

Ron Paul's FREEDOM REPORT

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*Statement by Dr. Paul before
the Joint Economic Committee*

Mr. Chairman, our economy finds itself in a precarious state. Oil prices are rising, gold is nearing all-time highs, and the dollar is nearing all-time lows. The root of this crisis, as with past financial and economic crises, results from federal government intervention into the economy, not to anything endemic to the market, nor to the actions of market participants.

The collapse of the housing market has served as a catalyst for the economy's latest bust. For years the federal government has made it one of its prime aims to encourage home ownership among people who otherwise would not be able to afford homes. Various federal mortgage programs through the FHA, Fannie Mae, and Freddie Mac have distorted the normal workings of the housing market.

The implicit government backing of Fannie Mae and Freddie Mac provides investors an incentive to provide funds to Fannie and Freddie that otherwise would have been put to use in other sectors of the economy. It was this flood of investor capital that helped to fuel the housing bubble.

Legislation such as the Zero Downpayment Act and the misnamed American Dream Downpayment Act made it possible for people who could not afford down payments on houses to receive assistance from the federal government, or even to pay no down payment at all, courtesy of the taxpayers. The requirement of a down

payment has always helped to ascertain the ability of a buyer to pay off a mortgage. It requires the buyer to show hard work and thrift, the ability to delay present consumption in order to make a larger acquisition in the future.

When this requirement is minimized or eliminated, you introduce a new class of homebuyers, people who are unable to budget and save for the purchase of a home, or who should wait for a few years until they have saved enough to purchase a home. Federal policies have encouraged investors, lenders, and brokers to cater to these people, so it is no surprise that market sectors came up with ever more sophisticated means of bringing these people into the real estate market.

Finally, the Federal Reserve's loose monetary policy and lowering of interest rates were a major spur to the housing boom. Low interest rates influence marginal buyers, those who are sitting on the fence, and encourage them to take on a mortgage that they otherwise would not. Even when interest rates are raised, no one expects them to stay high for long, as there is always pressure from politicians and investors to keep rates low, as no one wants the cheap credit to end.

Thinking that interest rates will cycle from low to higher, back to low, lenders begin to offer adjustable rate mortgages, 2/28s, 3/27s, and other sophisticated mortgages that may trap many unsavvy buyers. Buyers go short, lenders go long, and many people have been burned as a result.

It is time that the federal government get out of the housing business. Through our interventionist legislation we have caused the boom and bust, and any attempts at reform that fail to address the causes of our current problem will only sow the seeds for the next bubble.

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Ron Paul's TEXAS STRAIGHT TALK

November 18, 2007

The True Cost of Taxing and Spending

Congressman Charlie Rangel recently unveiled a tax plan that Republicans estimate would raise taxes by \$3.5 trillion over 10 years. Democrats questioned the math. Now, the Democrats on the Joint Economic Committee have released a report on the total costs of the military operations in Iraq and Afghanistan, including “hidden costs” such as interest on the money we’re borrowing, and long term healthcare for vets. The bill comes to \$3.5 trillion. Republicans are, of course, questioning the math on this item.

One thing taxpayers know is taxing and spending is expensive, and government cost estimates tend to be on the conservative side relative to the actual bills. However extracted and spent \$3.5 trillion is an unimaginable extra burden on our economy.

If \$3.5 trillion is the true cost of these military adventures, \$11,500 is the amount every man, woman and child in this country pays. So, a family of four would pay \$46,000 just for this war. This is an especially painful number to me, as the median household income of my constituency in Texas is just \$43,000 a year. In other words, war has cost more than an entire year’s worth of income from each middle class Texas family.

What about the impact of these costs on education, the very thing that so often helps to increase earnings? \$46,000 would cover 90% of the tuition costs to attend a four year public university in Texas for both children in that family of four. Obviously, it would far outpace the cost of a community college degree, so vital to so many in the workforce.

But, instead of sending kids to college, too often we’re sending them to Iraq, where the best news in a long time is they aren’t killing our men and women as fast as they were last month.

