



Sound Money Properties  
Series

#14: Disinflationary/Deflationary

with @SimplestBTCBook and @DJSATOSHI18

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- Ⓝ DISINFLATIONARY/DEFLATIONARY

# DISINFLATIONARY

Definition of **disinflationary**

1 : a reduction in the rate of inflation

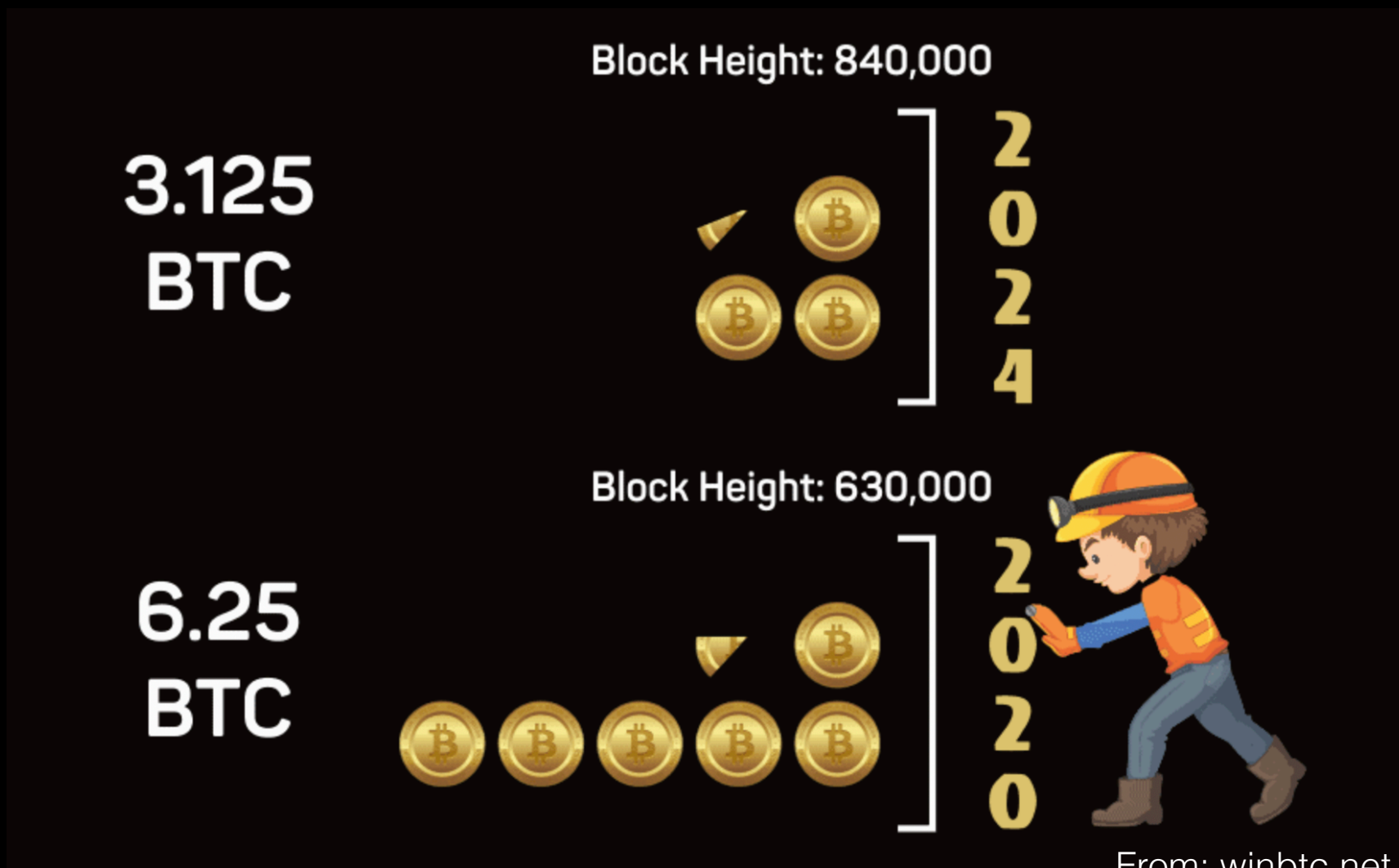
: Disinflation is a decrease in the rate of inflation, rather than a fall in prices.

