

Ron Paul's FREEDOM REPORT

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

Searching for a New Direction

The Abramoff scandal has been described as the biggest Washington scandal ever: bigger than Watergate; bigger than Abscam; bigger than Koreagate; bigger than the House banking scandal; bigger than Teapot Dome. Possibly so. It's certainly serious and significant.

It has prompted urgent proposals of suggested reforms to deal with the mess. If only we have more rules and regulations, more reporting requirements, and stricter enforcement of laws, the American people will be assured we mean business. Ethics and character will return to the halls of Congress. It is argued that new champions of reform should be elected to leadership positions, to show how serious we are about dealing with the crisis of confidence generated by the Abramoff affair. Then all will be well.

But it's not so simple. Maybe what we have seen so far is just the tip of the iceberg, an insidious crisis staring us in the face that we refuse to properly identify and deal with.

It's been suggested we need to change course and correct the way Congress is run. A good idea, but if we merely tinker with current attitudes about what role the federal government ought to play in our lives, it won't do much to solve the ethics crisis. **True reform is impossible without addressing the immorality of wealth redistribution.** Merely electing new leaders and writing more rules to regulate those who petition Congress will achieve nothing.

Could it be that we're all looking in the wrong places for a solution to recurring, constant, and pervasive *corruption in government*? Perhaps some of us in Congress are mistaken about the true problem; perhaps others deliberately distract us from exposing the truth about how miserably corrupt the budget process in Congress is. Others simply are in a state of denial. But the denial will come to an end as the

Abramoff scandal reveals more and more. **It eventually will expose the scandal of the ages: how and to what degree the American people have become indebted by the totally irresponsible spending habits of the U.S. Congress — as encouraged by successive administrations, condoned by our courts, and enjoyed by the recipients of the largesse.**

This system of government is coming to an end — a fact that significantly contributes to the growing anxiety of most Americans, especially those who pay the bills and receive little in return from the corrupt system that has evolved over the decades.

Believe me, if everybody benefited equally there would be scant outcry over a little bribery and influence peddling. As our country grows poorer and more indebted, fewer people benefit. The beneficiaries are not the hard working, honest people who pay the taxes. The groups that master the system of lobbying and special interest legislation are the ones who truly benefit.

The steady erosion of real wealth in this country, and the dependency on government that is generated by welfarism and warfarism presents itself as the *crisis of the ages*. Lobbying scandals and the need for new leadership are mere symptoms of a much, much deeper problem.

There are quite a few reasons a relatively free country allows itself to fall into such an ethical and financial mess.

One major contributing factor for the past hundred years is our serious misunderstanding of the dangers of pure democracy. The Founders detested democracy and avoided the use of the word in all the early documents. Today, most Americans accept without question a policy of sacrificing life, property, and dollars to force "democracy" on a country 6,000 miles away. This tells us how little opposition there is to "democracy." No one questions the principle that a majority electorate should be allowed to rule the country, dictate rights, and redistribute wealth.

Our system of democracy has come to mean worshipping the notion that a majority vote for the distribution of government largesse — loot confiscated from the American people through an immoral tax system — is morally and

constitutionally acceptable. Under these circumstances it's no wonder a system of runaway lobbying and special interests has developed. Add this to the military-industrial complex that developed over the decades due to a foreign policy of perpetual war and foreign military intervention, and we shouldn't wonder why there is such a powerful motivation to learn the tricks of the lobbying trade — and why former members of Congress and their aides become such high-priced commodities. Buying influence is much more lucrative than working and producing for a living. The trouble is the process invites moral corruption. The dollars involved grow larger and larger because of the deficit financing and inflation that pure democracy always generates.

Dealing with lobbying scandals while ignoring the scandal of unconstitutional runaway government will solve nothing. If people truly believe that reform is the solution, through regulating lobbyists and increasing congressional reporting requirements, the real problem will be ignored and never identified. This reform only makes things worse.

Greater regulation of lobbyists is a dangerous and unnecessary proposition. If one expects to solve a problem without correctly identifying its source, the problem persists. The First Amendment clearly states: *Congress shall make no laws respecting the right of the people to petition the government for a redress of grievances.* That means NO law!

The problem of special interest government that breeds corruption comes from our lack of respect for the Constitution in the first place. So what do we do? We further violate the Constitution rather than examine it for guidance as to the proper role of the federal government. **Laws addressing bribery, theft, and fraud, already on the books, are adequate to deal with the criminal activities associated with lobbying. New laws and regulations are unnecessary.**

The theft that the federal government commits against its citizens, and the power that Congress has assumed illegally, are the real crimes that need to be dealt with. In this regard we truly do need a new direction. Get rid of the evil tax system; the fraudulent monetary system; and the power of government to run our lives, the economy, and the world; and the Abramoff types would be exposed for the mere gnats they are. There would be a lot less of them, since the incentives to buy politicians would be removed.

