



# Ron Paul's FREEDOM REPORT

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## The Great Cyprus Bank Robbery

The dramatic recent events in Cyprus have highlighted the fundamental weakness in the European banking system and the extreme fragility of fractional reserve banking. Cypriot banks invested heavily in Greek sovereign debt, and last summer's Greek debt restructuring resulted in losses equivalent to more than 25 percent of Cyprus' GDP. These banks then took their bad investments to the government, demanding a bailout from an already beleaguered Cypriot treasury. The government of Cyprus then turned to the European Union (EU) for a bailout.

The terms insisted upon by the troika (European Commission, European Central Bank, International Monetary Fund) before funding the bailout were nothing short of highway robbery. While bank depositors have traditionally been protected in the event of bank-

ruptcy or liquidation, the troika insisted that all bank depositors pay a tax of between 6.75 and 10 percent of their total deposits to help fund the bailout.

While one can sympathize with EU taxpayers not wanting to fund yet another bailout of a poorly-managed banking system, forcing the Cypriot people to pay for the foolish risks taken by their government and bankers is also criminal. In their desire to punish a "tax haven" catering supposedly to Russian oligarchs, the EU elites ensured that ordinary citizens would suffer just as much as foreign depositors. Imagine the reaction if in September 2008, the US government had financed its \$700 billion bank bailout by directly looting American taxpayers' bank accounts!

While the Cypriot parliament rejected that first proposal, they will have no say in the final proposal deliv-

### **Ron Paul Launches New Foreign Policy Institute**

On April 17th, Ron Paul held a press conference to launch his next big project: the Ron Paul Institute for Peace and Prosperity. After decades in and out of the US House of Representatives leading the call for a non-interventionist foreign policy and the protection of civil liberties, Dr. Paul has launched a revolutionary new vehicle to expand his efforts. The Institute will serve as the focal point of a new coalition that crosses political, ideological, and party lines.

The Ron Paul Institute will focus on the two issues most important to Dr. Paul, education and coming generations. It will fill the growing demand

for information on foreign affairs from a non-interventionist perspective through a lively and diverse website, and will provide unique educational opportunities to university students and others.

Founder, Chairman, and CEO Dr. Paul has compiled a diverse and distinguished board of advisors to collaborate with him on the project, including Rep. Walter Jones, Jr. (NC), Rep. John Duncan, Jr. (TN), former Rep. Dennis Kucinich (OH), Judge Andrew Napolitano, Ambassador Faith Whittlesey, and Llewellyn H. Rockwell, Jr.

Executive director of the Institute is Daniel McAdams, Dr. Paul's long-time foreign policy advisor. The Institute is a project of the F.R.E.E. Foundation

Join Ron Paul's efforts at: [www.ronpaulinstitute.org](http://www.ronpaulinstitute.org)

ered by the EU and IMF: deposits over 100,000 euros are likely to see losses of at least 40 percent and possibly as much as 80 percent. “Temporary” capital controls that were supposed to last for days will now last at least a month and might remain in effect for years.

Especially affected have been the elderly, who were unable to use ATMs or to transfer money electronically. Despite the fact that ATMs severely limited the size of withdrawals during the two week-long bank closure, reports indicated that account holders who had access to Cypriot bank branches in London and Athens were able to withdraw most of their funds, leading to speculation that there would be no money available when banks finally opened up again. In other words, the supposed Russian oligarch money may well be already gone.

Remember that under a fractional reserve banking system only a small percentage of deposits is kept on hand for dispersal to depositors. The rest of the money is loaned out. Not only are many of the loans made by these banks going bad, but the reserve requirement in Euro-system countries is only one percent! If just one euro out of every hundred is withdrawn from banks, the bank reserves would be completely exhausted and the whole system would collapse. Is it any wonder, then, that the EU fears a major bank run and has shipped billions of euros to Cyprus?

The elites in the EU and IMF failed to learn their lesson from the popular backlash to these tax proposals, and have openly talked about using Cyprus as a template for future bank bailouts. This raises the prospect of raids on bank accounts, pension funds, and any investments the government can get its hands on. In other words, no one’s money is safe in any financial institution in Europe. Bank runs are now a certainty in future crises, as the people realize that they do not really own the money in their accounts. How long before bureaucrat and banker try that here?

