concept and enforcement of law. In both cases, the principles and definitions remain unchanged. Money is a means of exchange, a form of wealth, and a unit of accounting. Justice is every person receiving what they deserve; law is the means and rules of enforcement. But the form that proprietary justice takes, like crypto, is something new under the sun.

Traditionally, the state has justified its monopoly over money and justice by pointing to an alleged need for “consensus.” The state justifies its money monopoly by a so-called need for a currency to be “trustworthy” and broadly accepted within a given territory. Lockeans justify the state itself by civil society’s alleged need for one final arbiter of justice whose judgment is “trustworthy” and generally accepted within a given territory. (Consensus that is compelled by force, of course, is not consensus at all; it indicates the opposite.)

Consensus is last-century reasoning. It is invalid for currency; it is invalid for justice. Crypto proved that individual consent along with an instrument of enforcement—the blockchain—creates a valid currency. It does not matter if the individual users constitute a small portion of the population. As in colonial America, a multitude of currencies can circulate to fill a variety of niches and preferences.

The same is true of justice. People who contract together may have a different view of what is just than the one held by their neighbors or the general public. The primacy of contracts and the use of the blockchain mean that, as long as violence is eschewed, there is no one standard justice. Whatever is agreed upon is just. Those who believe charging interest is usury, for example, will make loans

that include none. For capitalists, the opposite will be true. Both arrangements are just, with the content of justice being defined by participants.

The most important point: contracting individuals will define their own standard of justice, which can and will vary from contract to contract within the same jurisdiction. This divorces justice from geography—from the dictates of an authority that claims jurisdiction over a given territory—and locates the content of justice within individuals themselves. Justice is decentralized down to the level of the individual.

The state resorts to the consensus argument because its jurisdiction is inextricably linked to geography. A nation is defined geographically and a state is the institution that claims jurisdiction over a specific nation, which it maintains through a monopoly on force. In reality, the consensus being lauded is the verdict of its own authority, which everyone within the jurisdiction is compelled to honor. The populace must accept legal tender, obey the law, and obey the verdict of judges. No one is allowed to dissent.

What happens when geography becomes irrelevant to the law and justice as the transfer of money now is? Can the state still exercise authority?

Crypto answers this question. Crypto crosses the globe like wind and assumes no nationality. Currency no longer flows through physical choke points called banks over imaginary lines called borders. Crypto bypasses geography just as it bypasses the trusted third party problem. The state loses its monopoly on money and the financial system, which is its lifeblood. When geography becomes irrelevant so does the state because, by definition, the state is a territorial claim.

This is Justice without geographical boundaries. It is justice that does not go through the choke point of state law that imposes conformity in the form of the state’s preferences. This decentralized justice that expresses only the preferences of the individuals involved. It the same prospect of freeing individuals from state justice as crypto freed them from the monetary monopoly.

Unfortunately, the perceived need for consensus makes people believe that free- market justice is “anarchy” in the worst sense of this word. They do not understand the principles, purpose, and content of proprietary justice. Its core principle is the right of every individual to exist in peace. Its purpose is to facilitate voluntary exchanges between individuals so that each receives what they deserve; when they do not, then the purpose becomes restitution. Except for the prohibition on violence, the content of justice would be as varied as crypto itself because individuals would decide what is just in much the same manner as as they decide the proper price for a good—through agreement.

Otherwise stated: The blockchain acts as the contract, law, and enforcement mechanism in one package. It embodies the terms to which parties have agreed; it enforces those terms without third party involvement; and the enforcement occurs with no regard for jurisdictions or geography. Just as crypto sidesteps the

monetary monopoly, blockchain justice can sidestep the law enforcement and justice monopolies of the state.

People’s confusion over free-market law and justice is understandable because the concepts run against everything people have been taught. What they have been taught is incorrect, not only the theory of it but also the history.

