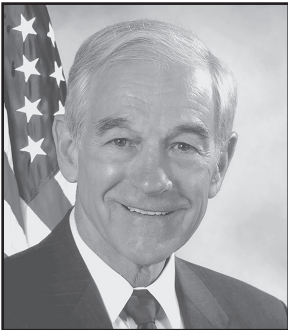


Ron Paul's FREEDOM REPORT

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Chained CPI Chains Taxpayers



Texas Straight Talk, 11/11/13

One of the least discussed, but potentially most significant, provisions in President Obama's budget is the use of the "chained consumer price index" (chained CPI), to measure the effect of inflation on people's standard of living. Chained CPI is an effort to alter the perceived impact of inflation via the gimmick of "full substitution." This is the assumption that when the price of one consumer product increases, consumers will simply substitute a similar, lower-cost product with no adverse effect. Thus, the government decides your standard of living is not affected if you can no longer afford to eat steak, as long as you can afford to eat hamburger.

The problem with "full substitution" should be obvious to anyone not on the government payroll. Since consumers did not choose to buy lower-priced beef before inflation raised the price of steak, they obviously preferred steak. So if the Federal Reserve's policies create inflation that forces you to purchase hamburger instead of steak, your standard of living is lowered. CPI already uses this sort of substitution to mask the costs of inflation, but chained CPI uses those substitutions more frequently, thereby lowering the reported rate of inflation.

Supporters of chained CPI also argue that the government should take into account technology and other advances that enhance the quality of the products we buy. By this theory, increasing prices signal an increase in our standard of living! While it is certainly true that

advances in technology improve our standard of living, it is also true that, left undisturbed, market processes tend to lower the prices of goods. Remember the mobile phones from the 1980s? They had limited service, constantly needed charging, and were extremely expensive. Today, almost all Americans can easily afford a mobile device to make and receive calls, texts, and e-mails, as well as use the Internet, watch movies, read books, and more.

The same process occurred with personal computers, cars, and numerous other products. If left alone, the operations of the market place will deliver higher quality and lower prices. It is only when the government interferes with the operation of the market, especially via fiat money, that consumers must contend with constant price increases.

The goal of chained CPI is to decrease the government's obligation to meet its promise to keep up with the cost of living in programs like Social Security. But it does not prevent individuals who have a nominal increase in income from being pushed into a higher income bracket. Both are achieved without a vote of Congress.

Noted financial analyst Peter Schiff correctly calls chained CPI a measurement of the cost of survival. Instead of using inflation statistics as a political ploy to raise taxes and artificially cut spending, the President and Congress should use a measurement that actually captures the eroding standard of living caused by the Federal Reserve's inflationary policies. Changing government statistics to exploit the decline in the American way of life and benefit big spending politicians and their cronies in the big banks does nothing but harm the American people.

Debt Ceiling Deal: DC Wins, Americans Lose

Washington, DC, Wall Street, and central bankers around the world rejoiced this week as Congress came to an agreement to end the government shutdown and lift the debt ceiling. The latest spending-and-debt deal was negotiated by Congressional leaders behind closed doors, and was rushed through Congress before most members had time to read it. Now that the bill is passed, we can see that it is a victory for the political class and special interests, but a defeat for the American people.

The debt ceiling deal increases spending above the levels set by the “sequester.” The sequester cuts were minuscule, and in many cases used the old DC trick of calling reductions in planned spending increases a cut. But even minuscule and phony cuts are unacceptable to the bipartisan welfare-warfare spending collation. The bill also does nothing to protect the American people from the Obamacare disaster.

As is common in bills drafted in secret and rushed into law, this bill contains special deals for certain powerful politicians. The bill even has a provision authorizing continued military aid to opponents of the Ugandan “Lord’s Resistance Army,” which was the subject of the widely-viewed “Kony 2012” YouTube videos. Most of these unrelated provisions did not come to public attention until after the bill was passed and signed into law.

