

Ron Paul's FREEDOM REPORT

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*Dr. Paul addresses the
U.S. House of Representative*

Statement on Earmark Reform

Madame Speaker, abuses of the earmark process by members of both parties demonstrate the need for reform. However earmarks are hardly the most serious problem facing this country. In fact, many, if not most of the problems with earmarks can be fixed by taking simple steps to bring greater transparency to the appropriations process. While I support reforms designed to shine greater sunlight on the process by which members seek earmarks, I fear that some of my colleagues have forgotten that the abuses of the earmarking process are a symptom of the problems with Washington, not the cause. The root of the problem is an out-of-control federal budget. I am also concerned that some reforms proposed by critics of earmarking undermine the separation of powers by eroding the constitutional role Congress plays in determining how federal funds are spent.

Contrary to popular belief, adding earmarks to a bill does not increase federal spending by even one penny. Spending levels for the appropriation bills are set before Congress adds a single earmark to a bill. The question of whether or not the way the money is spent is determined by earmarks or by another means does not effect the total amount of spending.

Since reforming, limiting, or even eliminating earmarks does nothing to reduce federal spending, I have regarded the battle over earmarks as a distraction from the real issue—the need to reduce the size of government. Recently, opponents of earmarks have embraced an approach to earmark reform that undermines the constitutional separation of powers by encouraging the president to issue an executive

order authorizing federal agencies to disregard congressional earmarks placed in committee reports.

Since the president's executive order would not reduce federal spending, the practical result of such an executive order would be to transfer power over the determination of how federal funds are spent from Congress to unelected federal bureaucrats. Since most earmarks are generated by requests from our constituents, including local elected officials, such as mayors, this executive order has the practical effect of limiting taxpayers' ability to influence the ways the federal government spends tax dollars.

Madame Speaker, the drafters of the Constitution gave Congress the powers of the purse because the drafters feared that allowing the branch of government charged with executing the laws to also write the federal budget would concentrate too much power in one branch of government. The founders correctly viewed the separation of law-making and law-enforcement powers as a vital safeguard of liberty. Whenever the president blatantly disregards orders from Congress as to how federal funds should be spent, he is undermining the constitutional separation of powers.

Congress has already all but ceded its authority to declare war to the executive branch. Now we are giving away our power of the purse. Madame Speaker, the logical conclusion of the arguments that it is somehow illegitimate for members of Congress to control the distribution of federal funds in their district is that Congress should only meet one week a year to appropriate a lump sum to be given to the president for him to allocate to the federal government as he sees fit.

Madame Speaker, all members should support efforts to bring greater transparency to the earmarking process. However, we must not allow earmarking reform to distract us from what should be our main priority—restricting federal spending by returning the government to its constitutional limitations. I also urge my colleagues not to allow the current hysteria over earmarks to justify further erosion of our constitutional authority to control the federal budget.

**Ron Paul's
TEXAS STRAIGHT TALK**

April 7, 2008

The Emerging Surveillance State

Last month, the House amended the 1978 Foreign Intelligence Surveillance Act (FISA) to expand the government's ability to monitor our private communications. This measure, if it becomes law, will result in more warrantless government surveillance of innocent American citizens.

Though some opponents claimed that the only controversial part of this legislation was its grant of immunity to telecommunications companies, there is much more to be wary of in the bill. In the House version, Title II, Section 801, extends immunity from prosecution of civil legal action to people and companies including any provider of an electronic communication service, any provider of a remote computing service, "any other communication service provider who has access to wire or electronic communications," any "parent, subsidiary, affiliate, successor, or assignee" of such company, any "officer, employee, or agent" of any such company, and any "landlord, custodian, or other person who may be authorized or required to furnish assistance." The Senate version goes even further by granting retroactive immunity to such entities that may have broken the law in the past.

The new FISA bill allows the federal government to compel many more types of companies and individuals to grant the government access to our communications without a warrant. The provisions in the legislation designed to protect Americans from warrantless surveillance are full of loopholes and ambiguities. There is no blanket prohibition against listening in on all American citizens without a warrant.

We have been told that this power to listen in on communications is legal and only targets terrorists. But if what these companies are being compelled to do is legal, why is it necessary to grant them immunity? If what they did in the past was legal and proper, why is it necessary to grant them retroactive immunity?