- [dictionary.cambridge.org](https://dictionary.cambridge.org)

# BITCOIN IS DISINFLATIONARY

- Bitcoin is currently considered to be disinflationary because *its supply is increasing at a decreasing rate.*
- Every four years, the halving occurs, where the amount of the bitcoin block subsidy is cut in half, effectively *reducing the 'inflation rate' by 50%* each time.
- The *next halving will happen in approximately April 2024.*
- At that time, the block subsidy that is rewarded to miners for finding a valid block will be cut, from 6.25 bitcoin per block *to 3.125 bitcoin per block.*
- After 2140, bitcoin will become deflationary,* as no new bitcoin will ever be mined.

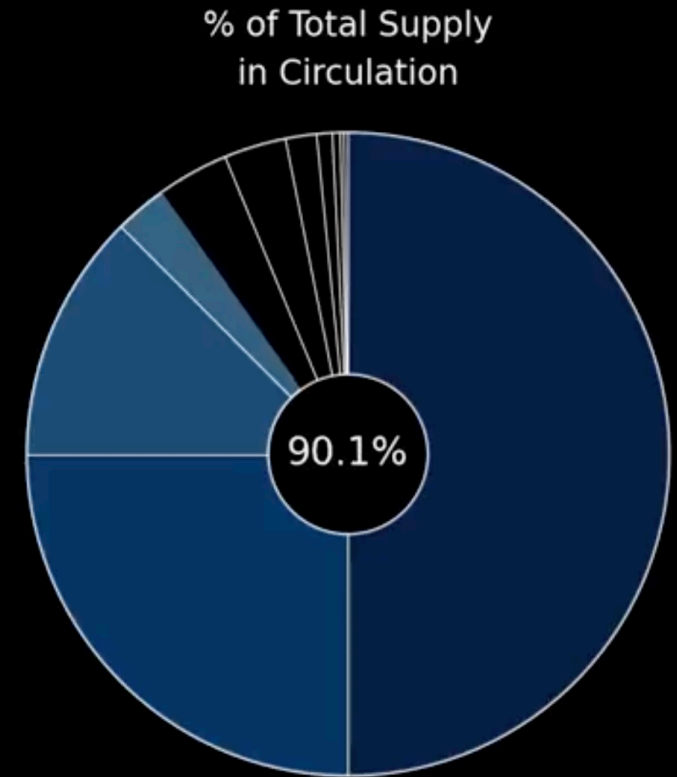
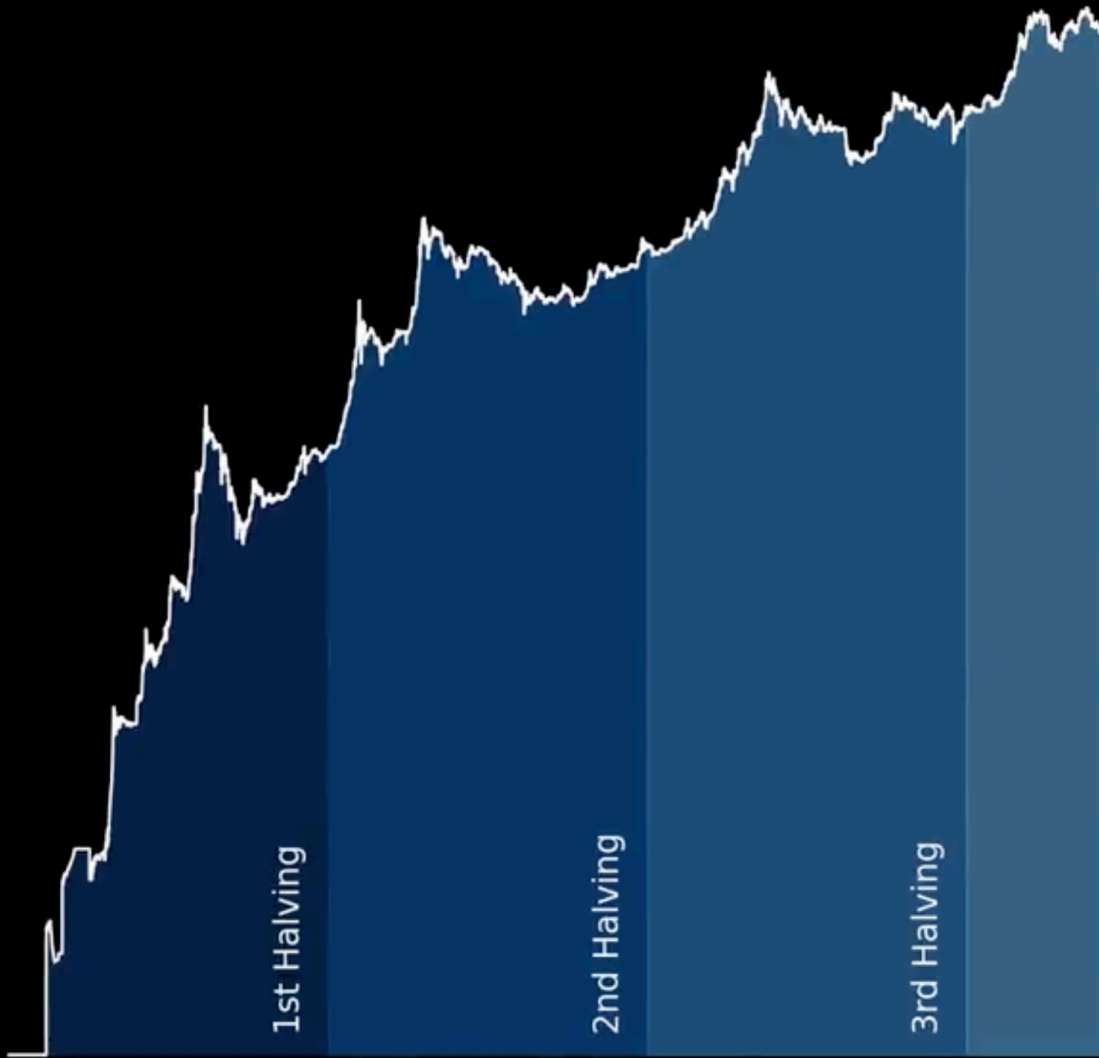
# The Next Bitcoin Halving



