

the price down. The same people who were advocating the free trade of textiles and cars and steel and everything else were the same people that were saying we cannot be free-trading pharmaceuticals.

The only direct link for that position is where are you getting your campaign contributions. If you are for free trade of textiles, you can raise a lot of money. If you are for protectionism for pharmaceuticals, you can raise a lot of money.

Which brings us to the issue of health care. There are 41 million uninsured in this country. Eighty-two percent of the 41 million are from working families, industrial unions, people who go to work and work hard every day. And on every contract that they try to negotiate is the issue of health care costs, premiums, copays, prescription drugs going up by 15 percent, skyrocketing. Premiums increased by 12.7 percent in 2002 compared with 0.8 percent in 1996.

Mr. Speaker, we are not going to win this battle with money. It is going to take us uniting together, like we did in the past century, voter by voter by voter, if we want a policy in this country that advocates for the poor, that advocates for the middle class and that tells the pharmaceutical companies that have been the most profitable industry in this country in the last 10 years, that you cannot get money from the government to begin your research and development, public money, and then stick it to the consumer on the back end with inflated drug prices.

We need the unions of this country, the steelworkers of this country to unite again in an energized effort to take this country back so it is not who has the money gets the proper legislation; it ends up with who got the votes gets what this country not only needs, but really deserves.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Oregon (Mr. DEFAZIO) is recognized for 5 minutes.

(Mr. DEFAZIO addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Michigan (Mr. MCCOTTER) is recognized for 5 minutes.

(Mr. MCCOTTER addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from California (Ms. LEE) is recognized for 5 minutes.

(Ms. LEE addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.)

PAPER MONEY AND TYRANNY

The SPEAKER pro tempore. Under the Speaker's announced policy of Jan-

uary 7, 2003, the gentleman from Texas (Mr. PAUL) is recognized for 60 minutes as the designee of the majority leader.

Mr. PAUL. Mr. Speaker, earlier we heard some concern expressed for jobs leaving this country. If one is concerned about that, maybe it would be advantageous to listen to what I say, because I will try to give an explanation for exactly the reason why those jobs leave.

My Special Order today is entitled "Paper Money and Tyranny."

Mr. Speaker, all great republics throughout history cherished sound money. This meant the monetary unit was a commodity of honest weight and purity. When money was sound, civilizations were found to be more prosperous and freedom thrived. The less free a society becomes, the greater the likelihood its money is being debased and the economic well-being of its citizens diminished.

Alan Greenspan, years before he became Federal Reserve Board Chairman in charge of flagrantly debasing the U.S. dollar, wrote about this connection between sound money, prosperity and freedom.

In his article "Gold and Economic Freedom" in 1966, Mr. Greenspan starts by saying, "An almost hysterical antagonism toward the gold standard is an issue that unites status of all persuasions. They seem to sense that gold and economic freedom are inseparable."

Further he states that under the gold standard, "a free banking system stands as the protector of an economy's stability and balanced growth."

Astoundingly, Mr. Greenspan's analysis of the 1929 market crash and how the Fed precipitated the crisis directly parallels current conditions we are experiencing under his management of the Fed. Greenspan explains, "The excess credit which the Fed pumped into the economy spilled over into the stock market, triggering a fantastic speculative boom, and by 1929 the speculative imbalances had become overwhelming and unmanageable by the Fed."

Greenspan concluded his article by stating, "In the absence of the gold standard, there is no way to protect savings from confiscation through inflation." He explains that the "shabby secret of the proponents of big government and paper money is that deficit spending is simply nothing more than a scheme for the hidden confiscation of wealth."

Yet here we are today with a purely fiat monetary system managed almost exclusively by Mr. Greenspan who once so correctly denounced the Fed's role in the Depression while recognizing the need for sound money.

The founders of this country and a large majority of the American people up until the 1930s disdained paper money, respected commodity money and disapproved of the Central Bank's monopoly control of money creation and interest rates. Ironically, it was the abuse of the gold standard, the

Fed's credit-creating habits of the 1920s and its subsequent mischief in the 1930s, that not only gave us the Great Depression, but also prolonged it. Yet sound money was blamed for all the suffering. That is why people hardly objected when Roosevelt and his status friends confiscated gold and radically debased the currency, ushering in the age of worldwide fiat currencies with which the international community struggles today.

