

May 23, 2000

INTERNATIONAL TRADE

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Statement of HON. RON PAUL OF TEXAS

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Mr. PAUL. Mr. Speaker, this week there will be a lot of talk on the House floor about international trade. One side will talk about pseudo free trade, the other about fair trade. Unfortunately, true free trade will not be discussed.

Both sides generally agree to subsidies and international management of trade. The pseudo free trader will not challenge the WTO's authority to force us to change our tax, labor, and environmental laws to conform to WTO rules, nor will they object to the WTO authorizing economic sanctions on us if we are slow in following WTO's directives.

What is permitted is a low-level continuous trade war, not free trade. The current debate over Chinese trade status totally ignores a much bigger trade problem the world faces, an ocean of fluctuating fiat currencies.

For the past decade, with sharp adjustments in currency values such as occurred during the

Asian financial crisis, the dollar and the U.S. consumers benefitted. But these benefits will prove short-lived, since the unprecedented prosperity and consumption has been achieved with money that we borrow from abroad.

Our trade imbalances and our skyrocketing current account deficit once again hit a new record in March. Our distinction as the world's greatest debtor remains unchallenged. But that will all end when foreign holders of dollars become disenchanted with financing our grand prosperity at their expense. One day, foreign holders of our dollars will realize that our chief export has been our inflation.

The Federal Reserve believes that prosperity causes high prices and rising wages, thus causing it to declare war on a symptom of its own inflationary policy, deliberately forcing an economic slowdown, a sad and silly policy, indeed. The Fed also hopes that higher interest rates will curtail the burgeoning trade deficit and prevent the serious currency crisis that usually results from currency-induced trade imbalances. And of course, the Fed hopes to do all this without a recession or depression.

That is a dream. Not only is the dollar due for a downturn, the Chinese currency is, as well. When these adjustments occur and recession sets in, with rising prices in consumer and producer goods, there will be those who will argue that it happened because of, or the lack thereof, of low tariffs and free trade with China.

But instead, I suggest we look more carefully for the cause of the coming currency crisis. We should study the nature of all the world currencies and the mischief that fiat money causes, and resist the temptation to rely on the WTO, the IMF, the World Bank, pseudo free trade, to solve the problems that only serious currency reform can address.