- As of Aug 1, at time of this writing, we are at block 801229
- There are **38,771 blocks to be mined until the next halving**, which is estimated to be in April 2024.

# The Bitcoin Halving Schedule Through Jan 2022

Date	Block Height	Price	Block Reward	Circulating Supply
Jan 20, 2022	719,693	\$40,974.52	6.25 BTC	18,935,581 BTC



Wicked Smart Bitcoin@w\_s\_bitcoin

From:

## The 7th Property: Bitcoin and the Monetary Revolution - by Eric Yakes

- ⓑ Increases in the bitcoin supply are considered *monetary inflation*. Monetary inflation is separate from its price in US terms, which is *price inflation*.
- ⓑ This discussion will focus on *monetary inflation*.
- ⓑ .. I presented the *Producer's Trilemma* that results from central banks incentivizing people to overconsume or malinvest in risky assets because saving is not economically rational.
- ⓑ Our economy is currently structured around this incentive scheme.

If we were to have a disinflationary monetary reserve like bitcoin, this scheme would fundamentally change, as savings would now be a more viable alternative to consumption or investing.

Adoption of bitcoin would cause a structural shift in consumer behavior and thus a structural change in our economy.

From: The 7th Property: Bitcoin and the Monetary Resolution - by Eric Yakes



From:

The 7th Property: Bitcoin and the Monetary Resolution - by Eric Yakes continued:

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- ⓑ People would be spending less, investing less and **saving more**.
- ⓑ Such a change would likely be **bad for the economy in the short term, but good for it in the long term**.
- ⓑ Bad, in that consumption and investment declines would hurt economic activity in the short term. **Because we have consumed and malinvested for so long, there will be a reversion to the mean.**
- ⓑ However a healthy transition to an economy grounded in savings (as opposed to debt) **would allow for capital accumulation at the individual level, while reducing it at the institutional level.**
- ⓑ It is **hard to say precisely how an economy with a disinflationary economy would look**, as there isn't a directly comparable historical precedent to operate on (gold is inflationary)
- ⓑ However, I believe **the change in individual human incentives will be beneficial**. When someone can make money (increase their purchasing power) by simply holding bitcoin, their opportunity cost of capital changes.