If honest money and freedom are inseparable, as Mr. Greenspan argues, and paper money leads to tyranny, one must wonder why it is so popular with the economists, the business community, bankers and our government officials. The simplest explanation is that it is a human trait to always seek the comforts of wealth with the least amount of effort.

This desire is quite positive when it inspires hard work and innovation in a capitalist society. Productivity is improved and the standard of living goes up for everyone. This process has permitted the poorest in today's capitalist countries to enjoy luxuries never available to the royalty of old. But this human trait of seeking wealth and comfort with the least amount of effort is often abused. It leads some to believe that by certain monetary manipulations, wealth can be made more available to everyone.

Those who believe in fiat money often believe wealth can be created without a commensurate amount of hard work and innovation. They also come to believe that savings and market control of interest rates are not only unnecessary, but actually hinder a productive, growing economy.

Concern for liberty is replaced by the illusion that material benefits can be more easily obtained with fiat money than through hard work and ingenuity. The perceived benefits soon become of greater concern for society than the preservation of liberty.

This does not mean proponents of fiat money embark on a crusade to promote tyranny, though that is what it leads to, but rather they hope that they have found the "philosopher's stone" and a modern alternative to the challenge of turning lead into gold.

Our founders thoroughly understood this issue and warned us against the temptation to seek wealth and fortune without the work and savings that real prosperity requires. James Madison warned of "the pestilent effects of paper money," as the founders had vivid memories the destructiveness of the continental dollar.

George Mason of Virginia said that he had a "mortal hatred of paper money."

Constitutional Convention delegate Oliver Elsworth from Connecticut thought the convention "a favorable moment to shut and bar the door against paper money."

This view of the evils of paper money was shared by almost all of the delegates to the convention and was the

reason the Constitution limited congressional authority to deal with the issue and mandate that only gold and silver could be legal tender. Paper money was prohibited, and no central bank was authorized.

Over and above the economic reasons for honest money, however, Madison argued the moral case for such. Paper money, he explained, destroyed "the necessary confidence between man and man and necessary confidence in public councils on the industry and morals of people and on the character of republican government."

The founders were well aware of the Biblical admonitions against dishonest weights and measures, debased silver and watered-down wine. The issue of sound money throughout history has been as much a moral issue as an economic or political one.

Even with this history and great concern expressed by the founders, the barriers to paper money have been torn asunder. The Constitution has not been changed, but it is no longer applied to the issue of money.

It was once explained to me during the debate over going to war in Iraq that a declaration of war was not needed because to ask for such a declaration was frivolous and that the portion of the Constitution dealing with congressional war power was anachronistic.

So, too, it seems that the power over money given to Congress alone and limited to coinage and honest weights is now also anachronistic. If indeed our generation can make the case for paper money issued by an unauthorized central bank, it behoves us to at least have enough respect for the Constitution to amend it in a proper fashion.

□ 1600

Ignoring the Constitution in order to perform a pernicious act is detrimental in two ways. First, debasing the currency as a deliberate policy is economically destructive beyond measure. Second, doing it without consideration for the rule of law undermines the entire fabric of our constitutional republic.

Though the need for sound money is currently not a pressing issue for Congress, it is something that cannot be ignored because serious economic problems resulting from our paper money system are being forced upon us. As a matter of fact, we deal with the consequences on a daily basis, yet fail to see the connection between our economic problems and the mischief orchestrated by the Federal Reserve.

All the great religions teach honesty in money, and the economic shortcomings of paper money were well known when the Constitution was written. So we must try to understand why an entire generation of Americans have come to accept paper money without hesitation, without question.

Most Americans are oblivious to the entire issue of the nature and importance of money. Many in authority, however, have either been misled by

false notions or see that the power to create money is indeed a power they enjoy as they promote their agenda of welfarism at home and empire abroad.

Money is a moral, economic and political issue. Since the monetary unit measures every economic transaction from wages to prices, taxes and interest rates, it is vitally important that its value is honestly established in the marketplace without bankers, government politicians, or the Federal Reserve manipulating its value to serve the special interest.

