

# Ron Paul's FREEDOM REPORT

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## The Power of Ideas

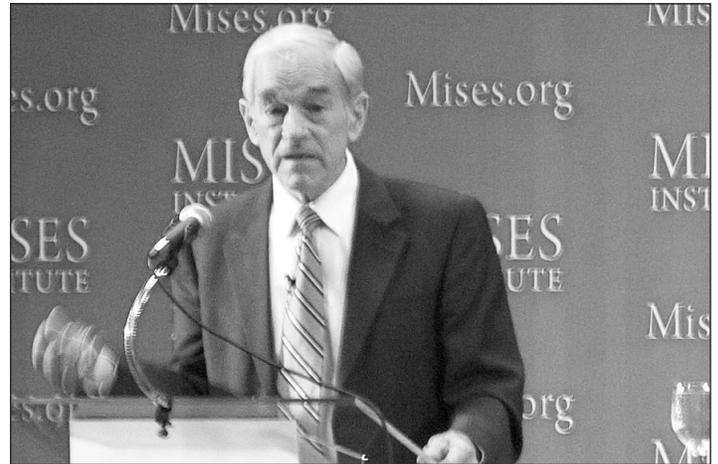
Excerpt:

*Mises Circle Lecture, Houston*

Washington has not changed a whole lot, and if you measure what's happening in the country with what's happening in Washington, you could become a little bit depressed. If you watch only the major networks on TV, you might even end up throwing things at the TV. But we live in a different era, and today you don't have to get your news from the television. So if you look only at Washington and not at what's happening elsewhere, we would be in a lot of trouble. But today, a whole generation is coming of age that doesn't get its information from the TV; they get it elsewhere. And so, life is changing.

It wasn't so easy to get information in the 1950s and the 1960s when I became fascinated with these studies. It was hard to find the information. I was so delighted when I discovered the Foundation for Economic Education, Leonard Read's Group. It was fantastic that you could actually write off to get a book from them and study it. Today, you can get a book instantaneously with a couple of clicks on your computer.

So we live in the most miraculous of times. Victor Hugo said that you can stop an invasion of an army, but you cannot stop an invasion of ideas. And when I first heard that, I was so excited about that, because I don't like fighting and shooting and killing people. And if I thought I had to try to change anything by becoming violent, I didn't want any part of it. So I decided that if ideas are more powerful than armies, why not join the position of changing ideas and confront the people who



Ron Paul delivers 'Carl Davis Distinguished Lecture' at Mises Circle in Houston, January 26, 2013.

have the military power. We have the greatest weapon in our hands: ideas.

Washington, right now, is not much interested in some of the very important issues that are dear to our heart. They claim there is a lot of partisanship in Washington, and if you turn on the TV, there is a lot of partisanship. The Republicans and Democrats fight with each other, but when it comes down to the important issues, there's way too much compromise, too much bipartisanship. We got into this mess because of the bipartisanship, but it was easy when the country was wealthy and growing and the prosperity and the momentum was there. We had a relatively good economy and a free society and sound money, and in spite of its imperfection, it created the most massive amount of wealth known to mankind. This momentum continued, and even as changes in that system were occurring, there was still a lot of wealth to divvy up. And so, it was easy to compromise, like, "Okay, you want milk, we'll give you tobacco subsidies," and vice-versa.

So there were no arguments. Now there is a true argument because even our opposition realizes that

## The Coming Debt Limit Drama: Government Wins, We Lose

there's a limit to this -- except for Paul Krugman. I don't think Paul Krugman thinks there's a limit. Because according to him even if you're out of money the most important thing to solve every problem is for people to spend more money. So if you don't have enough money and the Fed wouldn't print enough, or the treasury won't borrow enough, just create a trillion dollar platinum coin, and cash it in for a trillion dollars, and it will be miraculous and all our problems will be solved. But guess what, a whole generation of people today, not only the individuals in this room, but a whole generation of young people on college campuses, know that it's all a fraud and it's not going to work, and they're reading about the Fed and they know there will be a day when the Fed will be ended.

But both sides in Washington support the Fed, both sides support the military-industrial complex, both sides support the welfare state and, therefore, the arguments are very superficial and distracting. Do you think the bankers and the military-industrial complex and others really worried a whole lot during this last election after it was narrowed down to two? Would it have made much difference which one won? I don't believe there would have been any difference, but there's still this whole fanfare of beating the drums of this competition. But I think that's our important job, to make sure that people know there's an alternative, and that we're not part of that system. And I think that's what's happening.