Even under today's flawed system of democratic government, which is dedicated to redistributing property by force, a lot could be accomplished if government attracted men and women of good will and character. Members could refuse to yield to the temptations of office, and reject the path to a lobbying career. But it seems once government adopts the rules of immorality, some of the participants in the process yield to the temptation as well, succumbing to the belief that the new moral standards are acceptable.

Today though, any new rules designed to restrain special interest favoritism will only push the money further under

the table. Too much is at stake. Corporations, bureaucrats, lobbyists, and politicians have grown accustomed to the system, and have learned to work within it to survive. Only when the trough is emptied will the country wake up. Eliminating earmarks in the budget will not solve the problem.

Comparing the current scandal to the *big* one, the Abramoff types are petty thieves. The government deals in trillions of dollars; the Abramoffs in mere tens of millions. Take a look at the undeclared war we're bogged down in 6,000 miles from our shores. **We've spent 300 billion dollars already, but Nobel prize winner Joseph Stiglitz argues that the war actually will cost between one and two trillion dollars when it's all over and done with.** That's *trillions*, not billions. Even that figure is unpredictable, because we may be in Iraq another year or ten — who knows? Considering the war had nothing to do with our national security, we're talking big bucks being wasted and lining the pockets of many well-connected American corporations. Waste, fraud, stupidity, and no-bid contracts characterize the process. And it's all done in the name of patriotism and national security. Dissenters are accused of supporting the enemy. Now this is a rip-off that a little tinkering with House rules and restraints on lobbyists won't do much to solve.

Think of how this undeclared war has contributed to our national deficit, undermined military morale and preparedness, antagonized our allies, and exposed us to an even greater threat from those who resent our destructive occupation. Claiming we have no interests in the oil of the entire Middle East hardly helps our credibility throughout the world.

The system of special interest government that has evolved over the last several decades has given us a national debt of over eight *trillion* dollars, a debt that now expands by over 600 billion dollars each year. Our total obligations are estimated between fifteen and twenty *trillion* dollars. **Most people realize the Social Security system, the Medicare system, and the new prescription drug plan are unfunded. Thousands of private pension funds are now being dumped on the U.S. government and American taxpayers. We are borrowing over 700 billion dollars each year from foreigners to finance this extravagance, and we now qualify as the greatest international debtor nation in history.** Excessive consumption using borrowed money is hardly the way to secure a sound economy.

Instead of reining in government spending, Congress remains oblivious to the financial dangers and panders to special interests by offering no resistance whatsoever to every request for new spending. Congress spends nearly two trillion dollars annually in an attempt to satisfy everyone's demands. The system has generated over 200 trillion dollars of derivatives. These problems can't be addressed with token leadership changes and tinkering with the budget. A new and a dramatic direction is required.

As current policy further erodes the budget, special

interests and members of Congress become even more aggressive in their efforts to capture a piece of the dwindling economic pie. That success is the measure of effectiveness that guarantees a member's re-election.

The biggest rip-off of all — the paper money system that is morally and economically equivalent to counterfeiting — is never questioned. It is the deceptive tool for transferring billions from the unsuspecting poor and middle-class to the special interest rich. And in the process, the deficit-propelled budget process supports the spending demands of all the special interests — left and right, welfare and warfare — while delaying payment to another day and sometimes even to another generation.

The enormous sums spent each year to support the influential special interests expand exponentially, and no one really asks how it's accomplished. **Raising taxes to balance the budget is out of the question — and rightfully so.** Foreigners have been generous in their willingness to loan us most of what we need, but even that generosity is limited and may well diminish in the future.

But if the Federal Reserve did not pick up the slack and create huge amounts of new credit and money out of thin air, interest rates would rise and call a halt to the charade. The people who suffer from a depreciated dollar don't understand why they suffer, while the people who benefit promote the corrupt system. The wealthy clean up on Wall Street, and the unsophisticated buy in as the market tops off. Wealth is transferred from one group to another, and it's all related to the system that allows politicians and the central banks to create money out of thin air. It's literally legalized counterfeiting.

Is it any wonder jobs go overseas? True capital only comes from savings, and Americans save nothing. We only borrow and consume. A counterfeiter has no incentive to take his newly created money and build factories. The incentive for Americans is to buy consumer goods from other countries whose people are willing to save and invest in their factories and jobs. The only way we can continue this charade is to borrow excess dollars back from the foreign governments who sell us goods, and perpetuate the pretense of wealth that we enjoy.

The system of money contributes significantly to the problem of illegal immigration. On the surface, immigrants escaping poverty in Mexico and Central America come here for the economic opportunity that our economy offers. However, the social services they receive, including education and medical benefits — as well as the jobs they get — are dependent on our perpetual indebtedness to foreign countries. When the burden of debt becomes excessive, this incentive to seek prosperity here in the United States will change.

The prime beneficiaries of a paper money system are those who use the money early — governments, politicians, bankers, international corporations, and the military-industrial

complex. Those who suffer most are the ones at the end of the money chain — the people forced to use depreciated dollars to buy urgently needed goods and services to survive. And guess what? By then their money is worth less, prices soar, and their standard of living goes down.