The moral issue regarding money should be the easiest to understand, but almost no one in Washington thinks of money in these terms. Although there is a growing and deserved distrust in government per se, trust in money and the Federal Reserve's ability to manage it remain strong. No one would welcome a counterfeiter to town, yet this same authority is blindly given to the central bank without any serious oversight by the Congress.

When the government can replicate the monetary unit at will, without regard to cost, whether it is a paper currency or a computer entry, it is morally identical to the counterfeiter who illegally prints currency. Both ways it is fraud. A fiat monetary system allows power and influence to fall into the hands of those who control the creation of new money and to those who get to use the credit or money early in its circulation. The insidious and eventual costs falls on unidentified victims who are usually oblivious to the cause of their plight.

This system of legalized plunder allows one group to benefit at the expense of another. An actual transfer of wealth goes from the poor and middle class to those in privileged financial position.

In many societies, the middle class has actually been wiped out by monetary inflation, which always accompanies fiat money. The high cost of living and loss of jobs hits one segment of society, while in the early stages of inflation the business class actually benefits from the easy credit. An astute stock investor or home builder can make millions in the boom phase of the business cycle, while the poor and those dependent on fixed incomes cannot keep up with the rising cost of living.

Fiat money is also immoral because it allows government to finance special interest legislation that otherwise would have to be paid for by direct taxation or by productive enterprise. This transfer of wealth occurs without directly taking the money out of someone's pocket. Every dollar created dilutes the value of existing dollars in circulation. Those individuals who worked hard, paid their taxes, and saved some money for a rainy day are hit the hardest with their dollars being depreciated in value while earning interest that is kept artificially low by the Federal Reserve's easy credit system.

The easy credit helps investors and consumers who have no qualms about going into debt and even declaring bankruptcy. If someone sees the welfare state and foreign militarism as improper and immoral, one understands how the license to print money permits these policies to go forward far more easily than if they had to be paid for immediately by direct taxation. Printing money, which is literally inflation, is nothing more than a sinister and evil form of hidden taxation. It is unfair and deceptive, and, accordingly, strongly opposed by the authors of the Constitution. That is why there is no authority for Congress, the Federal Reserve, or the executive branch to operate the current system of money we have today.

Although the money issued today is of little practical interest to the parties and the politicians, it should not be ignored. Policymakers must contend with the consequence of the business cycle which result from the fiat monetary system under which we operate. They may not understand the connection now but eventually they must. In the past, money and gold have been dominant issues in several major political campaigns. We find that when the people have had a voice in the matter, they inevitably choose gold over paper. To the common man it just makes sense. As a matter of fact, a large number of Americans, perhaps a majority, still believe our dollar is backed by gold at Fort Knox.

The monetary issue, along with the desire to have free trade among the States, prompted those at the Constitutional Convention to seek solutions to problems that plagued the post-revolutionary war economy. The postwar recession was greatly aggravated by the collapse of the unsound fiat continental dollar. The people, through their representatives, spoke loudly and clearly for gold and silver over paper.

Andrew Jackson, a strong proponent of gold and opponent of central banking, he opposed the second bank in the United States, was a hero to the working class and was twice elected President. This issue was fully debated in his Presidential campaigns. The people voted for gold over paper.

In the 1870s, the people once again spoke out clearly against the greenback inflation of Lincoln. Notoriously, governments go to paper money while rejecting gold to promote unpopular and unaffordable wars. The return to gold in 1879 went smoothly and was welcomed by the people, putting behind them the disastrous Civil War inflationary period.

Grover Cleveland, elected twice to the Presidency, was also a strong advocate of the gold standard. Again in the Presidential race of 1896, William McKinley argued the case for gold. In spite of the great orations by William Jennings Bryant who supported monetary inflation and made a mocking cross-of-gold speech, the people rallied

behind McKinley's bland but correct argument for sound money.

The 20th century was much less sympathetic to gold. Since 1913, central banking has been accepted in the United States without much debate, despite the many economic and political horrors caused by or worsened by the Federal Reserve since its establishment. The ups and downs of the economy have all come as a consequence of Fed policies, from the Great Depression to the horrendous stagflation of the 1970s, as well as the current ongoing economic crisis.

