austrian econ and bitcoin

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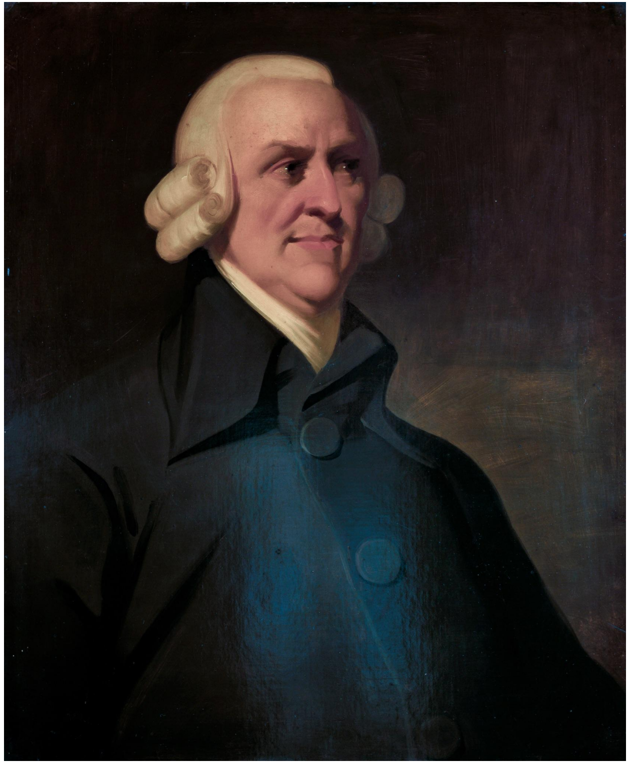
Before Austrian economics

Adam Smith (1723-1790)
“an inquiry into the nature and causes of the wealth of nations.”

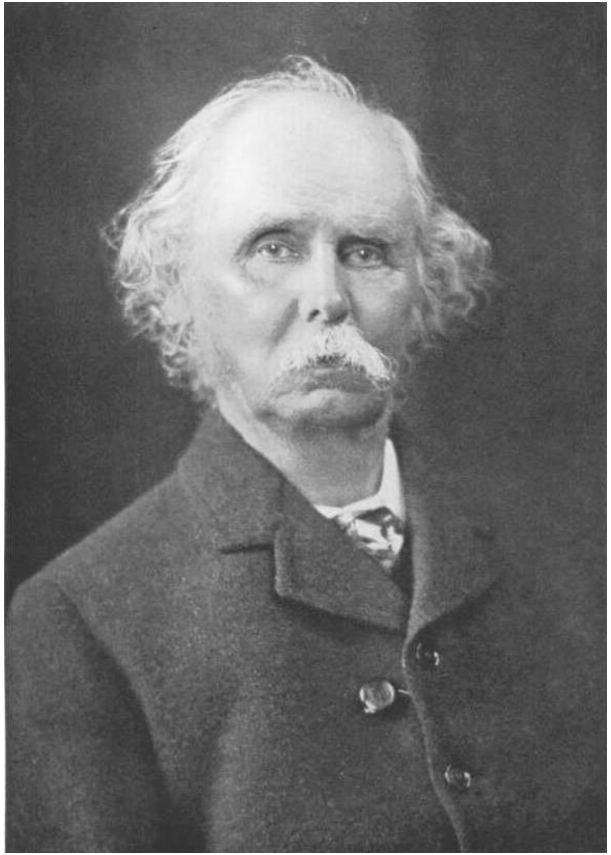
- division of labour
- capital accumulation



Before Austrian economics

Alfred Marshall (1842-1924)
“the study of man in the ordinary business of life”

- supply and demand
- marginal utility
- quantity theory of money



Genesis of the Austrian school

Carl Menger (1840-1921)
The Principles of Economics (1871)