In communist East Germany, one in every 100 citizens was an informer for the dreaded secret police, the Stasi. They either volunteered or were compelled by their government

to spy on their customers, their neighbors, their families, and their friends. When we think of the evil of totalitarianism, such networks of state spies are usually what comes to mind. Yet, with modern technology, what once took tens of thousands of informants can now be achieved by a few companies being coerced by the government to allow it to listen in to our communications. This surveillance is un-American.

We should remember that former New York governor Eliot Spitzer was brought down by a provision of the PATRIOT Act that required enhanced bank monitoring of certain types of financial transactions. Yet we were told that the PATRIOT Act was needed to catch terrorists, not philanderers. The extraordinary power the government has granted itself to look into our private lives can be used for many purposes unrelated to fighting terrorism. We can even see how expanded federal government surveillance power might be used to do away with political rivals.

The Fourth Amendment to our Constitution requires the government to have a warrant when it wishes to look into the private affairs of individuals. If we are to remain a free society we must defend our rights against any governmental attempt to undermine or bypass the Constitution.

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**Ron Paul's
TEXAS STRAIGHT TALK**

March 16, 2008

Making a Recession Great

House Democrats recently adopted a budget with massive tax hikes, many of which are directed at those Americans who can least afford them. By allowing the Bush tax cuts to expire in 2010, this budget will raise income taxes not only on those in the highest income brackets, but raises the lowest bracket from 10% to 15% as well. Estates would again be taxed at 55%. The child tax credit would drop from \$1000 to \$500. Senior citizens relying on investment income would be hurt by increases in dividend and capital gains taxes. It's not just that the Democrats want to raise taxes on the rich. They want to raise taxes on everybody.

The problem is, policing the world is expensive, and if elected officials insist upon continuing to fund our current foreign policy, the money has to come from somewhere.

The wars in Iraq and Afghanistan have already cost us over \$1 trillion. The Democrats' budget gives the President all the funding he needs for his foreign policy, so one wonders how serious they ever were about ending the war. While Democrats propose to tax and spend, many Republicans aim to borrow and spend, which hurts the taxpayer just as much in the long run.

Supporting a welfare state is expensive as well. Over half of our budget goes to mandatory entitlements. The total cost of government now eats up over half of our national income, as calculated by Americans for Tax Reform, and government is growing at an unprecedented rate. Our current financial situation is completely untenable, and the worst part is, as government is becoming more and more voracious, the economy is shrinking.

The bottom line is that Washington has a serious spending addiction. While both parties debate how to raise the revenue, both parties seem happy to spend over \$3 trillion of your money in various ways. While some in Washington criticize the war in Iraq, very few are criticizing the interventionist mindset that got us into the war in the first place. Many so-called "Iraq War critics," criticize this administration rather than truly opposing the decades old policies that led to war. They claim they will eventually get the troops out of Iraq, but the danger is that they simply plan to move them around to other countries, not bring them home. The American people want peace. Minding our own business is the best way to achieve it. Not only is it also a whole lot cheaper, but free trade and friendship with other countries benefits all involved.

This spending spree is exactly the wrong policy for an economy on the brink of recession. History has shown that all empires eventually crumble under a worthless currency and with an exhausted military. Since too many of our nation's leaders haven't taken the time to learn from history, we are seeing mistakes repeated through recently enacted policies such as the new House budget.

**Ron Paul's
TEXAS STRAIGHT TALK**

March 23, 2008

On Five Years in Iraq

Five years ago last week, the U.S. military's "shock and awe" campaign lit up the Baghdad sky. Five years later, with hundreds of thousands of Iraqis and nearly four

thousand Americans dead, we should pause and reflect on just what has been gained and what has been lost.

From the beginning, the march to war was paved with false assumptions and lies. Senior administration officials claimed repeatedly that Iraq was somehow responsible for the attacks of September 11, 2001. They claimed that Iraq had weapons of mass destruction. They manipulated the fear of the American people after 9/11 to further a war agenda that they had been planning years before that attack. The mainstream media was complicit in this war propaganda.

Nearly ten years ago, long before 9/11, I requested the time in opposition to the fateful Iraq Liberation Act of 1998, where I then stated on the Floor of the House of Representatives, "I see this piece of legislation as essentially being a declaration of virtual war. It is giving the President tremendous powers to pursue war efforts against a sovereign nation." Less than five years later we were invading Iraq. Five years into the invasion and occupation of Iraq, untold hundreds of thousands of Iraqis are dead; some two million Iraqis have fled the country as refugees; and the Iraqi Christian community—one of the oldest in the world—has been decimated more completely than even under the Ottoman occupation or the rule of Saddam Hussein.

