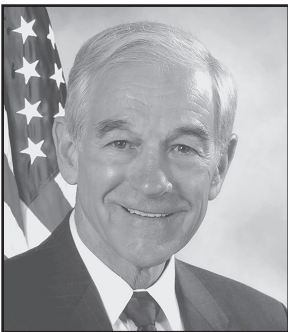


# Ron Paul's FREEDOM REPORT

A publication of the Foundation for Rational Economics and Education.

VOLUME 16, NO.12 – DECEMBER 2013

## After 100 Years Of Failure, It's Time To End The Fed!



*Texas Straight Talk, 12/16/13*

A week from now, the Federal Reserve System will celebrate the 100th anniversary of its founding. Resulting from secret negotiations between bankers and politicians at Jekyll Island, the Fed's creation estab-

lished a banking cartel and a board of government overseers that has grown ever stronger through the years. One would think this anniversary would elicit some sort of public recognition of the Fed's growth from a quasi-agent of the Treasury Department intended to provide an elastic currency, to a de facto independent institution that has taken complete control of the economy through its central monetary planning. But just like the Fed's creation, its 100th anniversary may come and go with only a few passing mentions.

Like many other horrible and unconstitutional pieces of legislation, the bill which created the Fed, the Federal Reserve Act, was passed under great pressure on December 23, 1913, in the waning moments before Congress recessed for Christmas with many Members already absent from those final votes. This underhanded method of pressuring Congress with such a deadline to pass the Federal Reserve Act would provide a foreshadowing of the Fed's insidious effects on the US economy—with actions performed without transparency.

Ostensibly formed with the goal of preventing financial crises such as the Panic of 1907, the Fed has become increasingly powerful over the years. Rather

than preventing financial crises, however, the Fed has constantly caused new ones. Barely a few years after its inception, the Fed's inflationary monetary policy to help fund World War I led to the Depression of 1920. After the economy bounced back from that episode, a further injection of easy money and credit by the Fed led to the Roaring Twenties and to the Great Depression, the worst economic crisis in American history.

But even though the Fed continued to make the same mistakes over and over again, no one in Washington ever questioned the wisdom of having a central bank. Instead, after each episode the Fed was given more and more power over the economy. Even though the Fed had brought about the stagflation of the 1970s, Congress decided to formally task the Federal Reserve in 1978 with maintaining full employment and stable prices, combined with constantly adding horrendously harmful regulations. Talk about putting the inmates in charge of the asylum!

Now we are reaping the noxious effects of a century of loose monetary policy, as our economy remains mired in mediocrity and utterly dependent on a stream of easy money from the central bank. A century ago, politicians failed to understand that the financial panics of the 19th century were caused by collusion between government and the banking sector. The government's growing monopoly on money creation, high barriers to entry into banking to protect politically favored incumbents, and favored treatment for government debt combined to create a rickety, panic-prone banking system. Had legislators known then what we know now, we could hope that they never would have established the Federal Reserve System.

Today, however, we do know better. We know that

the Federal Reserve continues to strengthen the collusion between banks and politicians. We know that the Fed's inflationary monetary policy continues to reap profits for Wall Street while impoverishing Main Street. And we know that the current monetary regime is teetering on a precipice. One hundred years is long enough. End the Fed.

---

*Ron Paul's Texas Straight Talk, 12/2/13*

## **You Cannot Negotiate With Iran?**

---

You cannot negotiate with Iran. That is what they told us for years. The Iranian leadership is too fanatical, they are not rational actors, they are "not like us." One US official even recently said that deception is part of the Iranian DNA. But just over a week ago negotiations between the five permanent UN Security Council Members plus Germany and the Iranians produced an historic agreement that may be first step toward a new era in US relations with the Middle East.

As Middle East expert Eric Margolis pointed out this week, for Iran's major concessions it will only receive "\$7 billion – of its own money, which has been frozen abroad by US-led sanctions." That sounds like quite a bit of compromise for such a "fanatical" country.

Earlier this summer the same people made the same arguments about Syria. You cannot negotiate with Syrian President Assad, they said. He is insane; he is another Hitler. But not only was it possible, a deal was signed ending the threat of a US strike in exchange for Syria agreeing to give up its chemical weapons and the ability to manufacture new ones. Syria upheld its end

of the agreement and the chemicals were all accounted for on schedule.

