

HON. RON PAUL OF TEXAS BEFORE THE US HOUSE OF REPRESENTATIVES November 20, 2004

Where To From Here? The election of 2004 is now history. It's time to ponder our next four years. Will our country become freer, richer, safer, and more peaceful, or will we continue to suffer from lost civil liberties, a stagnant economy, terrorist threats, and an expanding war in the Middle East and central Asia? Surely the significance of the election was reflected in its intensity and divisiveness. More people voted for President Bush than any other presidential candidate in our history. And because of the turnout, more people voted against an incumbent president than ever before. However, President Bush was reelected by the narrowest popular vote margin of any incumbent president since Woodrow Wilson in 1916. The numbers are important and measurable; the long-term results are less predictable. The president and many others have said these results give the President a "mandate." Exactly what that means and what it may lead to is of great importance to us all. Remember, the nation reelected a president in 1972 with a much bigger mandate who never got a chance to use his political capital. The bitter campaign and the intensity with which both sides engaged each other implies that a great divide existed between two competing candidates with sharply different philosophies. There were plenty of perceived differences-- obviously-- or a heated emotional contest wouldn't have materialized. The biggest difference involved their views on moral and family values. It was evident that the views regarding gay marriage and abortion held by Senator Kerry did not sit well with a majority of American voters, who were then motivated to let their views be known through their support for President Bush. This contributed to the "mandate" the President received more than any other issue. But it begs the question: If the mandate given was motivated by views held on moral values, does the President get carte blanche on all the other programs that are much less conservative? It appears the President and his neo-con advisors assume the answer is yes. Ironically, the reason the family and moral values issue played such a big role in the election is that on other big issues little difference existed between the two candidates.

Interesting enough, both candidates graduated from Yale and both were members of the controversial and highly secretive Skull and Bones Society. This fact elicited no interest with the media in the campaign.

Both candidates supported the Iraq War and the continuation of it. Both supported the Patriot Act and its controversial attack on personal privacy. Both supported the UN and the internationalism of UNESCO, IMF, World Bank, and the WTO. Both candidates agreed that a president can initiate war without a declaration by Congress. Both supported foreign interventionism in general, foreign aid, and pursuing American interests by maintaining a

worldwide American empire. Both supported our current monetary system, which permits the Federal Reserve to accommodate deficit spending by Congress through the dangerous process of debt monetization. Both supported expanding entitlements, including programs like the National Endowment for the Arts, medical benefits, and federal housing programs. Both candidates supported deficit financing. Both candidates supported increased spending in almost all categories.

Though President Bush was more favorably inclined to tax cuts, this in reality has limited value if spending continues to grow. All spending must be paid for by a tax, even if it's the inflation "tax," whereby printing press money pays the bills and the "tax" is paid through higher prices-- especially by the poor and the middle class.

The immediate market reaction to the reelection of President Bush was interesting. The stock market rose significantly, led by certain segments thought to benefit from a friendly Republican administration such as pharmaceuticals, HMO's, and the weapons industry. The Wall Street Journal summed up the election with a headline the following day: "Winner is Big Business." The stock market rally following the election likely will be short-lived, however, as the fundamentals underlying the bear market that started in 2000 are still in place.

More important was the reaction of the international exchange markets immediately following the election. The dollar took a dive and gold rose. This indicated that holders of the trillions of dollars slushing around the world interpreted the results to mean that even with conservatives in charge, unbridled spending will not decrease and will actually grow. They also expect the current account deficit and our national debt to increase. This means the economic consequence of continuing our risky fiscal and monetary policy is something Congress should be a lot more concerned about.

One Merrill Lynch money manager responded to the election by saying, "Bush getting reelected means a bigger deficit, a weaker dollar, and higher gold prices." Another broker added, "Four more years of Bush is a gift to the gold markets-- more war, more deficits, more division."

During the Bush administration gold surged 70%, as the dollar lost 30% of its value. A weakened currency is never beneficial, although it's argued that it helps our exporters. People who work to earn and save dollars should never have the value of those dollars undermined and diminished by capricious manipulation of the money supply by our government officials.