In his article, “Why the Elites Prefer a Centralized Legal System,” historian Chris Calton explains how the conventional view of centralized justice became embedded. “The motivation to centralize legal authority was entirely political.” A vital function of civil society was usurped and homogenized in the name of consistency and consensus. It was not always this way. Calton continues,

But in the early nineteenth century, consistency was valued less than flexibility in the legal system. When the courts were local, the people of a given community had a vested interest in seeing justice carried out according to the particularities of each individual case….And for those who were not fortunate enough to find themselves at the top of the legal hierarchy—the uneducated, the poor, women, children, and blacks—this flexibility upheld even modern notions of justice—if imperfectly—more effectively than did the centralized and legally consistent courts that followed.

Law was decentralized down to the local level in order to serve the requirements of local people.

Justice was once decentralized at the local level. And if centralized law did not always exist, then it is neither inevitable nor necessary. The final step, of course, is to decentralize justice down to the individual.

In fact, instances of decentralized law function around us right now and offer practical models for building new systems. One is called Creative Commons Law (CCL). CCL is an open-source venture to build a practical system of law for stateless societies. It stresses concrete application and in no way blocks other competing systems. Most people have encountered a manifestation of CCL: the Creative Commons licenses for publishing material that has been traditionally viewed as the purview of intellectual property—copyright and patents. Many authors and inventors dismiss the legitimacy of IP, and they offer their work without the normal copyright restrictions on republication; other Creative Commons licenses specify terms such as crediting the original source within the reprint. The author or inventor chooses the license he prefers; his choice in no way infringes upon people who choose different terms of publication and wish to contract with others to preserve a quasi-monopoly on their work. Open source ideas and development have been a cornerstone of the crypto community. CCL is a proof of principle for free-market law.

In summary, blockchain law is proprietary justice that is free of the geographical jurisdictions known as nations. It is bound instead by algorithms and individual

choice. It does not require consensus or the trusted third party called the state. The code is the law, and the code’s content is whatever those involved agree upon. The individuals define and execute their own law without a legislature or a political process. And, if justice consists of each person receiving what he deserves—that is, receiving the agreed-upon exchange—then each individual also defines justice for himself. The only restriction is that agreements must be voluntary; that is, they must remain agreements.

Anarchism, liberty, does not tell you a thing about how free people will behave or what arrangements they will make. It simply says the people have the capacity to make the arrangements. Anarchism is not normative. It does not say how to be free. It says only that freedom, liberty, can exist. — Karl Hess, “Anarchism without Hyphens”

Without a need for consensus, multiple versions of law and justice can and will co- exist peacefully within one territory. They can function directly next door to each other or within the same house, and they can vary from contract to contract for the same person, depending on his purpose and circumstances. If someone prefers Western common law while a Jewish neighbor embraces Hasidic law, then so be it; neither is bound by the other’s values because one person’s execution of terms in no way hinders the ability of the other to execute a different set of terms. Communists can reject a politically objectionable provision like paying rent while capitalists can require contracts to include it.

The code is the law. Execution of the code is justice. And individuals are in control. Consider the Dynamics of a Specific Crime: Fraud

Crime would still exist under blockchain justice, as it will always exist in every society, but it would be reduced to a minimum.

One of the private crimes against which crypto users require the most protection is fraud, which is a form of theft. It is certainly not the only crime but examining fraud can provide insight into how the others might be handled.

Theft is the usurpation of property without the owner’s consent; that is to say, no transfer of title accompanies the actual transfer of a good. Wherever the property ends up, the title remains with the owner. If the property is taken through direct violence, such as a burglary, then a straightforward theft has occurred. If it is taken through deception, then the theft is called fraud. The fraud may consist of a false exchange of value; a person is sold a Rolex that turns out to be a cheap knockoff, for example. Or the exchange may occur on false terms; the genuine Rolex turns out to be stolen property to which the seller has no title and no rightful ownership. The seller lies; the buyer believes; the contract of sale— explicit or implicit—is invalid because the agreed-upon exchange did not occur.

Before discussing crypto fraud, however, it is important to realize that the crime may not be as common as many assume.

The Australian Competition & Consumer Commission released a report on the level and types of scams that happened in 2017. Crypto-related fraud constituted 0.6% of the total. Or, as a headline at Panda Security recently stated,

“Cryptocurrency fraud is the exception, not the rule.” For every scam, there are many millions of times crypto and the blockchain are used to create opportunities, grow wealth, and facilitate cooperation. Each instance of fraud seems to draw high-profile attention, however, partly because the accusations are used to call for regulation.