From:

The 7th Property: Bitcoin and the Monetary Resolution - by Eric Yakes continued:

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- ⓑ Every spending or investment decision is now subject to a maxim:

*“Since my bitcoin will gain significant purchasing power over time, I will only spend it on things I really want/need and invest it in ventures I think will outperform bitcoin.”*

- ⓑ People will start to accumulate wealth without taking on undue risk, and living standards will rise.
- ⓑ A bitcoin system should increase personal responsibility and reduce dependency on institutions.
- ⓑ Wealth accumulation through savings will reduce the demand for debt and people will be able to finance their lives how they see fit.
- ⓑ The incentive to save will assist individuals in accumulating wealth in a sustainable manner.

From:

The 7th Property: Bitcoin and the Monetary Resolution - by Eric Yakes continued:

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- 🔸 In summary, the short-term costs of this structural shift will be painful but not permanent.
- 🔸 **Economic value** will not disappear because we aren't investing or spending enough, **it will be transferred to the future instead.**
- 🔸 People will **spend and invest what makes sense today**, and everything else can be saved for the future.
- 🔸 This would be the **opposite of our debt-ridden lifestyles today, where we consume much of our future value in the present.**
- 🔸 Bitcoin incentivizes **long-term thinking.**

*...An economy with a **disinflationary reserve currency** would be a new world that likely empowers the individual through **greater wealth.***

# DEFLATIONARY

## Definition of **deflationary**

1 : connected with a reduction of the supply of money in an economy, and therefore a reduction of economic activity, that is often part of an intentional government plan to reduce prices

- [dictionary.cambridge.org](https://dictionary.cambridge.org)

You do not share the common fear of deflation. But there are different forms of deflation. Shouldn't one differentiate between them?

- 🔸 **Philipp Bagus:** Yes, one can distinguish between them. But the fears are exaggerated of a macroeconomic problem and of falling prices being problematic in themselves.
- 🔸 **On the one hand, there is growth deflation:** we should actually be happy about falling prices due to growth. No one need fear deflation due to increased demand for money. It also always depends on how the demand for money increases. If I want more liquidity, I either save less per month or I consume less. If I reduce both equally, then there is no real effect at all, only the effect that prices fall.
- 🔸 **Then there is credit deflation.** It can only occur if there was a previous credit expansion. In this case, deflation helps to remove distortions more quickly. Of course, some people must be afraid of such deflation, namely, those who have made many bad investments or those whose jobs are affected, or those affected by other specific factors. In the medium and long term, however, it is good that the many malinvestments are more quickly eliminated by credit deflation.
- 🔸 **One type of deflation that might still be hard to find is that caused by the state.** The fact that the state introduces price controls - i.e. either sets prices below the market level or destroys money - might be considered bad deflation from an ethical standpoint.

From: [austrian-institute.org](http://austrian-institute.org) - Blog: Interviewing Philipp Bagus: "The Fear of Deflation Is Unfounded" by Stefan Beig

Do you consider credit deflation painful but inevitable?

- 🔸 **Baggus:** Not inevitable. You can do what they are doing today, which is to avoid it, simply by putting more and more liquidity into the market. Then you get a zombification of the economy.

But that's even more harmful.

- 🔸 **Baggus:** From the perspective of free consumers, yes. “Bad” investment means that consumers actually want something else. If I artificially maintain malinvestment by lowering interest rates to zero or to the negative, then that is not in the consumers’ interest.

From: [austrian-institute.org](http://austrian-institute.org) - Blog: Interviewing Philipp Bagus: “The Fear of Deflation Is Unfounded”  
by Stefan Beig

- ⓑ Our economic systems were not built for a world driven by technology where prices keep falling.
- ⓑ They were built for a **pre-technology era when labour and capital were inextricably linked**, an era that counted on growth and inflation, an era where we made money from scarcity and inefficiency.
- ⓑ **That era is over.** But we keep on pretending that those economic systems still work.

- Jeff Booth, The Price of Tomorrow: Why Deflation is the Key to an Abundant Future

The majority of the deflation is still in front of us - *driven by technology advancing at an exponential rate.*

If we are doubling our rate of progress on technology every eighteen months or so, and that technology is deflationary, then it is also logical to expect if it “only” took \$185 trillion of debt over the last twenty years to fight the deflation and drive growth, then it might take that number again, but this time over the next thirty-six or so months.