The value of the dollar is a much more important issue than most realize in Washington. Our current account deficit of 6% of GDP, and our total foreign indebtedness of over \$3 trillion, pose a threat to our standard of living. Unfortunately, when the crisis hits our leaders will have little ability to stem the tide of price inflation and higher interest rates that will usher in a dangerous period of economic weakness. Our dependency on foreign borrowing to finance our spendthrift habits is not sustainable. We borrow \$1.8 billion a day! The solution involves changing our policy with regards to foreign commitments, foreign wars, empire overseas, and the ever-growing entitlement system here at home. This change is highly unlikely without significant turmoil, and it certainly is not on the administration's agenda for the next four years. That's why the world is now betting against the dollar.

When the shift in sentiment comes regarding the U.S. dollar, dollars will come back home. They will be used to buy American assets, especially real property. In the late 1970s it annoyed many Americans when Japan, which was then in the driver's seat of the world economy, started "buying up America." This time a lot more dollars will be repatriated.

It's important to note that total future obligations of the United States government are estimated at well over \$70 trillion. These obligations obviously cannot be met. This indebtedness equates to an average household share of the national debt of \$474,000!

One cannot expect the needed changes to occur soon, considering that these options were not even considered or discussed in the campaign. But just because they weren't part of the campaign, and there was no disagreement between the two candidates on the major issues, doesn't distract from their significance nor disqualify these issues from being crucial in the years to come. My guess is that in the next four years little legislation will be offered dealing with family and moral issues. Foreign policy and domestic spending, along with the ballooning deficit, will be thrust into the forefront and will demand attention. The inability of our Congress and leaders to change direction, and their determination to pursue policies that require huge expenditures, will force a financial crisis upon us as the dollar is further challenged as the reserve currency of the world on international exchange markets.

There will be little resistance to spending and deficits because it will be claimed they are necessary to "fight terrorism." The irony is that Patriot Act-type regulations were all proposed before 9-11, and are now becoming a costly burden to American businesses. I'm getting more calls every day from constituents who are being harassed by government bureaucrats for "infractions" of all kinds totally unrelated to national security. This immeasurable cost from the stepped-up activity of government bureaucrats will further burden our economy as it slips toward recession-- and do little to enhance homeland security.

The only thing that allows our borrowing from foreigners to continue is the confidence they place in our economic system, our military might, and the dollar itself. This is all about to change. Confidence in us, with the continuous expansion of our military presence overseas and with a fiscal crisis starring us in the face, is already starting to erode. Besides, paper money-- and that's all the U.S. dollar is-- always fails when trust is lost. That's a fact of history, not someone's opinion. Be assured trust in paper money never lasts forever.

The problem the country faces is that social issues garnered intense interest and motivated many to vote both for and against the candidates, yet these issues are only a tiny fraction of the issues dealt with at the national level. And since the election has passed, the odds of new legislation dealing with social issues are slim. Getting a new Supreme Court that will overthrow *Roe vs. Wade* is a long shot despite the promises. Remember, we already have a Supreme Court where seven of the nine members were appointed by Republican presidents with little to show for it.

Though the recent election reflected the good instincts of many Americans concerned about moral values, abortion, and marriage, let's hope and pray this endorsement will not be used to justify more pre-emptive/unnecessary wars, expand welfare, ignore deficits, endorse the current monetary system, expand the domestic police state, and promote the American empire worldwide.

We're more likely to see entitlements and domestic spending continue to increase. There are zero plans for reigning in the Department of Education, government medical care, farm subsidies, or federal housing programs. Don't expect the National Endowment for the Arts to be challenged. One can be assured its budget will expand as it has for the last four years, with much of the tax money spent on "arts" ironically being used to attack family values.

Deficits never were much of a concern for Democrats, and the current Republican leadership has firmly accepted the supply-sider argument that "deficits don't matter," as Vice President Cheney declared according to Former Secretary of the Treasury Paul O'Neill.

Expenditures for foreign adventurism, as advocated by the neo-cons who direct our foreign policy, have received a shot in the arm with the recent election. Plans have been in the workings for expanding our presence throughout the Middle East and central Asia. Iran is the agreed-on next target for those who orchestrated the Iraq invasion and occupation.

