

October 11, 2000

CONGRESS IGNORES ITS CONSTITUTIONAL RESPONSIBILITY REGARDING
MONETARY POLICY

Statement of HON. RON PAUL OF TEXAS

[Page: H9806 - H9807]

Mr. Speaker, at a frantic pace we anxiously rush to close down this Congress with excessive legislation while totally ignoring the all-important issue of monetary policy.

Congress has certainly reneged on its responsibility in this area. We continue to grant authority to a central bank that designs monetary policy in complete secrecy, inflating the currency at will, thus stealing value from the already existing currency through a dilution effect.

The Federal Reserve clings to the silly notion that economic growth causes inflation, thus trying to avoid the blame it deserves. The Federal Reserve then concludes that an economic slowdown is the solution to the problem it created. Those who argue to continue the inflationary process are equally in error. As if the economy were an airplane, the monetary authorities talk about a soft landing with the false hope of painlessly paying for the excesses enjoyed for a decade.

It should surprise no one that our financial markets are getting more volatile every day. Inflating a currency and causing artificially low interest rates always leads to malinvestment, overcapacity, excessive debt, speculation, and dangerous trade imbalances. We now live in a world awash in a sea of fiat currencies, with the dollar, the yen, and the Euro leading the way. The inevitable unwinding of the wild speculation, as reflected in the derivatives market, is now beginning.

And what do we do here in the Congress? We continue to ignore our constitutional responsibility to maintain a sound dollar. Our monetary policy of the last 10 years has produced the largest financial bubble in all of history, with the good times paid for by borrowing and an illusion of wealth created in a speculative stock market. Our current account deficit, now running over \$400 billion per year, and our \$1.5 trillion foreign debt, has been instrumental in financing our extravagance. Be assured, the piper will be paid. The markets are clearly reflecting the excesses of the 1990s.

Already we hear the pundits arguing over who is to be blamed if the markets crash or a recession hits. Some have given the current President credit for the good times we have enjoyed. If the crash comes before January, some will place the blame on him as well. If problems hit later, the next President will get the blame. But the truth is our Presidents deserve neither the credit for the good times nor the blame for the bad times.

The Federal Reserve, which maintains a monopoly control over the money supply, credit and interest rates, is indeed the culprit and should be held accountable. But the real responsibility falls on the Congress, for it is Congress' neglect that permits the central bank to debase the dollar at will.

Destroying the value of a currency is immoral and remains unconstitutional. It should be illegal. And only a responsible Congress can accomplish that.

In preparation for the time when we are forced to reform the monetary system, we must immediately begin to consider the problems that befall a nation that permits systematic currency depreciation as a tool to gain short-term economic benefits while ignoring the very dangerous long-term consequences to our liberty and prosperity.