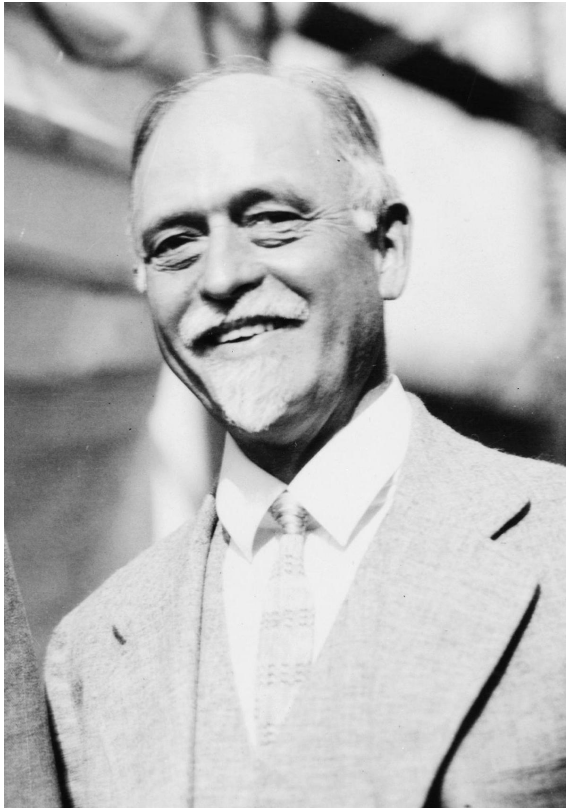
- subjective theory of value
- praxeological method
- origins of money

Plato holds that money is an agreed sign for change and Aristotle says, that money came into being as an agreement, not by nature, but by law.

20th century

Irving Fisher (1867-1947)

- Formulated quantity theory of money
  $M * V = P * T$



2nd wave of Austrians

Ludwig von Mises (1881-1973)

- Theory of money and credit (1912)
- Human action (1949)

The praxeological method traces all phenomena back to the actions of individuals: “man acts”.

2nd wave of Austrians

Friedrich Hayek (1899-1992)

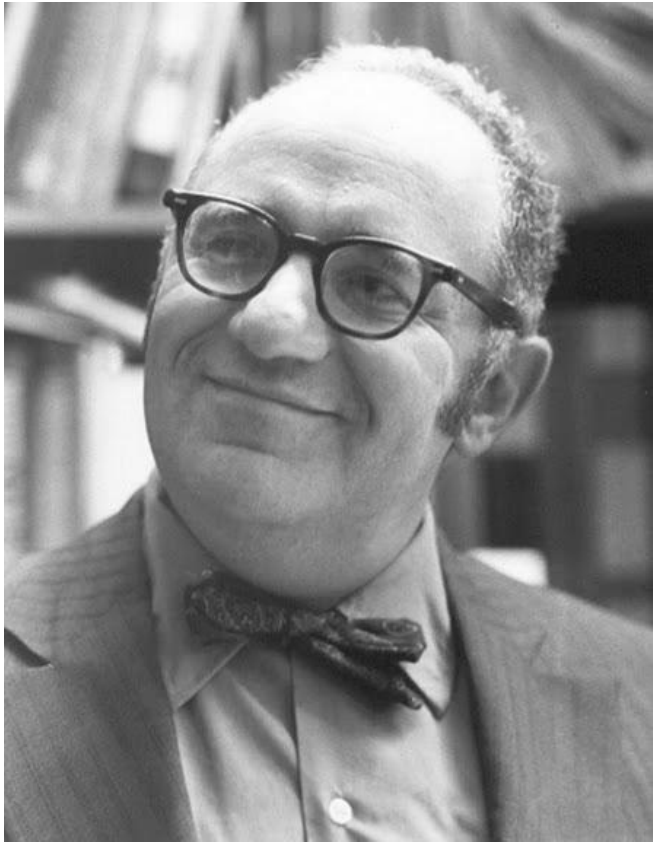
- defends classical liberalism and free-market
- brilliant essayist
- critic of the socialist consensus
- theory of private money

“Ne verjamem, da bomo še kdaj imeli dober denar, če stvari ne vzamemo iz rok oblasti, se pravi, iz rok oblasti je ne smemo vzeti nasilno, vse kar lahko storimo je, da z zvijačo in po ovinkih vpeljemo nekaj, česar ne morejo ustaviti.”

