

# The Bitcoin Standard – Lecture 7 (Sound Money & Individual Freedom) • Study Notes

By Saifedean Ammous

---

## Big Picture

- **Should government manage money?** Ammous' answer: absolutely not.
  - Governments left the gold standard not for better money, but to finance **wars**.
  - Keynesian economics arose as an **excuse** for abandoning gold, not a discovery of superior theory.
  - Fiat money enables **permanent inflation, endless wars, and bloated states**, while sound money protects freedom.
  - Hard money disciplines governments, rewards saving, and empowers individuals to take responsibility for their lives.
- 

## Core Claims

1. **Government Control Motivated by War**
2. Gold standard was abandoned in 1914 to finance WWI.
3. Officials admitted gold was better money but suspended it to print for war.
4. Intellectual justifications (Keynesianism) came later as cover.
5. **Keynesian Economics as Excuse**
6. Keynes' *General Theory* (1936) turned "aggregate expenditure" into the driver of the economy.
7. Introduced fuzzy concepts like **animal spirits** to justify state spending.
8. Claimed recessions come from insufficient spending → solution: government printing and spending.

9. Created the **Phillips Curve** idea (trade-off between unemployment & inflation), disproven by stagflation in the 1970s.
10. **Why Fiat Is Destructive**
11. Government printing leads to:
  - Endless wars (open checkbook).
  - Inflation (hidden tax).
  - Growth of welfare/warfare states.
  - Erosion of savings and family structure.
12. “Slave scrip” that empowers government at expense of citizens.
13. **War & Fiat Money**
14. Under gold: wars limited, costly, often short.
15. Under fiat: total wars, conscription, civilians targeted.
16. 20th century = century of **total war + total state + fiat money**.
17. Dictators and genocides in modern times all relied on fiat-financed regimes.
18. **Liberalism vs. Liberality** (Jacques Barzun’s *From Dawn to Decadence*)
19. **Liberalism**: individuals free, responsible for actions.
20. **Liberality**: individuals shielded from consequences, relying on state nannyism.
21. Fiat accelerated the shift from liberalism → liberality → nanny state democracies.
22. **The Bezzle**
23. Fiat economies sustain **malinvestment and waste** because credit props up unproductive firms.
24. People end up working meaningless jobs with no real productivity.
25. Interest-rate arbitrage becomes more profitable than real production.
26. Explains rise of megacorps and decline of mom-and-pop shops.

---

## Key Concepts & Mental Models

- **Keynesian Aggregate Expenditure** → spending drives economy (false).
- **Phillips Curve** → fake trade-off between unemployment & inflation.
- **Cantillon Effect** → early receivers of new money benefit, late receivers lose.
- **The Bezzle** → accumulated waste and fake activity financed by fiat.
- **Liberalism vs. Liberality** → responsibility vs. state dependency.

---

## Examples & Applications

- **WWI suspension of gold** → true start of fiat era.
- **Stagflation of the 1970s** → destroyed Keynesian Phillips Curve.
- **IBM & Enterprise Blockchain** → fiat jobs producing nothing of value, funded by easy credit.
- **Macy's Credit Cards** → businesses pivot to financialization, not production.
- **Walmart/McDonald's vs. Mom & Pop** → interest-rate arbitrage kills small shops.

---

## Quotable Ideas

- “Governments didn’t abandon gold to improve money, they abandoned it to fight wars.” — Ammous
- “Keynes’ *General Theory* is not science; it is a just-so story.” — Ammous
- “No genocide was ever financed under the gold standard.” — Ammous
- “Fiat is slave scrip; sound money is freedom.” — Ammous
- “Democracy is a mass delusion of people voting themselves a free lunch.” — Ammous

---

## Study Prompts

- Why was the gold standard suspended in 1914?
- How did Keynesian economics serve as an excuse for fiat?
- Why does fiat make endless wars possible?
- Explain the difference between liberalism and liberality.
- What is “the bezzle” and how does it distort modern economies?
- How does the Cantillon Effect explain inequality under fiat?

- Why are small businesses crushed in fiat economies?
- 

### **TL;DR**

Governments abandoned gold not for economic progress but to fund wars. Keynesianism then provided intellectual cover, turning inflation and government spending into policy tools. Fiat money empowers states at the expense of individuals, creating inflation, endless wars, nanny states, and corporate bezzles. Sound money disciplines governments, lowers time preference, and restores freedom. Civilization flourishes only under hard money — fiat corrodes it.

---