A central bank in fiat money enables government to maintain an easy war policy that under strict monetary rules would not be achievable. In other words, countries with sound monetary policies would rarely go to war because they could not afford to, especially if they were not attacked. The people could not be taxed enough to support wars without destroying the economy. But by printing money, the costs can be delayed and hidden, sometimes for years if not decades. To be truly opposed to preemptive and unnecessary wars, one must advocate sound money to prevent the promoters of war from financing their imperialism.

Look at how the military budget is exploding, deficits are exploding, and tax revenues are going down. No problem. The Fed is there and will print whatever is needed to meet our military commitments, whether it is wise to do so or not.

Money issues should indeed be a gigantic political issue. Fiat money hurts the economy, finances war, and allows for excessive welfarism. When these connections are realized and understood, it will once again become a major political issue, since paper money never lasts. Ultimately, politicians will not have a choice over whether or not to address or take a position on the money issue. The people and circumstances will demand it.

We do hear some talk about monetary policy and criticism directed toward the Federal Reserve, but it falls far short of what I am talking about. Big spending welfarists constantly complain about Fed policy, usually demanding lower interest rates even when rates are at historic lows. Big government conservatives promote grand worldwide military operations while arguing that deficits do not matter as long as marginal tax rates are lowered and also constantly criticize the Fed for high interest rates and lack of liquidity. Coming from both the left and the right, these demands would not occur if money could not be created out of thin air at will. Both sides are asking for the same thing from the Fed, for different reasons. They want the printing presses to run faster and create more credit so that the economy will be healed like magic, or so they believe.

This is not the kind of interest in the Fed that we need. I am anticipating that we should, and one day will, be

forced to deal with the definition of the dollar and what money should consist of. The current superficial discussion about money merely shows a desire to tinker with the current system in hopes of improving the deteriorating economy. There will be a point, though, when the tinkering will no longer be of any benefit, and even the best advice will be of little value.

We have just gone through a 2½ year period of tinkering with 13 interest rate cuts and recovery has not yet been achieved. It is just possible that we are much closer than anyone realizes to that day when it will become absolutely necessary to deal with the monetary issue both philosophically and strategically and forget about the Band-Aid approach to the current system.

For a time, the economic consequences of paper money may seem benign and even helpful but are always disruptive to economic growth and prosperity. Economic planners of the Keynesian socialist types have always relished control over money creation in their effort to regulate and plan the economy. They have no qualms with using their power to pursue their egalitarian dreams of wealth redistribution. That force and fraud are used to make the economic system supposedly fairer is of little concern to them.

There are also many conservatives who do not endorse central economic planning as those on the left do, but nevertheless concede this authority to the Federal Reserve to manipulate the economy through monetary policy. Only a small group of constitutionalists, libertarians, and Austrian free market economists reject the notion that central planning through interest rate and money supply manipulation is a productive endeavor. Many sincere politicians, bureaucrats, and bankers endorse the current system, not out of malice or greed but because it is the only system they have ever heard of.

The principles of sound money and free market banking are not taught in our universities anymore. The overwhelming consensus in Washington as well as around the world is that commodity money without a central bank is no longer practical or necessary. Be assured, though, that certain individuals who greatly benefit from a paper money system know exactly why the restraints that a commodity standard would have are unacceptable.

Though the economic consequences of paper money in the early stage affect lower-income and middle-class citizens, history shows that when the destruction of monetary value becomes rampant, nearly everyone suffers and the economic structure becomes unstable.

There is good reason for all of us to be concerned about our monetary system and the future of the dollar. Nations that live beyond their means must always pay for their extravagance. It is easy to understand why future generations inherit a burden when

the national debt piles up. This requires others to pay the interest and debts when they come due. The victims are never the recipients of the borrowed funds.

But this is not exactly what happens when a country pays off its debt. The debt in nominal terms always goes up. And since it is still accepted by mainstream economists that just borrowing endlessly is not the road to permanent prosperity, real debt must be reduced. Depreciating the value of the dollar does that. If the dollar loses 10 percent of its value, the national debt of \$6.5 trillion is reduced in real terms by \$650 billion.

