

The Bitcoin Standard – Lecture 5 (Money and Time Preference) • Study Notes

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Big Picture

- **Time preference** = the degree to which people value the present over the future.
 - All humans have positive time preference (we prefer something now to the same thing later), but it varies by circumstance.
 - Civilization advances when societies **lower their time preference**, delaying gratification to invest in capital, technology, and the future.
 - **Hard money** encourages low time preference because it holds value across time, incentivizing saving and long-term thinking.
 - **Fiat money** raises time preference, rewarding debt and consumption, eroding capital accumulation, and weakening family, culture, and innovation.
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Core Claims

1. **Why Time Preference Exists**
2. Humans are mortal → life is uncertain → we discount the future relative to the present.
3. Time preference is universal, but its degree differs by person, society, and money.
4. **Measuring Time Preference**
5. Example: \$100 today vs. \$100 in a year.
6. If you only need \$101 to wait → low time preference (1%).
7. If you need \$150 → high time preference (50%).

8. **Humans vs. Animals**

- 9. Animals act impulsively based on instinct (food, sex, fight/flight).
- 10. Humans use reason to delay gratification, accumulate capital, and plan for the future.
- 11. Lowering time preference = what initiates **civilization**.

12. **Capital Accumulation**

- 13. Saving resources instead of consuming → investment in capital goods.
- 14. Example: fisherman builds boat instead of catching fish today → later catches 10x more fish.
- 15. Capital extends the **production horizon**, raising productivity.

16. **Civilization and Productivity**

- 17. Every technological leap (fishing rod → boat → massive trawler) reflects delayed gratification and long-term investment.
- 18. Capitalists are not exploiters but enablers of productivity – they delayed consumption to fund capital goods.

19. **The Individual Dimension**

- 20. Every choice is a trade with your future self.
- 21. High time preference = short-term thrills, debt, waste → bankruptcy (e.g., athletes who blow millions).
- 22. Low time preference = saving, investing, skills → long-term prosperity.

23. **Hard Money vs. Fiat**

- 24. Hard money → stable or appreciating → saving is rewarded → long-term planning.
- 25. Fiat → depreciating → saving is punished, borrowing rewarded → short-termism dominates.
- 26. Evidence: falling savings rates since fiat adoption; Switzerland (last on gold) retained high savings longest.

27. **Social & Cultural Effects**

- 28. Families: low time preference encourages building and investing in family for future care.
 - 29. Welfare states reduce incentives for family by replacing its functions.
 - 30. Innovation: most transformative inventions (steam engine, electricity, airplane) emerged under the gold standard, not fiat.
 - 31. Art & Culture: decline since 1914 parallels fiat money and rising time preference.
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Key Concepts & Mental Models

- **Time preference** → discounting the future relative to the present.
 - **Capital accumulation** → productivity grows when consumption is delayed.
 - **Production horizon** → length of time for investment to yield returns.
 - **Every choice = trade with future self** → your life is shaped by past decisions.
 - **Hard money = low time preference; fiat money = high time preference.**
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Examples & Applications

- **Fishing boat example** → delaying consumption leads to exponential productivity.
 - **Anneliese Elena (largest fishing trawler)** → decades of delayed gratification enabled massive productivity gains.
 - **Athlete bankruptcy** → high time preference ruins fortunes no matter how large.
 - **Wright brothers** → independent capitalists with savings under gold standard → airplane invention.
 - **Switzerland** → high savings persisted due to longer gold standard adherence.
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Quotable Ideas

- “Lowering time preference is what initiates the process of civilization.” — Ammous
 - “Every decision you make is a trade with your future self.” — Ammous
 - “A high enough time preference will bankrupt you, no matter how much money you earn.” — Ammous
 - “The hardness of money determines the horizon of civilization.” — Ammous
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Study Prompts

- Define time preference. Why is it always positive?
 - Why does lowering time preference enable civilization?
 - How does capital accumulation raise productivity?
 - Why does hard money encourage saving and long-term planning?
 - What explains falling savings rates since fiat adoption?
 - How do fiat incentives affect family, culture, and innovation?
 - Compare the Wright brothers' independence with today's debt-financed innovators.
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TL;DR

Time preference is the key concept linking money, productivity, and civilization. Humans naturally value the present over the future, but the ability to **lower time preference** through reason and hard money fuels capital accumulation, innovation, and cultural flourishing. Hard money stabilizes value, rewarding saving and long-term planning. Fiat money erodes value, rewarding borrowing and consumption, leading to high time preference societies that undermine families, culture, and innovation. Bitcoin, like gold before it, lowers time preference and fosters civilization's growth.
