

The Fiat Standard – Lecture 10 (Fiat Fuels) • Study Notes

Overview

This lecture explores how the fiat monetary system has distorted global energy markets, particularly since the 1970s. Instead of addressing the **root cause of rising energy prices – monetary inflation** – governments manipulated energy markets, subsidized uneconomic alternatives, and created industries dependent on fiat subsidies. The result has been **stagnation in energy progress**, higher costs, unreliable power, and the reversal of industrial gains.

Part I: The 1970s Oil Crisis – Myth vs. Reality

- **Official Story:** Prices rose due to the 1973 Arab-Israeli War and the Arab oil embargo.
 - **Reality:**
 - Shortages began in 1972, before the war or embargo.
 - U.S. oil imports did not decline; oil is highly liquid and fungible – buyers simply switched suppliers.
 - Prices rose from \$2 → \$30 per barrel in a decade primarily because of **currency devaluation**.
 - **Parallel to Food Inflation:**
 - Rising energy prices were blamed on external shocks.
 - Governments avoided tackling the true cause: inflationary credit expansion after the gold window closed.
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Part II: America's Sensitivity to Energy Prices

- U.S. = most energy-intensive society:
 - Cars, suburbs, appliances, heating/cooling systems.
 - High consumption is **a sign of prosperity**, not guilt.
 - When energy prices rise:
 - Americans feel disproportionate pain.
 - Politicians scramble to offer **cheaper substitutes** instead of tackling inflation.
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Part III: The Fiat Solution – Subsidized Alternatives

- Post-1970s, the U.S. government prioritized “**renewable energy**” experiments:
 - Synfuels
 - Photovoltaics (solar)
 - Biofuels
 - Natural gas
 - Nuclear
 - Trillions of fiat dollars poured into subsidies, mandates, and loans.
 - Result: **decades of promises**, “3–5 years away” hype cycles, but no replacement of hydrocarbons.
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Part IV: Why Hydrocarbons Are Irreplaceable

- **Nature's batteries**: High-density, portable, energy-rich fuels.
- Advantages:
- High power output.
- High energy density per weight/area.
- Easy global transport (standardized barrels, pipelines).
- Without hydrocarbons:
- Modern life (electronics, aviation, steel, construction, medicine, computing,

Bitcoin mining) collapses.

- **Renewables' flaws:**

- Low power density (require massive land use).
 - Intermittent (sun/wind availability, not on-demand).
 - Require **batteries**, which multiply costs 10–20x.
 - Cannot even be manufactured without hydrocarbons.
 - More accurate to call them **“hydrocarbon laundering”**: hydrocarbons build the panels/turbines, which then produce “green” energy.
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Part V: The Drivers of Fiat Fuels

1. **Government:** Reduce oil demand → suppress prices → political relief.
 2. **Ideological Cults:** Anti-human, anti-industrial beliefs (“humans are parasites on Earth”).
 3. **Renewable Industry:** Hucksters profiting from subsidies and regulations.
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Part VI: Climate Hysteria as Justification

- **Changing narratives:**
- 1970s: “We are running out of oil!”
- 1980s+: “We have too much oil; burning it will destroy Earth!”
- Opposite reasoning, same conclusion: **use less oil.**
- **CO₂ crisis claims:**
- Hockey-stick charts, ocean acidification, sea level hysteria.
- None supported by long-term data (sea levels, temperatures, tree-line history).
- **COVID lockdowns as natural experiment:**
- Global emissions plunged, yet **CO₂ concentration trends remained unchanged.**
- Temperatures/climate showed no discernible impact.
- **Key Point:** Burden of proof lies on those advocating policies that would kill billions by dismantling hydrocarbon infrastructure.

Part VII: Hydrocarbons Save Lives

- CO₂ emissions correlate with **declining deaths from climate-related causes**:
- Modern technology (housing, infrastructure, medicine) shields us from storms, floods, and extremes.
- Climate-related deaths today are <10% of what they were a century ago.
- Hydrocarbons are not destroying Earth's climate; they are **enabling humans to survive it better**.

Part VIII: Energy Economics – The Market for Power

- People don't need abstract "energy." They need **power on demand**:
- Bursts of concentrated energy at specific times/places (e.g., starting a car engine).
- **Sunlight is infinite**, but useless without costly technology to capture, store, and deliver it as high-power energy.
- Renewables fail because:
- They don't match the marginal need for power.
- Conversion + storage (batteries) make them uneconomical.

Part IX: The Consequences of Fiat Energy Policy

- **Rising energy costs**:
- Rich countries face blackouts and unreliable grids (Germany, UK, California).
- Poor countries are denied industrialization due to "green aid" restrictions.
- **Stagnation in energy growth**:
- Pre-1970s: ~2% annual growth in per-capita energy consumption.
- Post-1970s: Stalled – humanity consumes about the same as 50 years ago.

- **Signs of regression:**
 - Aviation slower today than in 1960s–70s.
 - Supersonic flight abandoned.
 - Energy per capita plateaued.
 - Industrial revolution’s trajectory reversed.
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Key Takeaways

1. Rising energy prices in the 1970s were caused by **inflation**, not embargoes.
 2. Hydrocarbons = **irreplaceable foundation** of modern civilization.
 3. Renewables are **subsidy-driven scams**, not viable substitutes.
 4. Climate hysteria constantly shifts narratives but always pushes the same anti-energy agenda.
 5. Hydrocarbons save lives by enabling resilience against nature.
 6. Energy demand is about **power at the margin**, not abstract totals.
 7. Fiat policies have stalled energy progress, reversed industrial gains, and made energy more expensive.
 8. The only true “alternative” to hydrocarbons is **poverty, cold, and darkness**.
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