On the U.S. side, nearly four thousand Americans have lost their lives fighting in Iraq and many thousands more are horribly wounded. Our own senior military officers warn that our military is nearly broken by the strain of the Iraq occupation. The Veterans Administration is overwhelmed by the volume of disability claims from Iraq war veterans.

A study by Nobel Prize economist Joseph Stiglitz concludes that the cost of the war in Iraq could be at least \$3 trillion. The economic consequences of our enormous expenditure in Iraq are beginning to make themselves known as we fall into recession and possibly worse.

Iraq war supporters claim that the "surge" of additional US troops into Iraq has been a resounding success. I am not so confident. Under the "surge" policy the United States military has trained and equipped with deadly weapons those Iraqi militia members against whom they were fighting just months ago. I fear by arming and equipping opposing militias we are just setting the stage for a more tragic and dangerous explosion of violence, possibly aimed at U.S. troops in Iraq. There is no indication that the Iraqi government has made any political progress whatsoever.

The sooner we withdraw the better. The invasion and continued U.S. occupation has strengthened both Iran and Al-Qaeda in the region. Continuing down the road of a failed policy will only cost more money we do not have and more lives that should not be sacrificed. Interventionism has

produced one disaster after another. It is time we return to a non-interventionist foreign policy that emphasizes peaceful trade and travel and no entangling alliances. We can begin by withdrawing from Iraq immediately.

**Ron Paul's
TEXAS STRAIGHT TALK**

March 30, 2008

On Money, Inflation and Government

These past few weeks have provided an unfortunate opportunity to discuss inflation. The dollar index has reached new all-time lows. The total money supply, M3, as calculated by private sources, is growing at a disturbing 17% rate. The Fed is pumping dollars into the economy at an alarming rate. Just recently the Fed announced new loan auctions totaling \$100 billion. That is new money created from thin air. If these money auctions, combined with the bailout of Bear Stearns, continue to be the trend, we are in for some economic stormy weather. The explanation lies in understanding the basics of money, and why it is dangerous to give government and big banks control over it.

First, money is not wealth, in and of itself. You cannot create more wealth simply by creating more money. Wall Street bankers cry out for more liquidity, but what is really needed is more value behind the dollar. But the value, unfortunately, isn't there.

You see, the Fed creates new money and uses it to purchase securities from banks. Flush with funds, these banks seek to put this money to use. During the Fed's expansionary period, much of this money went to home loans. Through a combination of federal government inducements to lend to risky borrowers, and the Fed's supply of easy money, the housing bubble took shape. Fannie Mae and Freddie Mac were encouraged to purchase and securitize mortgages, while investors, buoyed by implicit government backing, rushed to provide funding. Money that could have been invested in more productive, less risky sectors of the economy was thereby malinvested in subprime mortgage loans.

The implicit guarantee from the Fed is quickly becoming explicit, as those institutions deemed "too big to fail" are bailed out at taxpayer expense. Wall Street made a killing during the housing bubble, reaping record profits. Now that the bubble has burst, these same firms are trying to dump their losses on the taxpayers. This approach requires more

money creation, and therefore debasement of all dollars in circulation.

The Federal Reserve, a quasi-government entity, should not be creating money or determining interest rates, as this causes malinvestment and excessive debt to accumulate. Centrally planned, government manipulated economies always fail eventually. The collapse of communism and the failure of socialism should have made this apparent. Even the most educated, well-intentioned central planners cannot plan the market better than the market itself. Those that understand economics best, understand this reality.

In free markets, both success and failure are options. If government interventions prevent businesses, like Bear Stearns, from failing, then it is not truly a free market. As painful as it might be for Wall Street, banks, even big ones, must be allowed to fail.

The end game for this policy of monetary inflation is that the money in your bank account loses purchasing power. So, by keeping failing banks afloat, the Fed punishes those who have lived frugally and saved. The power to create money is a power that should never be granted to government. As we can plainly see today, the Fed has abused this power, and taxpayers are paying the price.

Nothing in this publication is intended to aid or hinder the passage of legislation before Congress.

About the F.R.E.E. Foundation

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