2nd wave of Austrians

Murray Rothbard (1926-1995)

- total free-market -> anarcho-capitalism
- natural rights, natural law
- Austrian business cycle theory



Interventionists and monetarists

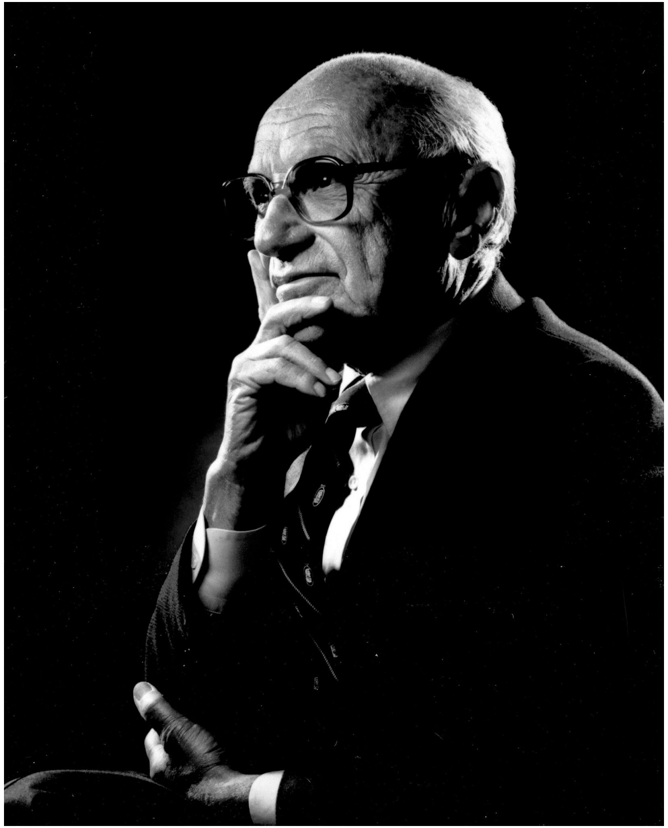
John Maynard Keynes (1883-1946)

- aggregate demand determines economic activity
- government should increase demand in economic downturn
- uses quantity theory of money to justify increase of demand by increasing the supply of money

Interventionists and monetarists

Milton Friedman (1912-2006)

- consumption theory
- rejects Keynes monetary theory
- natural level of unemployment under which inflation will accelerate
- expansion of the money supply inline with GDP growth



