

# Ron Paul's FREEDOM REPORT

A publication of the Foundation for Rational Economics and Education.

VOLUME 8, NO. 11 DECEMBER 2004



*Dr. Paul's Texas Straight Talk*

November 8, 2004

## **Social Security: House of Cards**

President Bush should be commended for promising to address the looming Social Security crisis during his second term, a crisis that Congress and successive presidents have ignored for decades. Hopefully Americans will realize that the notion of Social Security as an insurance program is a lie, and that Congress has not put their Social Security contributions into any trust fund.

Most Americans already know that Social Security is in trouble. Demographic shifts and an aging population have undermined the unspoken foundation of the system, which is the practice of taxing younger generations to pay benefits for current retirees. Younger generations, however, simply aren't big enough to pay for the millions of baby boomers who will begin retiring in the next decade. When Social Security began in the 1930s, many Americans never reached age 65. Today, however, millions of retirees live well into their eighties and nineties. These realities mean the current system could collapse in as little as twenty to thirty years.

Seniors hope the system will hold together for the remainder of their lives, while younger working people hope government will somehow fix things before they retire. Not surprisingly, Congress has chosen to ignore the problem until it becomes acute. It's hard to sell voters on austerity today to avoid a relatively distant crisis. Politicians usually operate on the opposite principle, by promising great things now and leaving the bills for others to pay later.

The greatest threat to your Social Security retirement funds is Congress itself. Congress has never required that Social Security tax dollars be kept separate from general revenues. In fact, the Social Security *trust fund* is not a trust fund at all. The dollars taken out of your paycheck are not deposited into an account to be paid to you later.

On the contrary, they are spent immediately to pay current benefits, and **to fund completely unrelated federal programs.** Your Social Security administration *account* is nothing more than an IOU, a hopeful promise that enough younger taxpayers will be around to pay your benefits later. **Decades of spendthrift congresses have turned the Social Security system into a giant Ponzi scheme, always dependent on new generations.** The size and longevity of the Baby Boom generation, however, will finally collapse the house of cards.

We've all heard proposals for *privatizing* the Social Security system. The best private solution, of course, is simply to allow the American people to keep more of their paychecks and invest for retirement as they see fit. But putting Social Security funds into government-approved investments could have dangerous consequences. Private companies would become a partner of sorts with the government. Individuals still would not truly own their invested Social Security funds. Payroll taxes likely would be raised to cover payments to current beneficiaries, as the President alluded to when warning us that fixing Social Security would be *costly*.

Furthermore, who would decide what stocks, bonds, mutual funds, or other investment vehicles deserve government approval? Which politicians would you trust to build an investment portfolio with billions of your Social Security dollars? **The federal government has proven itself incapable of good money management, and permitting politicians and bureaucrats to make investment decisions would result in unscrupulous lobbying for venture capital.** Large campaign contributors and private interests of every conceivable type would seek to have their favored investments approved by the government. In a free market, an underperforming or troubled company suffers a decrease in its stock price, forcing it either to improve or lose value. Wary investors hesitate to buy its stock after the price falls. If a company successfully lobbied Congress, however, it would enjoy a large investment of your tax dollars. This investment would cause an artificial

increase in its stock price, deceiving private investors and unfairly harming the company's honest competition. Government-managed investment of tax dollars in the private market is a recipe for corruption and fiscal irresponsibility.

**The Social Security crisis is a *spending* crisis. The program could be saved tomorrow if Congress simply would stop spending so much money, apply even 10% of the bloated federal budget to a real trust fund, and begin saving your contributions to earn simple interest.** That this simple approach seems *impossible* speaks volumes about the inability of Congress to cut spending, no matter what the circumstances.

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*Dr. Paul's Texas Straight Talk*

November 1, 2004

### **The Electoral College vs. Mob Rule**

Tuesday's presidential election is likely to be relatively close, at least in terms of popular vote totals. Should either candidate win the election but lose the overall popular vote, we will be bombarded with calls to *abolish the electoral college*, just as we were after the contested 2000 presidential election. After all, the pundits will argue, it would be *undemocratic* to deny the presidency to the man who received the most votes.

**This argument is hostile to the Constitution, however, which expressly established the United States as a constitutionally limited republic and not a direct democracy.** The Founding Fathers sought to protect certain fundamental freedoms, such as freedom of speech, against the changing whims of popular opinion. Similarly, they created the electoral college to guard against majority tyranny in federal elections. The president was to be elected by the 50 states rather than the American people directly, to ensure that less populated states had a voice in national elections. This is why they blended electoral college votes between U.S. House seats, which are based on population, and U.S. Senate seats, which are accorded equally to each state. The goal was to balance the inherent tension between *majority will* and *majority tyranny*. **Those who wish to abolish the electoral college because it's not purely democratic should also argue that less populated states like Rhode Island or Wyoming don't deserve two senators.**

A presidential campaign in a purely democratic system would look very strange indeed, as any rational candidate would focus only on a few big population centers. A candidate receiving a large percentage of the popular vote in California, Texas, Florida, and New York, for example, could win the presidency with very little support in dozens of other states. Moreover, a popular vote system would only

intensify political pandering, as national candidates would face even greater pressure than today to take empty, middle-of-the-road, poll-tested, mainstream positions. Direct democracy in national politics would further dilute regional differences of opinion on issues, further narrow voter choices, and further emasculate political courage.