Why have the interventionists, the neocons, and the special interest groups claimed for so long that negotiation and diplomacy was tantamount to surrender; that countries such as Iran and Syria "only understand force"? It is because these groups are afraid of diplomacy. They do not want a peaceful resolution to these conflicts. They see US foreign relations only in the starkest terms: do what we say and we will give you aid, disobey us and we will bomb you.

Now the warmongers who call themselves "foreign policy experts" have been exposed. The whole world sees that they are wrong. Their advice is bad. Their limited vision of how foreign affairs should be conducted is actually dangerous to the United States. It is now clear that there are workable alternatives.

As with the US threats against Syria, public opinion polls on talks with Iran demonstrate that the American people are solidly behind diplomacy and opposed to another war. According to one recent poll, Americans support the deal reached with Iran by a margin of two-to-one.

Congress, however, is once again far behind the American people. Even as US negotiators were reaching agreement with their Iranian counterparts, US representatives and Senators were drafting legislation to increase sanctions on Iran. Instead of listening to the American people, many in Congress seem attached to special interests like the Israel and Saudi lobbies, which oppose anything less than full Iranian capitulation. Israel refuses to join the Non-Proliferation Treaty yet it seeks to dictate the rules of the treaty to those who have signed it. Saudi Arabia is desperate to control the region politically and economically, and it views an Iran that is

### **From an Interview With Lew Rockwell on the Ron Paul Channel**

“

A subject dear to my heart is education. I believe that's the most important thing that we do... And that's where we see the excitement, and that's where we're having a lot of fun, because we know we're on the right side of this issue. Our numbers are growing, and we're witnessing now the failure of Keynesiansim. We're witnessing the failure of this foreign policy of interventionism. We're going into bankruptcy and yet we're optimistic that we

have something to replace it with... I have my confidence in free market economics, individual liberty, a non-interventionist foreign policy. Because I believe it's morally correct. I believe that was the goal of our early founders of this country, and they had a good plan, but we have gone astray. The last hundred years we've gone in the wrong direction, but I see a reversal.

–Ron Paul, December, 2013.

free to sell oil and other products on the open market as a threat to Saudi power.

For too long both Israel and the Saudis have benefited from a US military guarantee. It has created “moral hazard” that only encourages more belligerent behavior on both of their parts. It remains to be seen whether this six month trial period will develop into a permanent move toward normalization of relations with Iran. What if Congress refuses to give Iran its own money back? But we are moving in the right direction and we should be optimistic.

A better US relationship with Iran may signal the beginning of the end of US meddling in the region and serve as an incentive for Saudi Arabia, Israel, and the Gulf States to solve their problems themselves. This would be a great boost to US national security, just as an Iran open to US business and trade would be a great boost to our economic security. Is peace finally breaking out? Let’s hope so.

---

*Ron Paul’s Texas Straight Talk, 12/9/13*

## **Hobby Lobby Case Is About Rights, Not Contraceptives**

One of the most important cases the US Supreme Court will consider this term is Hobby Lobby’s lawsuit challenging the Obamacare mandate that employer-provided health care plans must cover abortion and contraceptives. Hobby Lobby, a corporation owned and managed by a traditional Christian family, argues that the mandate violates their First Amendment rights.

Much of the discussion has focused on whether a corporation such as Hobby Lobby can even have First Amendment rights. But the issue of “corporate personhood” is a smokescreen. Hobby Lobby’s corporate status has no bearing on whether under Obamacare, Hobby Lobby’s owners, about whose personhood there is no doubt, have a right to run their business in a manner consistent with their moral beliefs. If the form by which Hobby Lobby did business was relevant to its right to operate free of federal interference, then Hobby Lobby could avoid the Obamacare mandate by simply reorganizing itself as a partnership or sole proprietorship.

Some Obamacare supporters cast this case as a conflict between Hobby Lobby’s First Amendment rights

and the rights of its employees to contraception and abortion. Hobby Lobby is not trying to stop its employees from obtaining contraceptives and abortions; it is asking that the government not force it to pay for them.

Forcing Hobby Lobby to pay for abortion services is especially offensive because Hobby Lobby’s owners consider abortion a form of murder. Those who, like me, agree that abortion is an act of violence against an innocent person, will side with Hobby Lobby. However, this case is not about the legality of abortion. It is about whether someone can have a “right” to force someone else to provide him with a good or service. Therefore, even those who support legal abortion should at least support a business’s right to choose to not subsidize it.