For some very special reason, those young people on college campuses, as well as all of you, are open to these ideas, and are now studying. It just sort of bewilders me when I have young people come to me – as a matter of fact, today I had somebody come up to me and say, “I started reading about this because of you when I was 14”. I had people come up to my office in Washington and say, “I started reading Murray Rothbard when I was 13”, and they're reading it now. But, believe me, if what Victor Hugo said is true, and I believe that ideas do have these consequences, we're on a roll, and as far as I'm concerned, I think it's going great. And a lot of people deserve credit. Sometimes it's an individual talking to a family friend or a neighbor, and sometimes it's a teacher in a particular school, and sometimes it's an organization or an institute that changes people's minds. And this is what's been happening.

*“The federal government relentlessly spends about \$100 billion more each month than it collects in taxes”*

Last week President Obama bluntly warned Congress that he will not negotiate when it comes to raising the statutory debt limit. If Republicans attempt to use a debt ceiling vote to win concessions on spending from the White House, Mr. Obama threatens simply to raise the limit by executive order or other unilateral action.

This is business as usual in Washington. Democrats literally do not believe we have a deficit and debt problem, and reliably propose greater borrowing and spending. Republicans talk a good game when it comes to government debt, but have no credibility to argue against deficits or abuses of executive power. Brinkmanship ensues, and ugly compromises are reached at the 11th hour. We all lose as the endless borrowing and money printing further erode our dollar and our economy.

Keep in mind that the federal government relentlessly spends about \$100 billion more each month than it collects in taxes. This means roughly 40% of every dollar Washington spends is borrowed, to be “paid back” only in highly devalued, newly created money. Ultimately this can only lead to the destruction of the US dollar, as history plainly teaches. But in the face of this reality Obama just shrugs, turning to demagoguery and talk of little old ladies' Social Security checks. Like Obama, far too many Americans view federal debt as a nonissue. Consider Paul Krugman, America's most reliable Keynesian economist and a beloved figure among mainstream journalists. He recently wrote an article about the debt limit issue, in which he discussed a controversial proposal to have the federal government simply create a platinum coin with a face value of \$1 trillion:

“Here's how it would work: The Treasury would mint a platinum coin with a face value of \$1 trillion (or many coins with smaller values; it doesn't really matter). This coin would immediately be deposited at the Federal Reserve, which would credit the sum to the government's account. And the government could then write checks against that account, continuing normal operations without issuing new debt.”

To be fair, Mr. Krugman acknowledges that mint-

ing such a coin would be an accounting “trick,” but he is dead serious about this option for the Obama administration. This then is the state of modern economics discourse in America, where a respected New York Times economist literally can propose creating “money for nothing” and have the idea taken seriously.

Krugman’s suggestion is just another variant of the endless stimulus proposals, which purport to create greater aggregate demand in the economy by creating more money. Whether this is done by the Fed or the Treasury is of little importance, as long as government is creating demand-side “growth,” however artificial.

But in just a few short sentences Professor Hans-Hermann Hoppe eviscerates the Krugmans of the world by pointing out the obvious: If governments or central banks really can create wealth simply by creating money, why does poverty exist anywhere on earth? Why haven’t successive rounds of quantitative easing by the US Fed solved our economic recession? And if Fed money creation really works, and doesn’t create inflation, why haven’t Americans gotten richer as the money supply has grown?

The truth is obvious to everyone. Fiat currency is not wealth, and the creation of more fiat dollars does not mean that more rice, steel, soybeans, Ipads, or Honda Accords suddenly come into existence. The creation of new fiat currency simply strengthens a fantasy balance sheet, either by adding to cash reserves or servicing debt. But this balance sheet wealth is an illusion, just as the notion we can continue to raise the debt limit and borrow money forever is an illusion.

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## **US Action in Mali is Another Undeclared War**

President Obama last week began his second term by promising that “a decade of war is now ending.” As he spoke, the US military was rapidly working its way into another war, this time in the impoverished African country of Mali. As far as we know, the US is only providing transport and intelligence assistance to France, which initiated the intervention then immediately called Washington for back-up and funding. However, even if US involvement is limited, and, as Defense Secretary Leon Panetta said, US boots on the ground are not being considered “at this time,” this clearly is developing into another war. As usual, the mission is creeping.

Within the first week of French military action in Mali, the promise that it would be a quick operation to put down an Islamic rebel advance toward the capitol was broken. France announced that it would be forced to send in thousands of troops and would need to remain far longer than the few weeks it initially claimed would be necessary.