Those who call for the abolition of the electoral college are hostile to liberty. Not surprisingly, most advocates of abolition are statist elites concentrated largely on the east and west coasts. These political, economic, academic, media, and legal elites overwhelmingly favor a strong centralized federal government, and express contempt for the federalist concept of states' rights. They believe in omnipotent federal power, with states acting as mere glorified federal counties carrying out commands from Washington. The electoral college threatens the imperial aims of these elites because it allows the individual states to elect the president, and in many states the majority of voters still believe in limited government and the Constitution. Voters in Southern, Midwestern and Western states — derided as *flyover* country — tend to value family, religion, individual liberty, property rights and gun rights. Washington elites abhor these values, and they hate that middle and rural America hold any political power whatsoever. Their efforts to discredit the electoral college system are an open attack on the voting power of the pro-liberty states.

Sadly, we have forgotten that states created the federal government, not the other way around. The electoral college system represents an attempt, however effective, to limit federal power and preserve states' rights. It is an essential part of our federalist balance. It also represents a reminder that pure democracy, mob rule, is incompatible with liberty.

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*Dr. Paul's Texas Straight Talk*

October 25, 2004

### **Government Debt – The Greatest Threat to National Security**

Once again the federal government has reached its *debt ceiling*, and once again Congress is poised to authorize an increase in government borrowing. **Between its ever-growing bureaucracies, expanding entitlements, and overseas military entanglements, the federal government is borrowing roughly one billion dollars every day to pay its bills.**

Federal law limits the amount of debt the U.S. Treasury may carry, and the current amount — a whopping \$7.4 trillion — has been reached once again by a spendthrift federal government. Total federal spending, which now exceeds \$2 trillion annually, once took more than 100 years

to double. Today it doubles in less than a decade, and the rate is accelerating. When President Reagan entered office in 1981 facing a federal debt of \$1 trillion that had piled up over the decades, he declared that figure *incomprehensible*. **At its present rate of spending, the federal government will soon amass \$1 trillion of new debt in just one year.**

Government debt carries absolutely no stigma for politicians in Washington. The original idea behind the debt limit law was to shine a light on government spending by forcing lawmakers to vote publicly for debt increases. Over time, however, the increases have become so commonplace that the media scarcely reports them, and there are no political consequences for those who vote for more red ink. It's far more risky for politicians to vote against special-interest spending.

Since 1969, the federal government has spent more than it received in revenues every year. **Even supposed single-year surpluses never existed, but were merely an accounting trick based on stealing IOUs from the imaginary Social Security trust fund.** Remember that the total federal debt continued to rise rapidly, even during the claimed *surplus* years. Since Congress is incapable of spending only what the Treasury takes in, it must borrow money. Unlike ordinary debts, however, government debts are not repaid by those who spend the money — they're repaid by you and future generations.

The federal government issues U.S. Treasury bonds to finance its deficit spending. The largest holders of those Treasury notes — our largest creditors — are foreign governments and foreign individuals. Asian central banks and investors in particular, especially China, have been happy to buy U.S. dollars over the past decade. But foreign governments will not prop up our spending habits forever. Already, Asian central banks are favoring Euro-denominated assets over U.S. dollars, reflecting their belief that the American economy is headed for trouble. It's akin to a credit-card company cutting off a borrower who has exceeded his credit limit one too many times.

Debt destroys U.S. sovereignty, because the American economy now depends on the actions of foreign governments. While we brag about our role as world superpower in international affairs, we are in truth the world's greatest debtor. Like all debtors, we are not truly free. China and other foreign-government creditors could, in essence, wage economic war against us simply by dumping their huge holdings of U.S. dollars, driving the value of those dollars sharply downward and severely damaging our economy. Desmond Lachman, an economist at the American Enterprise Institute, states foreign central banks "now have considerable ability to disrupt U.S. financial markets by simply deciding to refrain from buying further U.S. government paper." Former Treasury Secretary Lawrence Summers

warns about "a kind of global balance of financial terror," noting our dependency on "the discretionary acts of what are inevitably political entities in other countries."

Ultimately, debt is slavery. Every dollar the federal government borrows makes us less secure as a nation, by making America beholden to interests outside our borders. So when you hear a politician saying America will do *whatever it takes* to fight terrorism, or rebuild Iraq or end poverty or provide health care for all, what they really mean is they are willing to sink America even deeper into debt.

We're told that foreign wars and expanded entitlements will somehow make America more secure, but *insolvency* is hardly the foundation for security. Only when we stop trying to remake the world in our image, and reject the entitlement state at home, will we begin to create a more secure America that is not a financial slave to foreign creditors.