The Heritage Foundation estimates a \$3.5 trillion tax increase would be responsible for 2,200 lost jobs in my district alone, over 70,000 lost jobs across Texas. That’s 70,000 Texans in unemployment lines, without health insurance for their families. Some Democrats may not want to spend \$3.5 trillion on Iraq, but they do want to raise it in new taxes. And, by digging our economy into a deeper hole, they would create a lot more demand

for the social programs they propose.

Tax and spend policies create needs they can never satisfy. A government check does not make up for a lost job. Americans do not want more of this. Americans believe in hard work and self-sufficiency, not standing in line for government hand-outs. We are supposed to be living in a land of opportunity, but opportunities fade fast if more tax and spend policies are enacted. The more Congress meddles in the economy, the bigger the problems get.

Congress should not increase taxes by \$3.5 trillion and the administration needs to end the occupation of Iraq with its costs of \$3.5 trillion to taxpayers. Let the hardworking American taxpayers keep their money. Families need that \$46,000 far more than government does.

Ron Paul's TEXAS STRAIGHT TALK

November 11, 2007

Entangling Alliances

In the name of clamping down on “terrorist uprisings” in Pakistan, General Musharraf has declared a state of emergency and imposed martial law. The true motivations behind this action however, are astonishingly transparent, as the reports come in that mainly lawyers and opposition party members are being arrested and harassed. Supreme Court justices are held in house arrest after indicating some reluctance to certify the legitimacy of Musharraf’s recent re-election.

Meanwhile, terrorist threats on U.S. interests may be more likely to originate from Pakistan, a country to which we have sent \$10 billion.

Now we are placed in the difficult position of either continuing to support a military dictator who has taken some blatantly undemocratic courses of action, or withdrawing support and angering this nuclear-capable country. The administration is carefully negotiating this tight-rope by “reviewing Pakistan’s foreign aid package” and asking Musharraf to relinquish his military title and schedule elections.

By the time he complies with the requests of the White House sufficiently to continue to receive his “allowance,” courtesy of the American taxpayer, his mission will be accomplished. A more friendly Supreme Court will be installed and enough of the opposition

party will be jailed or detained to assure an outcome of the elections that will meet with his approval. All the while, our administration lauds Musharraf as a trusted friend and ally.

So much for a War on Terror. So much for making the world safe for democracy.

Free trade means no sanctions against Iran, or Cuba or anyone else for that matter. Entangling alliances with no one means no foreign aid to Pakistan, or Egypt, or Israel, or anyone else for that matter. If an American citizen determines a foreign country or cause is worthy of their money, let them send it, and encourage their neighbors to send money too, but our government has no authority to use hard-earned American taxpayer dollars to mire us in these nightmarishly complicated, no-win entangling alliances.

When we look at global situations today, the words of our founding fathers are becoming more relevant daily. We need to understand that a simple, humble foreign policy makes us less vulnerable and less targeted on the world stage. Pakistan should not be getting an “allowance” from us and we should not be propping up military dictators that oppress people. We should mind our own business and stop the oppressive taxation of Americans that makes this meddling possible.

**Ron Paul's
TEXAS STRAIGHT TALK**

October 28, 2007

**Struggling for Relevance in Cuba:
Close, Still No Cigars**

Since Raul Castro seems to be transitioning to a more permanent position of power, the administration has begun talking about Cuba policy again. One would think we would be able to survey the results of the last 45 years and come to logical conclusions. Changing course never seems to be an option, however, no matter how futile or counterproductive our past actions have been.

The Cuban embargo began officially in 1962 as a means to put pressure on the communist dictatorship to change its ways. After 45 years, the Cuban economy has struggled, but Cuba's dictatorship is no closer to stepping to the beat of our drum. Any ailments have

consistently and successfully been blamed on US Capitalism instead of Cuban Communism. They have substituted trade with others for trade with the US, and are “awash” with development funds from abroad. Our isolationist policies with regards to Cuba, meanwhile, have hardly won the hearts and minds of Cubans or Cuban-Americans, many of whom are isolated from families because of this political animosity.