Paying attention to fraud is warranted, of course, but the problem requires more than attention. It requires a due diligence on the part of users that cannot be legislated. Consider the 2017 “mybtgwallet.com” scam. Mybtgwallet.com offered users free online Bitcoin Gold wallets through which they could check their balances and conduct free transactions for a limited time. The wallet was a fraud but it was lent credibility by briefly appearing on the official Bitcoin Gold site—an act of extreme carelessness at best on this site’s part. To take mybtgwallet.com up on its offer, users had to submit their private keys or recovery seeds. A scam link was a hidden aspect of the process. After unwary users accepted mybtgwallet’s offer, the crypto in their wallets was forwarded to other addresses. According to Coindesk, “more than $3.3 million has been stolen as part of an elaborate scam that took advantage of bitcoin users seeking to claim their share of the newly created cryptocurrency bitcoin gold. At least $30,000 in ethereum, $72,000 in litecoin, $107,000 in bitcoin gold and more than $3 million in bitcoin were confiscated.”

No one should have fallen for this scam because no one should have surrendered their private keys, but even crypto veterans did. The fact they did so does not mean “they had it coming”; this is not the message here. A person with cash bulging out of his pockets may decide to sleep off a binge in a back alley behind the bar. His choice is foolish and dangerous, but it does not make him legally responsible if the cash is stolen. He would be the victim of a crime. Unfortunately, those who hand private keys over to strangers do the equivalent of sleeping in a back alley with bulging pockets. Such people would be well advised to develop caveat emptor habits. Part of ownership in a predatory world is to decentralize self-defense, including the defense of property.

What are some of the lessons to draw from the mybtgwallet.com debacle in order to prevent fraud? The specifics include:

• Always assume a strange site may be trying to steal crypto, your identity, your data, or all of the preceding. Extend real trust only after conducting

due diligence.

• Do not deal with sites that require anything beyond the most basic personal information. Prefer those who encourage pseudonymity.

• Due diligence or not, never trust anyone with private keys or recovery seeds. This is equivalent to disclosing the combination of a safe or handing

over a wad of cash for someone to hold while you run an errand. Keys and

recovery seeds are the proof and control of ownership. They constitute title to crypto.

• Never store your keys or seeds anywhere that is vulnerable to being copied or by another person.

• Always keep a paper version of both in a secure place as backup.

• In essence, maintain privacy. Thieves require access in order to loot. Leave no open doors.

Those are the specifics. The more general and fundamental point: always exercise due diligence and protect your property. These are the responsibilities of ownership. Remember: when crypto leaves a wallet, it is gone forever. At least, that should be the assumption. The transaction cannot be reversed, and few exchanges or other crypto business provide insurance against theft. Even determined victims with documented cases rarely receive back more than a few cents on the dollar, as the Mt. Gox victims did after years and years of strenuous effort.

Happily, the situation is changing due to a market need for protection. A June 2019 article on Zero Hedge commented, “Crypto prices took a hit overnight after Hong Kong-based Binance, the world's biggest crypto exchange, revealed that hackers had absconded with 7,000 bitcoins—worth roughly $41 million at current prices - stolen from the exchange's hot wallet. However, prices swiftly pared some of their losses after the exchange announced that customers wouldn't be responsible for the losses: Instead, depositors would be made whole with assets from Binance's 'Secure Asset Fund for Users'.” SAFU was established on July 3, 2018 as a market response to users’s desire for safety. Binance allocates 10% of trading fees received into a fund that is stored in a separate cold wallet in order to protect customers in “extreme cases.”

Market mechanisms, including education, minimize the damage of fraud so that unlucky or careless people can be protected. It is difficult to shield those who rush into crypto out of FOMO (fear of missing out), however, just as it is difficult to shield people who hand their lifesavings to a stranger from theft. Again, crime will always occur; the goal is to drive it down to a minimum.

