

HON. RON PAUL OF TEXAS Before the U.S. House of Representatives May 2, 2006 What Congress Can Do About Soaring Gas Prices

Gasoline prices are soaring and the people are screaming. And they want something done about it—now!

\$100 rebate checks to American motorists won't cut it, nor will mandatory mileage requirements for new vehicles. Taxing oil profits will only force prices higher. But there are some very important things we can do immediately to help.

First: We must reassess our foreign policy and announce some changes. One of the reasons we went into Iraq was to secure "our" oil. Before the Iraq war oil was less than \$30 per barrel; today it is over \$70. The sooner we get out of Iraq and allow the Iraqis to solve their own problems the better. Since 2002 oil production in Iraq has dropped 50%. Pipeline sabotage and fires are routine; we have been unable to prevent them. Soaring gasoline prices are a giant unintended consequence of our invasion, pure and simple.

Second: We must end our obsession for a military confrontation with Iran. Iran does not have a nuclear weapon, and according to our own CIA is not on the verge of obtaining one for years. Iran is not in violation of the Nuclear Nonproliferation Treaty, and has a guaranteed right to enrich uranium for energy—in spite of the incessant government and media propaganda to the contrary. Iran has never been sanctioned by the UN Security Council. Yet the drumbeat grows louder for attacking certain sites in Iran, either by conventional or even nuclear means. Repeated resolutions by Congress stir up unnecessary animosity toward Iran, and create even more concern about future oil supplies from the Middle East. We must quickly announce we do not seek war with Iran, remove the economic sanctions against her, and accept her offer to negotiate a diplomatic solution to the impasse. An attack on Iran, coupled with our continued presence in Iraq, could hike gas prices to \$5 or \$6 per gallon here at home. By contrast, a sensible approach toward Iran could quickly lower oil prices by \$20 per barrel.

Third: We must remember that prices of all things go up because of inflation. Inflation by definition is an increase in the money supply. The money supply is controlled by the Federal Reserve Bank, and responds to the deficits Congress creates. When deficits are excessive, as they are today, the Fed creates new dollars out of thin air to buy Treasury bills and keep interest rates artificially low. But when new money is created out of nothing, the money already in circulation loses value. Once this is recognized, prices rise-- some more rapidly than others. That's what we see today with the cost of energy.

Exploding deficits, due to runaway entitlement spending and the cost of dangerous militarism, create pressure for the Fed to inflate the money supply. This contributes greatly to the higher prices we all claim to oppose.

If we want to do something about gas prices, we should demand and vote for greatly reduced welfare and military spending, a balanced budget, and fewer regulations that interfere with the market development of alternative fuels. We also should demand a return to a sound commodity monetary system.

All subsidies and special benefits to energy companies should be ended. And in the meantime let's eliminate federal gas taxes at the pump.

Oil prices are at a level where consumers reduce consumption voluntarily. The market will work if we let it. But as great as the market economy is, it cannot overcome a foreign policy that is destined to disrupt oil supplies and threaten the world with an expanded and dangerous conflict in the Middle East.