And eighteen months after that, a further \$370 trillion.

Remember, the world of 2018 has approximately \$250 trillion in debt to run an \$80 trillion world economy. That debt in itself is a massive drag on future growth because of interest payments on it.

What about when we add another \$555 trillion?

- Jeff Booth, *The Price of Tomorrow: Why Deflation is the Key to an Abundant Future*



A conflict needs to be resolved at a system level:

1. Exponentially increasing efficiency driven by technological progress **requires a currency that allows for deflation (bitcoin).**

We get *more for less work.*

2. The **existing fiat monetary system** requires inflation and consequently, it **needs manipulation to remain viable.**

We get *less for more work.*

- Ⓛ Because the existing system is credit based, it **cannot allow ongoing deflation without complete collapse** (because the credit would be wiped out and *the credit is the system*).
- Ⓛ Society would never vote to have its entire way of living collapse.
- Ⓛ Which means **a paradox exists where society will always eventually insist on manipulated “growth” for fear of the consequences of collapse, and that manipulated growth is the primary source of the problems that society is dealing with - including environmental damage.**

- Jeff Booth; Author 'The Price of Tomorrow: Why Deflation is Key to an Abundant Future'

- ⓑ Ultimately, this is because **instead of allowing prices to fall** (and society to gain time and freedom) with increasing productivity, **it presupposes that we can “grow” forever.**
- ⓑ And the **growth itself presupposes that money can be created out of thin air** to achieve it.
- ⓑ This “growth” for more jobs to be able to pay the bills, to pay for higher prices, which are manipulated higher in the first place, keeps society on a hamster wheel unable to see **that it is the system itself with its embedded growth obligation to service unpayable debt that is responsible for all the pain.**

- Jeff Booth; Author 'The Price of Tomorrow: Why Deflation is Key to an Abundant Future'

- It gets worse - from the existing system **every innovation lowering price or saving time in the future must be offset with more manipulation of currency to keep the existing monetary scheme going.**
- **Energy itself provides a good example.** It is not like there hasn't been an abundance of technology deployed into the exploration, production, transportation and development of new energy sources.
- When you realize that the primary reason (increasing demand is important, too) energy prices have risen against new energy coming online and efficiency gains of existing energy sources, is that **they must rise to support the existing credit system**, you also realize there is no way out from the system (*as it currently is..*)

- Jeff Booth; Author 'The Price of Tomorrow: Why Deflation is Key to an Abundant Future'

- ⓑ While many people falsely believe that Bitcoin and the way it uses proof of work to validate blocks is bad for the planet because of the energy used to secure the network, the truth is that **Bitcoin is the only thing that I have found that will allow a transition to a system of planetary alignment and abundance.**







*As I've often stated: Abundance in money creates scarcity everywhere else, and scarcity in money creates abundance.*


- ⓑ At the highest level, this is because **our current economic system for the planet is incongruent with where technology is taking us and life on a finite planet.**

- Jeff Booth "The Price Of Tomorrow: Why Deflation Is Key To An Abundant Future" and "The Greatest Game."

# INFLATION

Silently Robbing You Of Purchasing Power Since 1913

 \$20.00	 \$20.00	 \$20.00
 1929	 1960	 2014

 1 BTC	 1 BTC	 1 BTC
 2012	 2013	 2014

# DEFLATION

Protecting you from the Federal Reserve since 2009

# Can Deflation Ever Be Good by Rakesh Sharma

## KEY TAKEAWAYS

- For a period of approximately five years, prices of consumer goods went down in Switzerland without any widespread negative impact on the country's economy, leading some economists to revise their opinion about the ill effects of deflation.
- After researching deflationary periods in the United States, Britain, and Germany during the late 19th century, a team of economists from the National Bureau of Economic Research (NBER) made the claim that deflation can be more positive than negative in a paper issued in February 2004. <sup>[2]</sup>
- Deflation is not always a sign of an aggregate demand shortfall and economic weakness; in some cases, deflation can be the result of increased supply from improvements in productivity, greater competition in the goods market, or cheaper and more abundant inputs, such as labor or goods like oil.

## Being a disinflationary/deflationary money...

“..bitcoin aligns more closely with Austrian economics, as its limited supply and decentralized nature align with sound money principles and individual sovereignty.