A casual attitude has emerged regarding civil liberties. The post 9-11 atmosphere has made it politically correct to sacrifice some of our personal liberties in the name of security, as evidenced by the Patriot Act.

No serious thoughts are expressed in Washington about the constitutional principle of local government. The notion of a loose-knit republican form of government is no longer a consideration. The consensus is that the federal government has responsibility for solving all of our problems, and even amending the Constitution to gain proper authority is no longer thought necessary.

President Eisenhower, not exactly a champion of a strict interpretation of the Constitution, made some interesting comments years ago when approached about more welfare benefits for the needy: "If all that Americans want is security, they can go to prison. They'll have enough to eat, a bed and a roof over their heads. But if an American wants to preserve his dignity and his equality as a human being, he must not bow his neck to any dictatorial government." Our country sure could use a little bit more of this sentiment, as Congress rushes to pass new laws relating to the fear of another terrorist attack.

There are even more reasons to believe the current government status quo is unsustainable. As a nation dependent on the willingness of foreigners to loan us the money to finance our extravagance, we now are consuming 80% of the world's savings. Though the Fed does its part in supplying funds by purchasing Treasury debt, foreign central banks and investors have loaned us nearly twice what the Fed has, to the tune of \$1.3 trillion. The daily borrowing needed to support our spending habits cannot last. It can be argued that even the financing of the Iraq war cannot be accomplished without the willingness of countries like China and Japan to loan us the necessary funds. Any shift, even minor, in this sentiment will send chills through the world financial markets. It will not go unnoticed, and every American consumer will be affected.

The debt, both domestic and foreign, is difficult to comprehend. Our national debt is \$7.4 trillion, and this limit will be raised in the lame duck session. This plus our U.S. foreign debt breaks all records, and is a threat to sustained economic growth. The amazing thing is that deficits and increases in the debt limit no longer have a stigma attached to them. Some demagoguery takes place, but the limit is easily raised. With stronger partisan control over Congress, the president will have even less difficulty in raising the limit as necessary. It is now acceptable policy to spend excessively without worrying about debt limits. It may be a sign of the times, but the laws of economics cannot be repealed and eventually a price will be paid for this extravagance.

Few in Washington comprehend the nature of the crisis. But liberal Lawrence Summers, Clinton's Secretary of the Treasury and now president of Harvard, perceptively warns of the danger that is fast approaching. He talks of, "A kind of global balance of financial terror" that we should be concerned about. He goes on to say: "there is surely something off about the world's greatest power being the world's greatest debtor. In order to finance prevailing levels of consumption and investment, must the United States be as dependent as it is on the discretionary acts of what are inevitably political entities in other countries?" An economist from the American Enterprise Institute also expressed concern by saying that foreign central banks "now have considerable ability to disrupt U.S. financial markets by simply deciding to refrain from buying further U.S. government paper."

We must remember the Soviet system was not destroyed from without by military confrontation; it succumbed to the laws of economics that dictated communism a failure, and it was unable to finance its empire. Deficit-financed welfarism, corporatism, Keynesianism, inflationism, and Empire, American style, are no more economically sound than the more authoritarian approach of the Soviets. If one is concerned with the Red/Blue division in this country and the strong feelings that exist already, an economic crisis will make the conflict much more intense.

The Crucial Moral Issue-- Respect for Life

It has been said that a society is defined by how it treats its elderly, its infirm, its weak, its small, its defenseless, and its unborn. The moral issue surrounding abortion and the right to life is likely the most important issue of our age. It is imperative that we resolve the dilemma of why it's proper to financially reward an abortionist who acts one minute before birth, yet we arrest and prosecute a new mother who throws her child into a garbage bin one minute after birth. This moral dilemma, seldom considered, is the source of great friction in today's society as we witnessed in the recent election. This is a reflection of personal moral values and society's acceptance of abortion more than a reflection of a particular law or court ruling. In the 1960s,

as part of the new age of permissiveness, people's attitudes changed regarding abortion. This led to a change in the law as reflected in court rulings-- especially *Roe vs. Wade*. The people's moral standards changed first, followed by the laws. It was not the law or the Supreme Court that brought on the age of abortion.