The task of economics

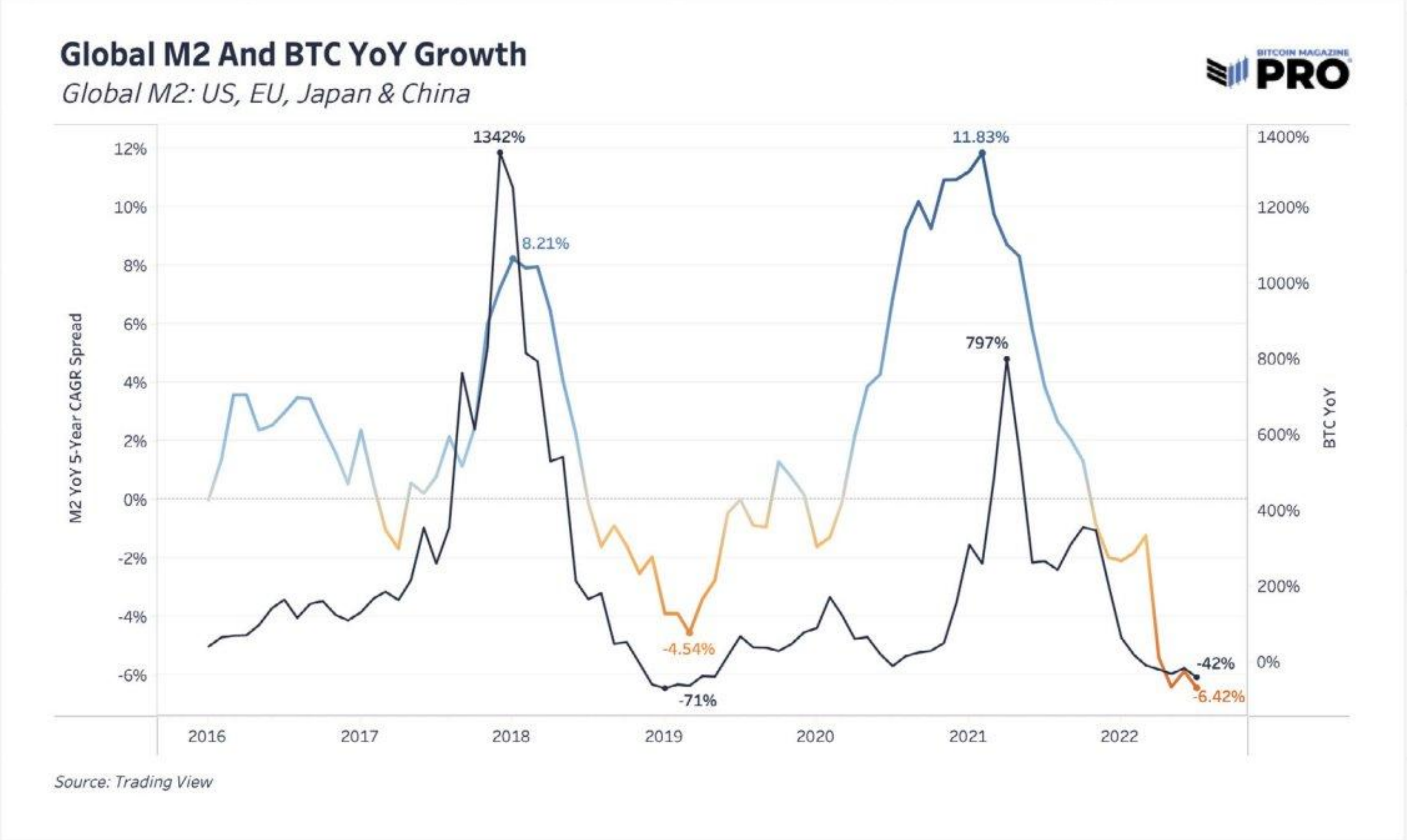
Theory of value	Money theory	Business cycle theory
↓	↓	↓
Subjective theory of value marginal utility	Money is the most salable good and emerges spontaneously on the free-market	Expanding money supply causes an economic boom with malinvestments which leads to a bust and liquidation of unprofitable projects

Austrian theory of money

- the double coincidence of wants
- people start saving goods that are not meant for consumption but for exchange at a later time - medium of exchange
- this good still has real world uses for others
- free market will converge in choosing one good as the medium of exchange
- the most salable good wins
- price of money can be traced back to the time when the good had real world use
- medium of exchange is also a savings (over time) technology
- all transactions are denominated in units of money - unit of account
- any number of units of money can describe (price) all goods in an economy

Final thoughts

free market + laissez-faire + any supply of money can support an economy


Global M2 And BTC YoY Growth
Global M2: US, EU, Japan & China
BITCOIN MAGAZINE PRO
M2 YoY 5-Year CAGR Spread
BTC YoY
12%
10%
8%
6%
4%
2%
0%
-2%
-4%
-6%
1400%
1200%
1000%
800%
600%
400%
200%
0%
1342%
8.21%
11.83%
797%
-4.54%
-71%
-42%
-6.42%
2016
2017
2018
2019
2020
2021
2022
Source: Trading View

“Tigra zdaj držimo za rep: kako dolgo lahko nadaljujemo s to inflacijo? Če tigra (inflacije) osvobodimo, nas bo pojedel; in če bo med našim brezupnim oklepanjem tekel vse hitreje, bomo prav tako pogubljeni! Vesel sem, da me ne bo tukaj, da bi videl končni izid.” Friderich Hayek