Supporters of the mandate claim Congress has the power to create rights to privately-provided goods and services. They also say that Congress has the power to legislatively override the rights of religious liberty, property, and contract. It is fair to ask what is the source of Congress’s power to create new rights. It certainly does not originate in the Declaration of Independence, which expressly denies that rights come from the government; or from the United States Constitution, which nowhere granted government the power to redistribute or create artificial rights.

The principle that Government can force businesses to violate their religious principles even if they conflict with civil law could be applied in ways some Obamacare supporters may find objectionable. For example, what if the government argued that the Pentagon’s need for some products produced by a Quaker-owned business trumped the Quaker owner’s objections to war?

The hypothetical example above shows just how radical and dangerous are arguments in support of the Obamacare abortion and contraception mandate. If Hobby Lobby loses, the US Supreme Court will have endorsed the idea that the federal government can force individuals to violate their most sacred religious principles to satisfy any government demands. The central question of the Hobby Lobby case, then, is whether religious liberty will continue to be meaningful in this country. For what good is a religious liberty that protects your rights to attend a worship service, but allows the government to force you to live in opposition to the values preached at those services? This is why all supporters of liberty and limited government—regardless of their views on the morality of contraception—should be on the side of Hobby Lobby.

## Can Karzai Save Us?

---

After a year of talks over the post-2014 US military presence in Afghanistan, the US administration announced last week that a new agreement had finally been reached. Under the deal worked out with Afghan President Hamid Karzai, the US would keep thousands of troops on nine military bases for at least the next ten years.

It is clear that the Obama Administration badly wants this deal. Karzai, sensing this, even demanded that the US president send a personal letter promising that the US would respect the dignity of the Afghan people if it were allowed to remain in the country. It was strange to see the US president go to such lengths for a deal that would mean billions more US dollars to Karzai and his cronies, and a US military that would continue to prop up the regime in Kabul.

Just as the deal was announced by Secretary of State John Kerry and ready to sign, however, Karzai did an abrupt about-face. No signed deal until after the next presidential elections in the spring, he announced to a gathering of tribal elders, much to the further embarrassment and dismay of the US side. The US administration had demanded a signed deal by December. What may happen next is anybody's guess. The US threatens to pull out completely if the deal is not signed by the end of this year.

Karzai should be wary of his actions. It may become unhealthy for him. The US has a bad reputation for not looking kindly on puppet dictators who demand independence from us.

Yet Karzai's behavior may have the unintended benefit of saving the US government from its own worst interventionist instincts. The US desire to continue its military presence in Afghanistan – with up to 10,000 troops – is largely about keeping up the false impression that the Afghan war, the longest in US history, has not been a total, catastrophic failure. Maintaining a heavy US presence delays that realization, and with it the inevitable conclusion that so many lives have been lost and wasted in vain. It is a bitter pill that this president, who called Afghanistan “the good war,” would rather not have to swallow.

The administration has argued that US troops must remain in Afghanistan to continue the fight against

al-Qaeda. But al-Qaeda has virtually disappeared from Afghanistan. What remains is the Taliban and the various tribes that have been involved in a power struggle ever since the Soviets left almost a quarter of a century ago. In other words, twelve years later we are back to the starting point in Afghanistan.

Where has al-Qaeda gone if not in Afghanistan? They have branched out to other areas where opportunity has been provided by US intervention. Iraq had no al-Qaeda presence before the 2003 US invasion. Now al-Qaeda and its affiliates have turned Iraq into a bloodbath, where thousands are killed and wounded every month. The latest fertile ground for al-Qaeda and its allies is Syria, where they have found that US support, weapons, and intelligence is going to their side in the ongoing war to overthrow the Syrian government.

In fact, much of the US government's desire for an ongoing military presence in Afghanistan has to do with keeping money flowing to the military industrial complex. Maintaining nine US military bases in Afghanistan and providing military aid and training to Afghan forces will consume billions of dollars over the next decade. The military contractors are all too willing to continue to enrich themselves at the expense of the productive sectors of the US economy.

Addressing Afghan tribal elders last week, Karzai is reported to have expressed disappointment with US assistance thus far: “I demand tanks from them, and they give us pickup trucks, which I can get myself from Japan... I don't trust the U.S., and the U.S. doesn't trust me.”

Let us hope that Karzai sticks to his game with Washington. Let the Obama administration have no choice but to walk away from this twelve-year nightmare. Then we can finally just march out.

---

*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.