□ 1615

That is a pretty neat trick and quite helpful to the government. That is why the Fed screams about a coming deflation, so it can continue the devaluation of the dollar unabated. The politicians do not mind, the bankers welcome the business activity, and the recipients of the funds passed out by Congress never complain. The greater the debt, the greater the need to inflate the currency since the debt cannot be the source of long-term wealth. Individuals and corporations who borrow too much eventually must cut back and pay off their debt and start anew, but governments never do.

Where is the hitch? This process which seems to be a creative way of paying off debt eventually undermines the capital structure of the economy, thus making it difficult to produce wealth, and that is when the whole process comes to an end. This system causes many economic problems, but most of them stem from the Fed's interference with the market rate of interest that it achieves through credit creation and printing money.

Nearly 100 years ago, Austrian economist Ludwig Von Mises explained and predicted the failure of socialism. Without a pricing mechanism, the delicate balance between consumers and producers would be destroyed. Freely fluctuating prices provide vital information to the entrepreneur who is making key decisions on production. Without this accurate information, major mistakes are made. A central planning bureaucrat cannot be a substitute for the law of supply and demand.

Though generally accepted by most modern economists and politicians, there is little hesitancy in accepting the omnipotent wisdom of the Federal Reserve to know the price of money and the interest rate and its proper supply. For decades, and especially during the 1990s when Chairman Greenspan was held in such high esteem and no one dared question his judgment or the wisdom of the system, this process was allowed to run unimpeded by political or market restraints. Just as we must eventually pay for our perpetual deficits, continuous manipulation of interest and credit will also extract a payment.

Artificially low interest rates deceive investors into believing that rates are low because savings are high and represent funds not spent on consumption. When the Fed creates bank deposits out of thin air, making loans available at below-market rates now, investment and overcapacity results, setting the stage for the next recession or depression.

The easy credit policy is welcomed by many stock market investors, home builders, home buyers, congressional spendthrifts, bankers and many consumers who enjoy borrowing at low rates and not worrying about repayment. However, perpetual good times cannot come from a printing press or easy credit created by a Federal Reserve computer. The piper will demand payment and the downturn in the business cycle will see to it. The downturn is locked into place by the artificial boom that everyone enjoys, despite the dreams that we have ushered in a "new economic era."

Let there be no doubt, the business cycle, the stagflation, the recessions, the depressions and the inflations are not a result of capitalism and sound money but rather are a direct result of paper money and a central bank that is incapable of managing it.

Our current monetary system makes it tempting for all parties, individuals, corporations and government to go into debt. It encourages consumption over investment and production. Incentives to save are diminished by the Fed's making new credit available to everyone and keeping interest rates on savings so low that few find it advisable to save for a rainy day. This is made worse by taxing interest earned on savings. It plays havoc with those who do save and want to live off their interest. The artificial rates may be 4 or 5 or even 6 percent below the market rate and the savers, many of whom are elderly and on fixed incomes, suffer unfairly at the hands of Alan Greenspan who believes that resorting to money creation will solve our problems and give us perpetual prosperity.

Lowering interest rates at times, especially in the early stages of monetary debasement, will produce the desired effect and stimulate another boom-bust cycle, but eventually the distortions and imbalances between consumption and production and excessive debt prevent the monetary stimulus from doing very much to boost the economy. Just look at what has been happening to Japan for the last 12 years. When conditions get bad enough, the only recourse will be to have major monetary reform to restore confidence in the system.

The two conditions that result from fiat money that are more likely to concern the people are inflation of prices and unemployment. Unfortunately, few realize these problems are directly related to our monetary system. Instead of demanding reforms, the chorus from both the right and the left is for the Fed to do more of the same, only fast-

er. If our problems stem from easy credit and interest rate manipulation by the Fed, demanding more will not do much to help. Sadly, it will only make our problems worse.

Ironically, the more successful the money managers are at restoring growth or prolonging the boom with their monetary machinations, the greater are the distortions and imbalances in the economy. This means that when corrections are eventually forced upon us, they are much more painful and more people suffer with the correction lasting longer.