For one thing when fraud does occur, people cry out for government regulation. There is a subtle and bitter irony to this dynamic. One reason people can be prone to fraud is because they approach wealth and investing with a statist mindset. That is, they are accustomed to guarantees of safety from the state. Those guarantees are illusions, but this does not matter; what matters to people’s behavior is that they believe in the guarantees. In the U.S., for example, the Federal Deposit Insurance Corporation insures the money that a person deposits into a bank for up to $250,000. Law enforcement operates fraud divisions that records reports of the crime. In short, the state makes people feel safer than they should, and this makes them neglect due diligence. The state induces people to relinquish their sense of responsibility.

The world’s most fraudulent trusted third party—the state—is not a remedy. Its false guarantees come at the cost of sacrificing privacy and freedom, which are the greatest protections of all for wealth. And, in the end, the wealth still gets looted.

A Practical and Decentralized Revolution

The Satoshi Revolution is here and now. It is a practical revolution that is

decentralized down the individual.

First, the practical part: Perfection is not possible for anything administered by imperfect beings. The crypto-anarchists who created Bitcoin were not only idealists but also realists who knew that the world and crypto would never be perfectly safe from violence. The state would intrude, if nothing else, and wallets would be hacked. The crypto-anarchists also knew that working toward an ideal is the one way to come as close as possible to it. The situation is similar to taking daily vitamins even though perfect health may not be attainable; vitamins and exercise will take someone as close as possible. And approaching ideals like justice is a worthwhile journey even if the destination is never quite reached.

Practical idealism has at least two utilitarian benefits. The network of principles for an ideal society are an intellectual map by which to assess whether a specific act moves closer or farther away from freedom. If free speech is one of the principles, for example, then suppressing an offensive book moves away from freedom and should not occur. An ideal is like true North on a compass. It says, “Yes, this is the correct direction.” The one thing more powerful than an idea whose time has come is an ideal whose time has come.

The decentralization: The Satoshi Revolution is one of rising expectations; it is driven by a demand for freedom, financial privacy, and hope for the future. The revolution is occurring on an individual-by-individual basis because it is no longer necessary for people to rise up en masse, to agree on revolutionary strategies, or to coordinate events through trusted third party committees. Each user rebels without drama or ideology as he pursues self-interest, which is the strongest human motivation of all. Self-interest in all its forms must be the foundation of a revolution that succeeds. Anyone who stays true to Satoshi’s vision of cryptocurrency becomes a freedom fighter, whether they mean to or not, because the radical decentralization of power is almost the definition of revolution.

The state remains the largest criminal of all; its power should not be underestimated but neither should it be feared. The best attitude and approach toward the state I have ever seen was that of the late Samuel E. Konkin III (SEK3), the father of agorism and an old drinking buddy of mine. SEK3 routinely answered his phone with the salutation “Smash the State”; his attitude toward the state was unfailingly rebellious. And, yet, his attitude was not the practical approach he adopted toward the state. His lifestyle did not stress direct confrontations with authority; defiance was his attitude, not his lifestyle. Whenever possible, SEK3 avoided contact and replaced whatever valuable services the state had usurped

from the free market—such as banking—with private ones. His actions were a walking-talking blueprint on how to defeat the state by eliminating it from your life because he knew that the most effective way to smash the state was to render it irrelevant and to establish private alternatives.

SEK3’s lasting legacy to anarchist theory was the economic system or philosophy called agorism, which achieves peaceful revolution through counter-economics. SEK3 defined the latter as “the study or practice of all peaceful human action which is forbidden by the State.” Counter-economics is a black market version of Mises’s praxeology—the study of human action. It is the study of human action necessary to negate the presence of the state in personal life and society. Smash the state in attitude but replace it in daily life. Don’t smash the state; bypass it.

SEK3 would have reveled in the audacity of cryptocurrency that was created with the attitude of “Smash the State” but which takes the approach of avoiding direct confrontation. He would have immediately recognized that establishing a better and free-market currency is the surest way to disempower fiat. He would have declared crypto to be “counter-economic currency”—the currency of agorism. But more than this. In a flash, SEK3 would have recognized crypto’s implications for justice—precisely because it avoids and replaces state laws with the free market, privacy, and contracts. In my mind, I see SEK3 take a swig of the awful black beer he relished, followed by a drag on his constantly present pipe, before announcing “Anarchy has arrived!”