Members of Congress and the public were told the debt ceiling increase was necessary to prevent a government default and an economic crisis. This manufactured fear supposedly justified voting on legislation without allowing members time to even read it, much less to remove the special deals or even debate the wisdom of intervening in overseas military conflicts because of a YouTube video.

Congress should have ignored the hysterics. A failure to increase government’s borrowing authority would not lead to a default any more that an individual’s failure to get a credit card limit increase in would mean they would have to declare bankruptcy. Instead, the failure of either an individual or a government to obtain new borrowing authority would force the individual or the government to live within their means, and may even force them to finally reduce their spending. Most people would say it is irresponsible to give a spendthrift,

debit-ridden individual a credit increase. Why then is it responsible to give an irresponsible spendthrift government an increase in borrowing authority?

Congress surrendered more power to the president in this bill. Instead of setting a new debt ceiling, it simply “suspended” the debt ceiling until February. This gives the administration a blank check to run up as much debt as it pleases from now until February 7th. Congress can “disapprove” the debt ceiling suspension, but only if it passes a resolution of disapproval by a two-thirds majority. How long before Congress totally abdicates its constitutional authority over spending by allowing the Treasury permanent and unlimited authority to borrow money without seeking Congressional approval?

Instead of seriously addressing the spending crisis, most in Congress would rather engage in last-minute

I want to have a curriculum that talks about the freedom philosophy...I want to be non-interventionist in our personal lives and how we raise our kids...I don't want intervention in the economy, so I become a free market economist. And then I also follow the Founders' admonition that we shouldn't be involved in the internal affairs of other nations. And all of a sudden you pick up support from the left and you pick up support from the right, but it comes together as a consistent philosophy...

—Ron Paul on his Homeschool Curriculum on “The Blaze,”
Oct. 22, 2013.

brinksmanship and backroom deals instead of taking the necessary action to reign in spending. Congress will only take serious steps to reduce spending when either a critical mass of Americans pressures it to cut spending, or when investors and foreign countries stop buying US government debt. Hopefully, those of us who understand sound economics can convince enough of our fellow citizens to pressure Congress to make serious spending cuts before Congress's reckless actions cause a total economic collapse.

Ron Paul's Texas Straight Talk, 10/28/13

A Welcome US/Saudi Reset

Last week it was reported that Saudi Arabia decided to make a “major shift” away from its 80 years of close cooperation with the United States. The Saudi leadership is angry that the Obama administration did not attack Syria last month, and that it has not delivered heavy weapons to the Syrian rebels fighting to overthrow the Assad government. Saudi Arabia is heavily invested in the overthrow of the Assad government in Syria, sending money and weapons to the rebels.

However, it was the recent diplomatic opening between the United States and Iran that most infuriated the Saudis. Saudi Arabia is strongly opposed to the Iranian government and has vigorously lobbied the US Congress to maintain sanctions and other pressure on Iran. Like Israel, the Saudis are fearful of any US diplomacy with Iran.

This additional strain in US/Saudi relations came at the 40 year anniversary of the Arab oil embargo of the US over its support of Israel in the 1973 Yom Kippur war. At the time, the embargo caused quite a bit of trouble for Americans, including gas shortages and long lines at the filling stations. A repeat of this move, however, would not have the same effect on the US economy. Though it would not be desired, these are not the 1970s and oil is now a more fungible commodity no longer solely in Arab hands.

Why does Saudi Arabia insist that the United States fight its battles? The Saudis are strongly opposed to the governments in Syria and Iran so they expect the US to attack. It is their neighborhood, why don't they fight their own wars? Israel shares the same position in

the region as Saudi Arabia: it has been fighting to overthrow Assad in Syria for years, and Israeli leadership constantly pushes the US toward war on Iran. They are both working on the same side of these issues but why do they keep trying to draw us in?