Unfortunately, all of this is the predictable result of a fiat paper money system combined with fractional reserve banking. When governments and banks collude to monopolize the monetary system so that they can create money out of thin air, the result is a business cycle that wreaks havoc on the economy. Pyramiding more and more loans on top of a tiny base of money will create an economic house of cards just waiting to collapse. The situation in Cyprus should be both a lesson and a warning to the United States. We need to end the Federal Reserve, stay away from propping up the euro, and return to a sound monetary system.

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## The Korea Threat

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Tensions on the Korean peninsula have again reached a flashpoint, as the US and South Korea trade threats with the government of North Korea. North Korea has threatened retaliation for US/South Korean provocations and has, it claims, abrogated the armistice that ended the Korean War some 60 years ago.

On the other side, the US and South Korea held a three day naval exercise last month that included, among many other warships, an American nuclear-powered submarine. This month, the US and South Korea are conducting another joint military exercise, this time with the US flying nuclear-capable B-52 bombers over the Korean peninsula.

Much of the current escalation came after the US drew up yet another set of sanctions for the UN Security Council to impose on North Korea. US Ambassador to the UN, Susan Rice, who drafted the language, promised that this round of sanctions “will bite and bite hard.” That is unlikely, as sanctions have a pretty lousy track record. However, the North Korean government retaliated against the new sanctions with bellicose threats to launch a nuclear first strike against the US.

The US response to the threats has been entirely predictable. Rather than seek a way to tone down the rhetoric, newly confirmed Secretary of Defense Chuck Hagel announced that the Pentagon, which just weeks ago claimed the “sequestration” would leave the US defenseless, would spend another billion dollars to deploy additional missile interceptors along the Pacific. This means money and jobs for a military-industrial complex that never really faced any threat of belt-tightening, as both parties continue to view the military as essentially a jobs program.

Secretary Hagel, when announcing the additional \$1 billion spending spree, sounded far more hawkish than his recent dovish defenders probably hoped, stating, “We will strengthen our homeland defense, maintain our commitments to our allies and partners, and make clear to the world that the United States stands firm against aggression.” Obviously, monthly US-South Korean joint military exercises near North Korean borders are not considered aggression. Only North Korean bellicosity. I wonder how the Obama Administration would view a Chinese-Mexican joint military exercise on the Texas border.

Where will it all end? From the look of it, not well.

The US foreign policy playbook has only one page: do the same thing over and over that has not worked in the past and hope it begins to work in the future.

The real question is why are we still in Korea at all. Why, after 60 years, is the United States military still occupying South Korea, patrolling its borders, inserting itself into the dispute between North and South? What might have happened if the US had not maintained such a force in Korea, enforcing the De-Militarized Zone (DMZ) and keeping families on either side from having contacts with each other?

The popular view is that because North Korea is an isolated dictatorship run by irrationals, the only possible US response is to keep the situation militarized. To maintain the military threat. To continue to provoke. And always, impose more US-authored sanctions. However, one reason North Korea is isolated is the isolationist policies of the US government. It is isolationist to impose sanctions, to prohibit Americans from doing business, to impede or forbid travel by US citizens to countries with which the US government disagrees. North Korea is isolated in part because our government has isolated it. North Korea threatens to attack South Korea and the United States partly because South Korea and the United States continue to mount very provocative military exercises on North Korea's border. That does not mean that I am in favor of the North Korean government. Far from it. Nor do I believe they are necessarily in favor of peace. But I do recognize when a policy is counter-productive.

I am the opposite of an isolationist. I believe we must engage the rest of the world, not with force or arms or hectoring about internal political developments. We must engage the rest of the world with our ideas, bringing people together rather than building walls or DMZs to keep them apart. A change in our policy may not produce an instant opening or improvement, but haven't we tried the old, failed approach long enough? Does continuing to provoke North Korea show any real hope of diffusing the gathering storm?

What is the real Korean threat? The real "Korea threat" is the threat to the US economy by over-reacting to saber rattling by a third world country with another billion dollars in military spending. We cannot afford this empire, and sooner or later it will end.

