

Congressman Ron Paul U.S. House of Representatives, Financial Services Committee July 17, 2002

Hard Questions for Federal Reserve Chairman Greenspan

Rep. Paul: "Welcome Chairman Greenspan. I've listened carefully to your testimony but I get the sense I may be listening to the Chairman of the Board of Central Economic planning rather than the chairman of a board that has been entrusted with protecting the value of the dollar.

"I have for quite a few years now expressed concern about the value of the dollar which I think we neglect here in the Congress, here in the committee and I do not think that the Federal Reserve has done a good job in protecting the value of the dollar. And it seems that maybe others are coming around to this viewpoint because I see that the head of the IMF this week, Mr. Koehler has expressed a concern and made a suggestion that all the central bankers of the world need to lay plans in the near future to possibly prop up the dollar. So others have this same concern.

"You have in your testimony expressed concern about the greed factor which obviously is there. And you implied that this has come out from the excessive capitalization/excessive valuations, which may be true. But I believe where you have come up short is in failing to explain why we have financial bubbles. I think when you have fiat money and excessive credit you create financial bubbles and you also undermine the value of the dollar and now we are facing that consequence. We see the disintegration of some of these markets. At the same time we have potential real depreciation of the value of our dollar. And we have pursued rampant inflation of the money supply. Since you have been Chairman of the Federal Reserve we have literally created \$4.7 trillion worth of new money in M-3. Even in this last year with this tremendous burst of inflation of the money supply has gone up since last January over \$1 trillion. You can't have anything but lower value of that unit of account if you keep printing and creating new money.

"Now I would like to bring us back to sound money. And I would like to quote an eminent economist by the name of Alan Greenspan who gives me some credibility on what I am interested in. A time ago you said, 'In the absence of the gold standard there is no way to protect savings from the confiscation through inflation. There is no safe store of value without gold. This is the shabby secret of the welfare statists' tirades against gold. Deficit spending is

simply a scheme for the hidden confiscation of wealth. Gold stands in the way of this insidious process that stands as a protector of property rights."

Congressman Paul then added that he strongly believed this statement by Greenspan taken from a 1966 article that was included in an article he had written titled, "Gold & Economic Freedom" was true. Congressman Paul continued,

"But gold has always had to be undermined if fiat money is to work and there has to be an illusion of trust for paper to work. And I think this has been happening for thousands of years. At one time the kings clipped coins. Then they debased the metals. Then we learned how to print money. Even as recently as the 1960's for us to perpetuate a myth about our monetary system, we dumped 2/3 of our gold, or 500 million ounces of gold at \$35 per ounce in order to try to convince people to trust the money. And even today, there is a fair amount of trading by central banks, the dumping of hundreds of tonnes of gold, loaning of gold for the sole purpose that this indicator of gold does not discredit the paper money and I think there is a definite concerted effort to do that.

"My questions are two fold relating to gold. One, I have been trying to desperately to find out the total amount of gold either dumped and sold on to the markets by all the central banks of the world or loaned by the central banks of the world. And this is in hundreds and hundreds of tons. But those figures are not available to me. Maybe you can help me find this. I think it would be important to know since all central banks still deal with and hold gold whether they are dumping, or loaning or buying for that matter.

"But along this line, I have a bill that would say that our government, our Treasury could not deal in gold and could not be involved in the gold market unless the Congress knows about it. Now that to me seems like such a reasonable approach and reasonable request. But they say they don't use it (gold) so we don't need the bill. But if they are not trading in gold, what would be the harm in the Congress knowing about handling and dealing about this asset, gold?"

Chairman Greenspan: "Well first of all, neither we nor the Treasury trade gold. And my impression is that were we to do so, we would announce it. It is certain the case that others do. There are data published monthly or quarterly which shows the reported gold holdings of central banks throughout the world, so you do know who holds what. The actual trading data, ah, I don't think is available though the London gold exchange does show what its volume numbers are. And periodically, individual central banks do indicate when they are planning to sell gold. But

they all report what they own. So it may well be the case that you can't find specific transactions. I think what you can find is the net result of those transactions and they are published. But so far as the United States is concerned, we don't do it."