I've wondered if our casual acceptance of the deaths inflicted on both sides in the Vietnam War, and its association with the drug culture that many used to blot out the tragic human losses, contributed to the cheapening of pre-born human life and the acceptance of abortion as a routine and acceptable practice. Though abortion is now an ingrained part of our society, the moral conflict over the issue continues to rage with no end in sight. The 1973 *Roe vs. Wade* ruling caused great harm in two distinct ways. First, it legalized abortion at any stage, establishing clearly that the Supreme Court and the government condoned the cheapening of human life. Second, it firmly placed this crucial issue in the hands of the federal courts and national government. *The federalization of abortion was endorsed even by those who opposed abortion.*

Instead of looking for state-by-state solutions and limiting federal court jurisdiction, those anxious to protect life came to rely on federal laws, eroding the constitutional process. The authors of the Constitution intended for criminal matters and acts of violence (except for a few rare exceptions) to be dealt with at the state level. Now, however, conservatives as well as liberals find it acceptable to nationalize issues such as abortion, marriage, prayer, and personal sexual matters-- with more federal legislation offered as the only solution. This trend of transferring power from the states to the federal government compounds our problems-- for when we lose, it affects all 50 states, and overriding Congress or the Supreme Court becomes far more difficult than dealing with a single state. The issue of moral values and the mandate that has been claimed after the election raises serious questions. The architects of the Iraq invasion claim a stamp of approval from the same people who voted for moral values by voting against abortion and gay marriage. The question must be asked whether or not the promotion of pre-emptive war and a foreign policy of intervention deserve the same acceptance as the pro-life position by those who supported moral values. The two seem incompatible: being pro-life yet pro-war, with a callous disregard for the innocent deaths of thousands. The minister who preaches this mixed message of protecting life for some while promoting death for others deserves close scrutiny. Too often the message from some of our national Christian leaders sounds hateful and decidedly un-Christian in tone. They preach the need for vengeance and war against a country that never attacked nor posed a threat to us. It's just as important to resolve this dilemma as the one involving the abortionist who is paid to kill the unborn while the mother is put in prison for killing her newborn. To argue the invasion and occupation of Iraq is pro-life and pro-moral values is too much of a stretch for thinking Americans, especially conservative Christians. One cannot know the true intention of the war promoters, but the policy and its disastrous results require our attention and criticism. Pre-emptive war, especially when based on erroneous assumptions, cannot be ignored-- nor can we ignore the cost in life and limb, the financial costs, and the lost liberties. Being more attuned to our Constitution and having a different understanding of morality would go a long way toward preventing unnecessary and dangerous wars. I'd like to make a few points about this different understanding:

First: The United States should never go to war without an express Declaration by Congress. If we had followed this crucial but long-forgotten rule the lives lost in Korea, Vietnam, the Persian Gulf, and Iraq might have been prevented. And instead of making us less secure, this process would make us more secure. Absent our foreign occupations and support for certain governments in the Middle East and central Asia over the past fifty years, the 9-11 attack would have been far less likely to happen.

Second: A defensive war is morally permissible and justified, even required. Just as a criminal who invades our house and threatens our family deserves to be shot on the spot, so too does a nation have the moral duty to defend against invasion or an imminent threat. For centuries the Christian definition of a just war has guided many nations in making this decision.

Third: The best test (a test the chicken hawks who promoted the war refused to take) for those who are so eager to send our troops to die in no-win wars is this: "Am I willing to go; am I willing to be shot; am I willing to die for this cause; am I willing to sacrifice my children and grandchildren for this effort?" The bottom line: Is this Iraq war worth the loss of more than 1200 dead Americans, and thousands of severe casualties, with no end in sight, likely lasting for years and motivating even more suicidal attacks on innocent Americans here at home?