In the name of helping Cubans, the US administration is calling for “multibillions” of taxpayer dollars in foreign aid and subsidies for internet access, education and business development for Cubans under the condition that the Cuban government demonstrates certain changes. In the same breath, they claim lifting the embargo would only help the dictatorship. This is exactly backwards. Free trade is the best thing for people in both Cuba and the US. Government subsidies would enrich those in power in Cuba at the expense of already overtaxed Americans!

The irony of supposed Capitalist, free-marketeers inducing Communists to freedom with government hand-outs should not be missed. We call for a free and private press in Cuba while our attempts to propagandize Cubans through the US government run Radio/TV Marti has wasted \$600 million in American taxpayer dollars. It's time to stop talking solely in terms of what's best for the Cuban people. How about the wishes of the American people, who are consistently in favor of diplomacy with Cuba? Let's stop the hysterics about the freedom of Cubans—which is not our government's responsibility—and consider freedom of the American people, which is. Americans want the freedom to travel and trade with their Cuban neighbors, as they are free to travel and trade with Vietnam and China. Those Americans who do not wish to interact with a country whose model of governance they oppose are free to boycott. The point being—it is Americans who live in a free country, and as free people we should choose who to buy from or where to travel, not our government.

Our current administration is perceived as irrelevant, at best, in Cuba and the message is falling on deaf ears there. If the administration really wanted to extend the hand of friendship, they would allow the American people the freedom to act as their own ambassadors through trade and travel. Considering the lack of success government has had in engendering friendship with Cuba, it is time for government to get out of the way and let the people reach out.

**Ron Paul's
TEXAS STRAIGHT TALK**

October 21, 2007

Interventionism? Isolationism? Actually, Both.

A few months back, I wrote back-to-back weekly messages regarding globalism and isolationism. In writing those columns, I focused on the fact that our nation's interventionist foreign policy was precisely what was isolating us from other countries.

Turkey's recall of their U.S. ambassador in the wake of last week's resolution, passed in the House Foreign Affairs Committee in condemnation of Turkey, is a perfect example of what I wrote in those columns, as well as what I have been saying for years.

The House has passed similar resolutions for years, praising some foreign countries or political groups while chastising others. It is my policy to vote against resolutions of this sort whenever they have the impact of placing our country in the middle of an internal political problem of some other nation, or involving us in some regional conflict. In fact, this is almost always the specific intent of resolutions of this sort. Often, I am the only Member of Congress to vote against these resolutions.

Some have questioned these votes, arguing that they are meaningless statements of opinion. However, I have always been more skeptical, and careful, about voting for these measures. Last week's reaction by Turkey, a long term ally and NATO member, shows that Congress should be a lot more restrained in sticking our government's nose into the affairs of other nations.

Even though I am no fan of the war in Iraq, keeping positive relations with Turkey is important to protecting our troops who have been sent to fight this war. We are likely to need cordial relations with Turkey so that we can get our troops out of Iraq as quickly and safely as possible, when the time comes.

As a member of the Foreign Affairs Committee, my office has been contacted both by the White House and the Turkish Embassy. They know I oppose these types of interventionist resolutions and they know I will not support the current resolution. They also know full well that this particular resolution will only serve to strain an important international relationship our country should be seeking to strengthen.

In this instance, the problem is that many of my

colleagues in Congress are more interested in seeking to score political points and proclaim their moral superiority, instead of worrying about our nation's best interests. Also, in most of these situations, those who oppose the resolution regarding Turkey all-too-often fail to realize that similar resolutions dealing with other nations have the exact same effect. Namely, they isolate our country from the rest of the world.

Even if other countries do not take the rather extreme step of recalling their ambassador, this kind of meddling by Congressional resolution almost always serves to offend governments and political leaders in other countries.

Last week's events make clear that Congress, and our foreign policy establishment, must reconsider the entire policy of interventionism if we are to avoid further isolation of our nation.

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more people with
its message of liberty,
Congressman Paul would like to
reward your generosity
by sending you a copy
of his new book,
A Foreign Policy of Freedom.

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

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