

# Principles of Economics – Lecture 13 (Time Preference) • Study Notes

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## Big Picture

- **Time preference = the degree to which people value present goods over future goods.**
  - It is always positive: humans prefer the present to the future, since life is uncertain and death is inevitable.
  - Civilization advances as people learn to **lower their time preference**: delaying gratification, saving, and investing for the long run.
  - Hard money plays a central role in reducing time preference by allowing reliable provision for the future.
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## Core Claims

1. **Time as Unique Scarcity**
2. Time passes irreversibly; every decision has an opportunity cost.
3. Present goods are always valued higher because they are certain, while the future is uncertain.
4. **Definition of Time Preference**
5. High time preference = living for today, discounting the future heavily.
6. Low time preference = sacrificing now for a better future.
7. Individuals and societies vary in their time preferences, which shape their economic trajectories.
8. **Property & Future Orientation**
9. Durable goods reduce uncertainty and encourage future planning.

10. Secure property rights lower time preference: people invest more in maintaining and improving what they own.
  11. **Money as Future Provision**
  12. Money solves the “coincidence of wants” with your future self.
  13. By saving money, individuals can defer consumption and provide for uncertain future needs.
  14. The harder the money, the better it preserves value → lower time preference.
  15. **Hard vs. Easy Money**
  16. Hard money (gold, Bitcoin): supply growth very limited, value preserved → encourages saving.
  17. Easy money (fiat): supply grows rapidly, value destroyed → encourages spending and short-termism.
  18. Fiat era: global average money supply growth ~14% per year → rising time preference worldwide.
  19. **Civilization as Declining Time Preference**
  20. Saving → capital accumulation → investment → technological progress → rising productivity.
  21. A virtuous cycle: as people become wealthier, they can afford to delay gratification further.
  22. Historically, interest rates trended downward over 5,000 years under harder monies.
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## **Negative Effects of Rising Time Preference**

- **Inflation & Hyperinflation**
- Destroy savings → people consume immediately, stop planning for the future.
- Capital destroyed: trees cut for firewood, seed corn eaten, businesses liquidated.
- Crime and violence rise, families collapse, society destabilizes.
- **Fiat Culture**
- Conspicuous consumption replaces thrift.
- People live paycheck to paycheck.
- Quality of goods and art declines under short-term incentives.

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## Bitcoin & Time Preference

- **Bitcoin's Fixed Supply**
- 21 million coins, independent of demand.
- Hardest money ever created → best salability across time.
- **Impact on Saving Behavior**
- People who adopt Bitcoin save dramatically more of their income.
- “Stacking sats” becomes a cultural norm of low time preference.
- Holding Bitcoin for 4+ years historically yielded >10× returns.
- **Civilizational Implications**
- Bitcoin offers an escape hatch from fiat-driven high time preference.
- Allows individuals to plan for the long term, invest, start families, improve health, quit destructive habits.
- Restarts the historical process of declining time preference.

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## Key Concepts & Mental Models

- **Time preference:** present vs. future orientation.
- **Hard money lowers time preference;** easy money raises it.
- **Civilization = low time preference.**
- **Virtuous cycle:** saving → capital → productivity → lower time preference → more saving.
- **Bitcoin = technological solution** to fiat-induced short-termism.

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## Quotable Ideas

- “Man gets one uninterrupted shot at life, and he never knows when it will end.”  
— Ammous

- “Time preference initiates the process of civilization.” — Hoppe
  - “Hard money makes the future less uncertain, lowering time preference.” — Ammous
  - “Fiat money is a tax on future provision.” — Ammous
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### **Study Prompts**

- Define time preference and explain why it is always positive.
  - How do property rights affect time preference?
  - Why does money solve the problem of providing for your future self?
  - Contrast hard vs. easy money in their effects on saving behavior.
  - Explain how Bitcoin lowers time preference compared to fiat.
  - How does civilization depend on lowering time preference?
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### **TL;DR**

Time preference measures how much we value the present over the future. Humans always prefer present goods, but lower time preference fosters saving, investment, and civilization itself. Hard money (gold, Bitcoin) preserves value across time, reducing uncertainty and encouraging thrift. Easy money (fiat) destroys savings, raises time preference, and fuels reckless short-termism. Hyperinflation accelerates this into chaos. Bitcoin offers an escape hatch: with its fixed supply, it re-enables long-term planning, saving, and capital accumulation. Civilization itself depends on lowering time preference — and Bitcoin restores this process.

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