Fourth

: Can we as a moral people continue to ignore the loss of innocent life on the other side? Can we as a nation accept the callousness of the war proponents regarding the estimated 100,000 Iraqi civilian deaths? Can we believe these deaths are a mere consequence of our worthy effort to impose our will on an alien culture? Is it really our duty to sacrifice so much to pursue a questionable policy of dictating to others what we think is best for them? Can these deaths be dismissed as nothing more than "collateral damage," and even applauded as proof of the professed progress we are making in our effort to democratize the Middle East? By ignoring the human costs of the conflict we invite problems, and the consequence of our actions will come back to haunt us.

Fifth

: Arguing that the war in Iraq is necessary for our national security is pure fiction; that it has something to do with the 9-11 attack or WMDs is nonsense. Our meddling in the Middle East and the rest of the world actually increases the odds of us being attacked again by suicidal guerrillas here at home. Tragically, this is something the neo-cons will never admit.

Sixth

: What kind of satisfaction can we achieve from the civil war we have instigated? A significant portion of the killing in Iraq now occurs amongst Iraqis themselves, at our urging. The country is in chaos, despite the assurances of our leaders. Even under the thug Saddam Hussein, Christians at least were protected by the government-- whereas today their churches are bombed and many are struggling to escape the violence by fleeing to Syria. There is no evidence that our efforts in the Middle East have promoted life and peace. Tragically, no one expects the death and destruction in Iraq to end anytime soon. To not be repulsed and outraged over our failed policy undermines our commitment to pro-life and moral values. Of course it's hard for many Americans to be outraged since so few know or even care about cities like Fallujah. The propaganda machine has achieved its goal of ignorance and denial for most of our citizens. Main Street America will rise up in indignation only after conditions in the Persian Gulf deteriorate further, many more American lives are lost, and the cost becomes obvious and prohibitive. It's sad, but only then will we consider changing our policy. The losses likely to occur between now and then will be tragic indeed. Though the election did not reflect a

desire for us to withdraw from Iraq, it will be a serious mistake for those who want to expand the war into Syria or Iran to claim the election results were an endorsement of the policy of pre-emptive war. Yet that's exactly what may happen if no one speaks out against our aggressive policy of foreign intervention and occupation. What can't be ignored is that our activities in the Middle East have stirred up Russian and Chinese animosity. Their concern for their own security may force us to confront much greater resistance than we have met so far in Afghanistan and Iraq. A Chinese news agency recently reported that the Chinese government made a \$70 billion investment commitment in Iran for the development of natural gas resources. This kind of investment by a neighbor of Iran will be of great significance if the neo-cons have their way and we drag Iran into the Afghanistan and Iraqi quagmire. The close alliance between Iranian Shias and their allies in Iraq makes a confrontation with Iran likely, as the neo-cons stoke the fire of war in the region. By failing to understand the history of the region and the nature of tribal culture, we have made victory virtually impossible. Tribal customs and religious beliefs that have existed for thousands of years instruct that family honor requires reciprocal killing for every member of the family killed by infidels/Americans. For each of the possible 100,000 Iraqis killed, there's a family that feels a moral obligation to get revenge by killing an American, any American if possible. Ronald Reagan learned this lesson the hard way in coming to understand attitudes in Lebanon. Reagan spoke boldly that he would not turn tail and run no matter how difficult the task when he sent Marines to support the Israeli/Christian side of the Lebanese civil war in 1983. But he changed his tune after 241 Marines were killed. He wrote about the incident in his autobiography: "Perhaps we didn't appreciate fully enough the depth of the hatred and complexity of the problems that made the Middle East such a jungle. Perhaps the idea of a suicide car bomber committing mass murder to gain instant entry to Paradise was so foreign to our own values and consciousness that it did not create in us the concern for the Marines' safety that it should have... In the weeks immediately after the bombing, I believed the last thing we should do was turn tail and leave... Yet, the irrationality of Middle Eastern politics forced us to re-think our policy there." Shortly thereafter Reagan withdrew the Marines from Lebanon, and no more Americans were killed in that fruitless venture. Too bad our current foreign policy experts don't understand the "irrationality of Middle Eastern politics". By leaving Lebanon, Reagan saved lives and proved our intervention in the Lebanese war was of no benefit to Lebanon or the United States. Reagan's willingness to admit error and withdraw from Lebanon was heroic, and proved to be life-saving. True to form, many neo-cons with their love of war exude contempt for Reagan's decision. To them force and violence are heroic, not reassessing a bad situation and changing policy accordingly. One of the great obstacles to our efforts in Iraq is pretending we're fighting a country. We wrongly expect occupation and "democratization" to solve our problems. The notion that the Iraq war is part of our retaliation for the 9-11 attacks is a serious error that must be corrected if we are to achieve peace and stability in the Middle East and security here at home. We must come to realize that we're fighting an ideology that is totally alien to us. Within that ideology the radical Islamists and the traditional tribal customs are in conflict with more moderate and secular Muslims. We're seen as intruding in this family feud, and thus serve the interests of the radicals as we provide evidence that they are under attack by Western crusaders. With each act of violence the hatred between the two is ratcheted upward, as fighting spreads throughout the entire Muslim world. Ironically, this fight over religious values and interpretations in the Middle East encourages a similar conflict here at home among Christians. The conservative Christian community too often sounds militantly pro-war. Too many have totally forgotten the admonition