Its potential for fostering competition and innovation also aligns with Austrian economics, **challenging Keynesian policies of government intervention and inflationary monetary policy.**”

From: [noah.com/blog/austrian-vs-keynesian-economics/](http://noah.com/blog/austrian-vs-keynesian-economics/)



# WHY DEFLATION IS AN IMPORTANT PROPERTY OF SOUND MONEY

- Bitcoin's deflationary monetary policy, once all 21 million have been mined in 2140, will cause its purchasing power to go up forever.
- Knowing that one's savings will increase in value over time will cause us to **carefully consider how we spend our precious sats**.
- This leads to a **low time preference way of thinking and behaving**.
- It will **create healthy competition**, in that one will need to offer high quality goods and services that people will have to value greatly enough to be willing to part with their sats.
- This will **reduce over-consumption** on every level, bringing a new balance to our spending habits and our utilization of the earth's resources.
- It will **also end 'forever wars'**, in that the cost of war will become 'real', and very expensive, without infinite credit expansion funding it.
- With a money supply that is scarce, **one's savings will increase in value over time, leading to an overall sense of security and peace**, knowing that our savings are stored in a powerful battery that we can tap in to once we can no longer work.



Following is a table comparing the relative strength of the sound money properties of:

- Bitcoin
- Crypto
- Gold
- Paper Gold
- Cash Fiat
- Digital Fiat

Please note, there are variances within each category, so this is a general overview.

It does however clearly show the superiority of bitcoin overall, as it fulfills all the properties of sound money, some for the first time in history!

# Sound Money Properties Comparison Chart

PROPERTIES OF SOUND MONEY	BITCOIN	CRYPTO	GOLD Bullion	GOLD Coin	FIAT Digital	FIAT Cash
Truly Scarce	Green	Red	Red	Red	Red	Red
Highly Portable	Green	Green	Red	Yellow	Green	Yellow
Highly Durable	Green	Yellow	Green	Green	Yellow	Red
Highly Divisible	Green	Green	Yellow	Yellow	Yellow	Yellow
Fungible - Units interchangeable	Green	Yellow	Green	Green	Green	Green
Secure - Cannot counterfeit	Green	Yellow	Yellow	Yellow	Yellow	Yellow
Neutral - Issued by code, not govt.	Green	Red	Yellow	Yellow	Red	Red
Easily Verifiable	Green	Yellow	Yellow	Yellow	Yellow	Yellow
Auditable Supply	Green	Yellow	Red	Red	Red	Red
Easy to transact with	Green	Yellow	Red	Yellow	Green	Green
Decentralized	Green	Red	Yellow	Yellow	Red	Red
Trustless/Permissionless	Green	Yellow	Yellow	Yellow	Red	Red
Immutable/Incorruptible	Green	Red	Yellow	Yellow	Red	Yellow
Disinflationary>Deflationary	Green	Red	Red	Red	Red	Red
Provides Settlement Finality	Green	Yellow	Yellow	Green	Red	Green
Peer-to-Peer - P2P	Green	Green	Yellow	Green	Red	Green

Note: This is a general overview, there are nuances not addressable in a chart.

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Get your free PDF of 'The Simplest Bitcoin Book Ever Written' at [thesimplestbitcoinbook.net](https://thesimplestbitcoinbook.net)

And that concludes our  
Bitcoin's Sound Money Properties Series!

Thanks for listening!

As always, feedback is welcomed!

Hopefully you found value in the series, and now  
have a very clear understanding of why **bitcoin**  
**is by far the soundest money we have ever had!**

Stack sats, stay strong, stay true  
and in the end, Love



- ⓑ Beyond the environmental problem being unsolvable from the existing system, Bitcoin provides a path to a Kardashev type 1 planet **where we harness all the energy that can reach earth from the sun.**
- ⓑ It does so because it provides a positive economic incentive in a transition to abundant energy.
- ⓑ From the perspective of supply and demand, Bitcoin's high energy cost to secure the network is a feature, because an economic incentive is created that is both natural and positive to build out energy abundance.
- ⓑ Energy is the number one driver of profitability in Bitcoin mining, meaning that low-cost energy is required for profits.

- Jeff Booth; Author 'The Price of Tomorrow: Why Deflation is Key to an Abundant Future'