Media questions as to whether the US has Special Operations forces, drones, or CIA paramilitary units active in Mali are unanswered by the Administration. Congress has asked few questions and demanded few answers from the president. As usual, it was not even consulted. But where does the president get the authority to become a co-combatant in French operations in Mali, even if US troops are not yet overtly involved in the attack?

How did we get to Mali? Blowback and unintended consequences played key roles. When the president decided to use the US military to attack Libya in 2011, Congress was not consulted. The president claimed that UN and NATO authority for the use of US military force were sufficient and even superior to any kind of Congressional declaration. Congress once again relinquished its authority, but also its oversight power, by remaining silent. That meant the difficult questions such as why is the action necessary, what would it entail, and what kind of unintended consequences might we see if the operation does not go exactly as planned, were neither asked nor answered.

When Gaddafi was overthrown in Libya, many fighters from Mali who had lived in Libya and been trained by Gaddafi’s military returned to their home country with sophisticated weapons and a new determination to continue their fight for independence for northern Mali. Thus the France-initiated action against Libya in 2011 led to new violence and instability in Mali that France decided it must also address. Shortly after the French attack on Mali, rebels in Algeria attacked a BP gas facility in retaliation for their government’s decision to allow foreign military to fly over Algerian territory en route to Mali. Thus the action in Mali to solve the crisis created by the prior action in Libya is turning into a new crisis in Algeria. This is the danger of interventionism and, as we saw in Vietnam more than four decades ago, it threatens to drag the US further into the conflict. And Congress is AWOL.

There is a reason why the framers of our Constitution placed the authority to declare war strictly with

the Legislative Branch of government. They knew well that kings were all too willing to go to war without the consent of those who would do the killing and dying – and funding. By placing that authority in Congress, the people’s branch of government, they intended to blunt the executive branch’s enthusiasm toward overseas adventurism. The consequences of this steady erosion of our system toward the unitary executive are dire.

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## Immigration ‘Reform’ Will Turn the US into a Police State

Whenever the federal government decides to reform something we can be fairly sure that the problem is about to get worse, especially if they call the plan bi-partisan. The bi-partisan immigration reform proposal launched last week in the US Senate will be no different.

The new plan, introduced by Sens. McCain and Schumer, would provide a path to citizenship for many of those in the United States illegally. This would only begin after the borders are deemed secure and applicants have paid fees for their illegal entry. They must also pay back taxes on their earnings while working here without government permission. Those on a path to citizenship would be subject to background checks and would be monitored while in the US.

The devil is in the details, and the details of the McCain plan are deeply disturbing. To secure the borders he is calling for a massive increase in drones flying over US territory, spying on US citizens along the border – and presumably within the 100 mile “border zone” over which Department of Homeland Security claims jurisdiction. What if these drones detect suspicious activity unrelated to illegal immigration? Imagine the implications for the federal government’s disastrous war on drugs. Imagine what’s left of the Fourth Amendment completely tossed into the trashcan. The “privatized” prison system in the US that now benefits from the war on drugs and illegal immigration will no doubt look forward to booming business thanks to the army of drones overhead.

Additionally, the McCain/Schumer plan calls for a nationwide, mandatory E-Verify program, which forces employers to act as federal immigration agents, and forces American citizens to prove to the government that they are allowed to work. E-Verify is an East Germany-like program that creates a massive federal

database of every American citizen and notes whether or not they are permitted to work.

As Cato Institute privacy expert Jim Harper noted of e-Verify, potentially tens of thousands of American citizens would come up as a false positive for illegal status, denying them the right to work and forcing them to prove to the government that they are not here illegally. He writes, “If E-Verify goes national, get used to hearing that Orwellian term: ‘non-confirmation.’”

Harper rightly notes that E-Verify is in fact a national ID card, writing last week that, “the system must biometrically identify everyone who works—you, me, and every working American you know. There is no way to do internal enforcement of immigration law without a biometric national identity system.”

Much of the most recent immigration problem of the 2000s was actually created by the federal government. The easy money policy of the Federal Reserve blew up the housing bubble and created enormous demand for labor. This artificial demand was filled largely by workers who crossed into the US illegally. Within a year of the housing market crash in 2008, an estimated one million illegal workers left the United States for Mexico and beyond. Net illegal immigration into the United States last year had fallen to zero .

As I noted in my most recent book, *Liberty Defined*, much of our immigration problems would be eliminated were the federal government to simply return to sound money practices and end the welfare incentive for individuals to come to the US illegally. Afterward, what remains of the problem would mostly be solved with a far more generous and flexible guest worker program. Whatever the case, turning the US into a police state in order to fight a hyped up illegal immigration “crisis” is a bad deal for us all.

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*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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