“blessed are the peacemakers.” This contrasts with the views of some Christians, who find pre-emptive war decidedly un-Christian. Though civil, the two Christian views are being more hotly contested every day. A policy that uses the religious civil war within the Muslim faith as an excuse for remaking the entire Middle East by force makes little sense and will not end well. The more we fight and the more we kill the greater the animosity of those who want us out of their family feud-- and out of their countries. It's clear the Christian conservative turnout was critical to the President's re-election. Though many may well have voted for the family/moral values touted by the President and mishandled by Senator Kerry, most agree with the Christian Right that our policy of pre-emptive war in the Middle East is not in conflict with pro-family and pro-life values. This seems strange indeed, since a strong case can be made that the conservative Christian Right, those most interested in the pro-life issue, ought to be the strongest defenders of peace and reject unnecessary pre-emptive war. Here are a few reasons why conservatives ought to reject the current policy of pre-emptive war:

1. The Constitution is on the side of peace. Under the Constitution-- the law of the land-- only Congress can declare war. The president is prohibited from taking us to war on his own.
2. The Founders and all the early presidents argued the case for non-intervention overseas, with the precise goals of avoiding entangling alliances and not involving our people in foreign wars unrelated to our security.
3. The American tradition and sense of morality for almost all our history rejected the notion that we would ever deliberately start a war, even with noble intentions.
4. The Christian concept of just war rejects all the excuses given for marching off to Iraq with the intention of changing the whole region into a western-style democracy by force, with little regard for the cost in life and limb and the economic consequences here at home.
5. America faces a 7.5 trillion dollar national debt that is increasing by 600 billion dollars per year. Fiscal conservatives cannot dismiss this, even as they clamor for wars we cannot afford.
6. History shows the size of the state always grows when we're at war. Under conditions of war civil liberties are always sacrificed-- thus begging the point. We go hither and yon to spread our message of freedom, while sacrificing our freedoms here at home and eating away at the

wealth of the country.

7. Those who understand the most important function of our national government is to provide strong national defense should realize that having troops in over 100 countries hardly helps us protect America, secure our borders, or avoid alienating our allies and potential enemies.

8. The best way to prevent terrorism is to change our policies, stop playing crusader, and stop picking sides in religious civil wars or any other civil wars. “Blowback” from our policies is not imaginary.

9. Promoting true free trade and promoting prosperity through low taxes and less regulation sends a strong message to the world and those interested in peace and commerce.

10. A policy of free exchange with other nations avoids the trappings of the new isolationists, who influence our foreign policy with the generous use of sanctions, trade barriers, and competitive currency devaluations. They are only too willing to defer to the World Trade Organization and allow it to dictate our trade and tax policies.

Conservatives who profess to uphold the principle of right-to-life should have little trouble supporting the position of the Founders and the Constitution: a foreign policy of “peace and commerce with those who choose and no entangling alliances.”