## Ron Paul Announces Homeschool Curriculum

*"If you care about your child, you'll get the federal government out of the business of educating your kids"*

On April 6th, Ron Paul announced his own homeschool curriculum, which will provide at a reasonable cost a high quality alternative to government and private schools, as well as to other homeschool programs. Ron Paul's program will educate students K-12 on the history of Western civilization, the meaning of the constitution and the struggle for liberty, Austrian school economics, and more. It will also provide important real-life training, including public speaking, website design, and starting a home business.

**For more information,  
see [www.ronpaulcurriculum.com](http://www.ronpaulcurriculum.com)**

## Homeschooling: The Future of Liberty

A common feature of authoritarian regimes is the criminalization of alternatives to government-controlled education. Dictators recognize the danger that free thought poses to their rule, and few things promote the thinking of "unapproved" thoughts like an education controlled by parents instead of the state. That is why the National Socialist (Nazi) government of Germany outlawed homeschooling in 1938.

Sadly, these Nazi-era restrictions on parental rights remain the law in Germany, leaving parents who wish greater control over their children's education without options. That is why in 2006 Uwe and Hannalore Romeike, a German couple who wanted to homeschool their three children for religious reasons, sought asylum in the United States. Immigration judge Lawrence Burman upheld their application for asylum, recognizing that the freedom of parents to homeschool was a "basic human right."

Unfortunately, the current US administration does not see it that way, and has announced that it is appealing Judge Burman's decision. If the administration is

successful, the Romeikes could be sent back to Germany where they will be forced to send their children to schools whose teaching violates their religious beliefs. If they refuse, they face huge fines, jail time, or even the loss of custody of their children!

The Administration's appeal claims that the federal government has the constitutional authority to ban homeschooling in all fifty states. The truth is, the Constitution gives the federal government no power to control any aspect of education. Furthermore, parents who, like the Romeikes, have a religious motivation for homeschooling should be protected by the free exercise clause of the First Amendment.

The federal government's hostility to homeschooling is shared by officials at all levels of government. Despite the movement's success in legalizing homeschooling in every state, many families are still subjected to harassment by local officials. The harassment ranges from "home visits" by child protective agencies to criminal prosecution for violating truancy laws.

Every American who values liberty should support the homeschoolers' cause. If the government can usurp parental authority over something as fundamental as the education of their children, there is almost no area of parenthood off limits to government interference.

Homeschooling has proven to be an effective means of education. We are all familiar with the remarkable academic achievements, including in national spelling bees and other competitions, by homeschooled children. In addition, homeschooled students generally fare better than their public school educated peers on all measures of academic performance.

It makes sense that children do better when their education is controlled by those who know their unique needs best, rather than by a federal bureaucrat. A strong homeschooling movement may also improve other forms of education. If competition improves goods and services in other areas of life, why wouldn't competition improve education? A large and growing homeschooling movement could inspire public and private schools to innovate and improve.

When the government interferes with a parent's ability to choose the type of education that is best for their child, it is acting immorally and in manner inconsistent with a free society. A government that infringes on the rights of homeschooling will eventually infringe on the rights of all parents. Homeschooled children are more likely to embrace the philosophy of freedom, and

to join the efforts to restore liberty. In fact, I would not be surprised if the future leaders of the liberty movement were homeschooled.

I believe so strongly in the homeschooling movement that I have just announced my own curriculum for homeschooling families. Please visit this revolutionary new project at <http://www.ronpaulcurriculum.com>.

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*...the drone threat*

Obama now is notorious for drawing up kill lists. He didn't hesitate to kill an American overseas. Would it really make a difference if he had Al-Awlaki in this country? They never even charged him or convicted him of committing a violent act. That is very, very careless thinking about civil liberties, very dangerous.

Isn't this tragic and sad that we even have a discussion? Why isn't it automatic that presidents can't do this? For 200 years or so, they assumed that wasn't the case. They might have done it, but at least they thought it should be kept secret. Now they want to put it out in front so everybody knows, to frighten and scare everybody. If you don't toe the line, your name might be put on the list.

– Ron Paul

from the Mike Church Show, March, 2013

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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**

The Foundation for Rational Economics and Education, Inc. is a 501(c)(3) tax-exempt public foundation dedicated to individual liberty and free-market economics. It was founded by Congressman Ron Paul of Texas and publishes his Freedom Report. For more information, or to make a tax-deductible donation write: F.R.E.E., Inc., P.O. Box 1776, Lake Jackson, Texas 77566, or call 979-265-3034.