

Principles of Economics

By Saifedean Ammous

Introduction

Dr. Saifedean Ammous, author of *The Bitcoin Standard* and *The Fiat Standard*, returns with his most ambitious work yet: *Principles of Economics*. Rather than focusing narrowly on money, this book lays out the entire Austrian framework of economics from first principles.

Here, Ammous builds from human action, value, and time, and moves outward into labor, property, capital, technology, trade, money, and ultimately civilization itself. The goal is simple yet profound: to show that economics is not about equations or government statistics, but about how human beings act to solve the problem of scarcity across time.

Links to lecture notes that I made on the different chapters covered @ saifedean.com

The Principles of Economics Lecture Notes

1. Human Action
2. Value
3. Time
4. Labor
5. Property
6. Capital
7. Technology

8. Energy and Power
 9. Trade
 10. Money
 11. Markets
 12. Capitalism
 13. Time Preference
 14. Credit and Banking
 15. Monetary Expansion
 16. Violence
 17. Defense
 18. Civilization
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Part I: The Foundations of Human Action

Definition: Economics begins with purposeful human action — individuals using scarce means to achieve chosen ends.

- Value is subjective. Goods have no inherent worth; their importance comes from how they satisfy human wants.
- Marginal analysis explains why one extra unit of something is valued differently than the previous one.
- Time is central: every choice involves trade-offs between present and future satisfaction.

This framework rejects mechanistic models and grounds economics in **subjectivity, uncertainty, and choice.**

Part II: Production, Labor, and Capital

Scarcity forces us to economize — deciding how to use labor, land, and tools.

- **Labor:** Human time and effort, always weighed against leisure.
- **Property:** Secure ownership underpins trust, investment, and long-term planning. Without it, chaos.
- **Capital:** Tools, machines, infrastructure — all structured across stages of production. Misallocation here leads to waste.
- **Technology & Energy:** Innovation and energy access expand productivity. Energy is not a side note but the core fuel of civilization.

The lesson: civilizations rise or fall depending on how they manage labor, property rights, and energy.

Part III: Exchange, Money, and Markets

Humans coordinate through **trade**. Voluntary exchange makes both sides better off and fuels the division of labor.

- **Trade:** Unlocks specialization, efficiency, mutual gain.
- **Money:** The solution to barter's limits. Good money must be scarce, durable, divisible, and trusted. Fiat fails this test; sound money succeeds.
- **Markets:** Prices are signals, not arbitrary numbers. They guide entrepreneurs, allocate resources, and punish inefficiency.
- **Capitalism:** Private property + free exchange = moral and practical order. Cooperation without coercion.

Here, Ammous emphasizes that markets are not chaos — they are emergent order.

Part IV: Time Preference, Credit, and Cycles

Time preference governs civilization.

- **Time Preference:** Preference for present goods vs. future goods. Lower time preference encourages saving, planning, and building.
- **Interest:** The natural price of time. When distorted, chaos follows.
- **Banking:** Proper banking matches savings to investment. But fiat credit expansion breaks this link.
- **Business Cycles:** Artificially low interest rates fuel unsustainable booms and inevitable busts. Malinvestments are liquidated in recession.

This is Ammous's Austrian cycle theory in action: fiat systems can't escape their own distortions.

Part V: Violence, Defense, and Civilization

Finally, Ammous expands the lens to society itself.

- **Violence:** Coercion undermines markets and property.
- **Defense:** Security is necessary, but a monopoly on force (the state) breeds abuse. Competitive or decentralized defense is less dangerous to liberty.
- **Civilization:** At its core, civilization depends on voluntary exchange, respect for property, and limited coercion. When these erode, so does the fabric of society.

Economics, in this view, is not just about wealth — it's about sustaining the very conditions of human flourishing.

Key Themes

- Economics is grounded in **human action**, not equations.
- **Subjective value** drives exchange, not labor or cost theories.
- **Time** shapes all economic calculation; interest rates are its reflection.
- **Sound money** is essential; fiat distortions breed cycles and chaos.
- **Civilization itself** rests on voluntary markets, secure property, and defense

against coercion.

Conclusion

Principles of Economics is a return to the roots of economic thought. By grounding the science in human action, property, time, and sound money, Ammous provides a framework not only for understanding markets, but for understanding civilization itself.

Just as *The Bitcoin Standard* made the case for sound money, and *The Fiat Standard* exposed fiat's decay, this book offers the positive vision: the economic principles that allow humanity to thrive.