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*Dr. Paul's Texas Straight Talk*

October 4, 2004

### **The Imperial Judiciary**

Last week's debate over the constitutional marriage amendment brought even greater attention to the issue of *activist judges*. From gay marriage to Boy Scouts to frivolous lawsuits to the Pledge of Allegiance, Americans have grown increasingly distrustful and suspicious of our federal courts — and rightfully so. Never in our history have unaccountable federal judges wielded more power over our lives.

Judicial activism, *the practice of judges ignoring the law and deciding cases based on their personal political views*, has intensified in the decades since *Roe v. Wade*. This practice is now standard for many federal judges. They dismiss the doctrine of strict construction as hopelessly outdated, instead treating the Constitution as *fluid* and *malleable* to create a desired outcome in any given case. With the federal judiciary focused more on promoting a social agenda than upholding the rule of law, Americans find themselves increasingly governed by men they did not elect and cannot remove from office.

But what is to be done? **The Supreme Court is not supreme over the other branches of government; it is supreme only over lower federal courts.** If Americans wish to be free of judicial tyranny, they must at least develop basic knowledge of the judicial role in our republican government. The present state of affairs is a direct result of our collective ignorance.

The ultimate solution to the problem of unbridled judicial activism at the federal level is clear: **Congress must reassert its constitutional authority to define and restrict the jurisdiction of federal courts.** This power is plainly granted in Article III, and no constitutional amendments

are required. On the contrary, any constitutional amendment addressing judicial activism would only grant legitimacy to the dangerous idea that social issues are federal matters. If anything, the marriage amendment would have given the secular left an excuse to impose gay marriage on all of us in future years, as the issue would have been *irrefutably federalized*

Congressional cowardice enables judicial activism. Just as Congress ceded far too much legislative authority to presidents throughout the 20th Century, it similarly has allowed federal judges to operate wildly beyond their constitutional role. Unless and until Congress asserts itself by limiting federal court jurisdiction, judges will continue to act as de facto lawmakers.

The political left increasingly uses the federal judiciary to do in court what it cannot do at the ballot box: advance an activist, secular, multicultural political agenda of which most Americans disapprove. It's time for the executive and legislative branches to show some backbone, appoint judges who follow the Constitution, and remove those who do not. It's also time for Congress to start establishing clear limits on federal judicial power.

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*Dr. Paul's Texas Straight Talk*

September 20, 2004

### **Mental-Health Screening for Kids — Part II**

(Part I appeared in the November 2004 Freedom Report)

Last week I wrote about a presidential initiative called the *New Freedom Commission on Mental Health*, which issued a report calling for the **mandatory mental-health screening of American schoolchildren**. This new proposal threatens to force millions of kids to undergo psychiatric screening, *whether their parents consent or not*. At issue is the fundamental right of parents to decide what medical treatment is appropriate for their children.

I introduced an amendment to eliminate any funding for the proposal in a Department of Education and Department of Health and Human Services spending bill. Although the amendment failed, the response to my office has been overwhelming and highly supportive. The notion of federal bureaucrats ordering potentially millions of youngsters to take psychotropic drugs like Ritalin strikes an emotional chord with American parents, who are sick of relinquishing more and more parental control to government.

Some members of Congress objected to my amendment on the grounds that the federal screening program does not yet exist, so it's premature to oppose it. But the whole point was to prevent the proposal from being implemented in the first place. **Once created, federal programs are nearly impossible to eliminate.** Congress had a rare opportunity

to stop a bad idea in its tracks, before it becomes entrenched. Every member who opposes the idea of forcing kids to undergo mental-health screening should have sent a strong statement by voting for my amendment. They will have another chance to kill the initiative when I introduce a stand-alone bill later this year.

Furthermore, it's not true that no money has been allocated for the proposal. The Appropriations Committee, which distributes your tax dollars to the various federal agencies, specifically allotted \$20 million in the HHS/Education bill for state programs in support of the New Freedom Commission report. These federally-funded state programs will be the precursors of the broader federal program recommended by the commission.

Anyone who understands bureaucracies knows they assume more and more power incrementally. A few scattered state programs over time will be replaced by a federal program implemented in a few select cities. Once the limited federal program is accepted, it will be expanded nationwide. Once in place throughout the country, the screening program will become mandatory. This is why we can never trust new bureaucratic programs: no matter how benevolent their proponents claim them to be, most programs morph into something much larger than originally foreseen. Those who view my concerns as alarmism fail to understand the inevitable nature of bureaucratic growth.

Soviet communists attempted to paint all opposition to the state as mental illness. It now seems our own federal government wants to create a therapeutic nanny state, beginning with schoolchildren. It's not hard to imagine a time 20 or 30 years from now when government psychiatrists stigmatize children whose religious, social, or political values do not comport with those of the politically correct, secular state.

**American parents must do everything they can to remain responsible for their children's well-being. If we allow government to become intimately involved with our children's minds and bodies, we will have lost the final vestiges of parental authority. Strong families are the last line of defense against an overreaching bureaucratic state.**

*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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