We have unwritten agreements to defend Saudi Arabia and Israel, which keeps us heavily involved militarily in the Middle East. But when the US becomes so involved, we are the real losers—especially the American taxpayers, who are forced to finance this global military empire. Plus, our security guarantee to Saudi Arabia and Israel creates a kind of moral hazard: there is little incentive for these two countries to push for more peaceful solutions in the region because the US military underwrites their reckless behavior. It is an unhealthy relationship that should come to an end.

If Saudi Arabia and Israel are so determined to extend their influence in the region and share such similar goals, why don't they work together to stabilize the region without calling on the US for back-up? It might be healthy for them to cooperate and leave us out of it.

One of Osama bin Laden's stated goals was to bankrupt the US by drawing it into endless battles in the Middle East and south Asia. Unfortunately, even from beyond the grave he continues to successfully implement his policy. But should we really be helping him do so? If Saudi Arabia wants to pull back from its deep and unhealthy relationship with the United States we should welcome such a move. Then we might return to peace and commerce rather than sink under entangling alliances.

Ron Paul's Texas Straight Talk, 11/4/13

What Cannot Be Said About Iraq

October was Iraq's deadliest month since April, 2008. In those five and a half years, not only has there been no improvement in Iraq's security situation, but things have gotten much worse. More than 1,000 people were killed in Iraq last month, the vast majority of them civilians. Another 1,600 were wounded, as car bombs, shootings, and other attacks continue to maim and murder.

As post-“liberation” Iraq spirals steadily downward,

Prime Minister Nuri al-Maliki was in Washington last week to plead for more assistance from the United States to help restore order to a society demolished by the 2003 US invasion. Al-Qaeda has made significant recent gains, Maliki told President Obama at their meeting last Friday, and Iraq needs more US military aid to combat its growing influence.

Obama pledged to work together with Iraq to address al-Qaeda's growing presence, but what was not said was that before the US attack there was no al-Qaeda in Iraq. The appearance of al-Qaeda in Iraq coincided with the US attack. They claimed we had to fight terror in Iraq, but the US invasion resulted in the creation of terrorist networks where before there were none. What a disaster.

Maliki also told President Obama last week that the war in next-door Syria was spilling over into Iraq, with the anti-Assad fighters setting off bombs and destabilizing the country. Already more than 5,000 people have been killed throughout Iraq this year, and cross-border attacks from Syrian rebels into Iraq are increasing those numbers. Again, what was not said was that the US government had supported these anti-Assad fighters both in secret and in the open for the past two years.

Earlier in the week a group of Senators – all of whom had supported the 2003 US invasion of Iraq – sent a strongly-worded letter to Obama complaining that Maliki was far too close to the Iranian government next door. What was not said was that this new closeness between the Iraqi and Iranian governments developed under the US-installed government after the US invasion of Iraq.

Surely there is plenty of blame that can be placed on Maliki and the various no-doubt corrupt politicians running Iraq these days. But how was it they came to power? Were we not promised by those promoting the war that it would create a beach-head of democracy in the Middle East and a pro-American government?

According to former Treasury Secretary Paul O'Neill, in early 2001 as the new Bush administration was discussing an attack on Iraq, then-Defense Secretary Donald Rumsfeld said, "Imagine what the region would look like without Saddam and with a regime that's allied with US interests. It would change everything in the region and beyond it. It would demonstrate what US policy is all about."

We see all these years later now how this ridiculous this idea was.



Ron Paul and Daniel McAdams on the set of the Ron Paul Channel.

I have long advocated the idea that since we just marched in, we should just march out. That goes for US troops and also for US efforts to remake Iraq, Afghanistan, Libya, and everywhere the neocon wars of "liberation" have produced nothing but chaos, destruction, and more US enemies overseas. We can best improve the situation by just leaving them alone.

The interventionists have unfortunately neither learned their lesson from the Iraq debacle nor have they changed their tune. They are still agitating for regime change in Syria, even as they blame the Iraqi government for the destabilization that spills over. They are still agitating for a US attack on Iran, with Members of Congress introducing legislation recently that would actually authorize US force against Iran.

It looks like a very slow learning curve for our bipartisan leaders in Washington. It's time for a change.

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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