The consequences of this system, fully in place for the past thirty-four years, are astronomical and impossible to accurately measure. Industries go offshore and the jobs follow. Price inflation eats away at the middle class, and deficits soar while spending escalates rapidly as Congress hopes to keep up with the problems it created. The remaining wealth that we struggle to hold onto is based on debt, future tax revenues, and our ability to manufacture new dollars without restraint. There's only one problem: it all depends on trust in the dollar, especially by foreign holders and purchasers. This trust will end, and signs of the beginning of the end are already appearing.

During this administration the dollar has suffered severely as a consequence of the policy of inflating the currency to pay our bills. The dollar price of gold has more than doubled (\$252 to \$560 per ounce, a 122 % increase). This means the dollar has depreciated in terms of gold, the time-honored and reliable measurement of a nation's currency, by an astounding 55%. The long-term economic health of the nation is measured by the soundness of its currency. Once Rome converted from a republic to an empire, she depreciated her currency to pay the bills. This eventually led to Rome's downfall. That is exactly what America is facing unless we change our ways.

Now this is a real scandal worth worrying about. Since it's not yet on Washington's radar screen, no attempt at addressing the problem is being made. Instead, we'll be sure to make those the Constitution terms, *petitioners to redress their grievances* fill out more forms. We'll make government officials attend more ethics courses so they can learn how to be more ethical.

A free nation, as it moves toward authoritarianism, tolerates and hides a lot of abuse in the system. The human impulse for wealth creation is hard to destroy. But in the end it will happen here, if true reform of our economic, monetary, and political system is not accomplished.

Whether government programs are promoted for *good* causes (helping the poor), or bad causes (permitting a military-industrial complex to capitalize on war profits), the principles of the market are undermined. Eventually nearly everyone becomes dependent on the system of deficits, borrowing, printing press money, and the special interest budget process that distributes loot by majority vote.

Today most business interests and the poor are dependent on government handouts. Education and medical care are almost completely controlled and regulated by an overpowering central government. We have come to accept our role as world policeman and nation builder with little question,

despite the bad results and an inability to pay the bills.

The question is, what will it take to bring about the changes in policy needed to reverse this dangerous trend? The answer is: quite a lot. And unfortunately it's not on the horizon. It probably won't come until there is a rejection of the dollar as the safest and strongest world currency, and a return to commodity money like gold and silver to restore confidence.

The Abramoff-type scandals come and go in Washington, patched over with grandiose schemes of reform that amount to nothing but more government and congressional mischief. But our efforts should be directed toward eliminating the greatest of all frauds — printing press money that creates the political conditions breeding the vultures and leeches who feed off the corrupt system.

Counterfeiting money never creates wealth — it only steals wealth from the unsuspecting. The Federal Reserve creation of money is exactly the same. Increasing the dollars in circulation can only diminish the value of each existing dollar. Only production and jobs can make a country wealthy in the long run. Today it's obvious our country is becoming poorer and more uneasy as our jobs and capital go overseas.

The Abramoff scandal can serve a useful purpose if we put it in context of the entire system that encourages corruption.

If it's seen as an isolated case of individual corruption, and not an expected consequence of big government run amuck, little good will come of it. If we understand how our system of government intervenes in our personal lives, the entire economy, and the internal affairs of nations around the world, we can understand how it generates the conditions where lobbyists thrive. Only then will some good come of it. Only then will we understand that undermining the First Amendment right of the people to petition their government is hardly a solution to this much more serious and pervasive problem.

If we're inclined to improve conditions, we should give serious consideration to the following policy reforms, reforms the American people who cherish liberty would enthusiastically support:

1. No more *No Child Left Behind* legislation.
2. No more prescription drug programs.
3. No more undeclared wars.
4. No more nation building.
5. No more acting as the world policemen.
6. No more deficits.
7. Cut spending — *everywhere*.

8. No more political and partisan resolutions designed to embarrass those who may well have legitimate and honest disagreements with current policy.
9. No inferences that disagreeing with policy is unpatriotic or disloyal to the country.
10. No more pretense of budget reform while ignoring off-budget spending and the ever-growing fourteen appropriations bills.
11. Cut funding for corporate welfare, foreign aid, international NGOs, defense contractors, the military industrial complex, and rich corporate farmers before cutting welfare for the poor at home.
12. No more unconstitutional intrusions into the privacy of law-abiding American citizens.
13. Reconsider the hysterical demands for security over liberty by curtailing the ever-expanding and oppressive wars on drugs, tax violators, and gun ownership.

Finally, why not try something novel, like having Congress act as an independent and equal branch of government? **Restore the principle of the separation of powers, so that we can perform our duty to provide checks and balances on an executive branch (and an accommodating judiciary) that spies on Americans, glorifies the welfare state, fights undeclared wars, and enormously increases the national debt.** Congress was not meant to be a rubber stamp. It's time for a new direction.

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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