Today's economic conditions reflect a fiat monetary system held together by many tricks and luck over the past 30 years. The world has been awash in paper money since removal of the last vestige of the gold standard by Richard Nixon when he buried the Bretton Woods agreement, the gold exchange standard, on August 15, 1971. Since then, we have been on a worldwide paper dollar standard. Quite possibly we are seeing the beginning of the end of that system. If so, tough times are ahead for the United States and the world economy.

A paper monetary standard means there are no restraints on the printing press or on Federal deficits. In 1971, M3 was \$776 billion. Today, it stands at \$8.9 trillion, an 1100 percent increase. Our national debt in 1971 was \$408 billion. Today it stands at \$6.8 trillion, a 1600 percent increase.

Since that time, our dollar has lost almost 80 percent of its purchasing power. Common sense tells us that this process is not sustainable and something has to give. So far, no one in Washington seems interested.

Although dollar creation is ultimately the key to its value, many other factors play a part in its perceived value, such as the strength of our economy, our political stability, our military power, the benefits of the dollar being the key reserve currency of the world and the relative weakness of other nations' economies and their currencies. For these reasons, the dollar has enjoyed a special place in the world economy. Increases in productivity have also helped to bestow undeserved trust in our currency with consumer prices being held in check and fooling the people at the urging of the Fed that inflation is not a problem.

Trust is an important factor in how the dollar is perceived. Sound money encourages trust, but trust can come from these other sources as well. But when that trust is lost, which always occurs with paper money, the delayed adjustments can hit with a vengeance.

Following the breakdown of the Bretton Woods agreement, the world essentially accepted the dollar as a replacement for gold, to be held in reserve upon which even more monetary expansion could occur. It was a great arrangement that up until now seemed to make everyone happy.

We own the printing press and create as many dollars as we please. These

dollars are used to buy Federal debt. This allows our debt to be monetized and the spendthrift Congress, of course, finds this a delightful convenience and never complains. As the dollars circulate through our fractional banking system, they expand many times over. With our excess dollars at home, our trading partners are only too happy to accept these dollars in order to sell us their product. Because our dollar is relatively strong compared to other currencies, we can buy foreign products at a discounted price. In other words, we get to create the world's reserve currency at no cost, spend it overseas and receive manufactured goods in return. Our excess dollars go abroad and other countries, especially Japan and China, are only too happy to loan them right back to us by buying our government and GSE debt. Up until now, both sides have been happy with this arrangement.

But all good things must come to an end, and this arrangement is ending. This process puts us into a position of being a huge debtor nation, with our current account deficit of more than \$600 billion a year now exceeding 5 percent of our GDP. We now owe foreigners more than any other nation ever owed in history, over \$3 trillion.

A debt of this sort always ends by the currency of the debtor nation decreasing in value, and that is what has started to happen with the dollar.

Although it has still a long way to go, our free lunch cannot last. Printing money, buying foreign products and selling foreign holders of dollars our debt ends when the foreign holders of this debt become concerned about the value of the dollar.

Once this process starts, interest rates will rise, and in recent weeks, despite the frenetic effort of the Fed to keep interest rates low, they are actually rising. The official explanation is that this is due to an economic rebound with an increase in demands for loans. Yet a decrease in demand for our debt in reluctance to hold our dollars is a more likely cause. Only time will tell whether the economy rebounds to any significant degree, but one must be aware that rising interest rates and serious price inflation can also reflect a weak dollar and a weak economy.

The stagflation of the 1970s baffled many conventional economists but not the Austrian economists. Many other countries have in the past have suffered from the extremes of inflation in an inflationary depression, and we are not immune from that happening here. Our monetary and fiscal policies are actually conducive to such a scenario.

In the short run, the current system gives us a free ride. Our paper buys cheap foods from overseas, and foreigners risk all by financing our extravagance. But in the long run, we will surely pay for living beyond our means. Debt will be paid for one way or another. An inflated currency always

comes back to haunt those who enjoyed the benefits of inflation. Although this process is extremely dangerous, many economists and politicians do not see it as a currency problem and are only too willing to find a villain to attack. Surprisingly, the villain is often the foreigner who foolishly takes our paper for useful goods and accommodates us by loaning the proceeds back to us.

It is true that the system encourages exportation of jobs as we buy more and more foreign goods, but nobody understands the Fed's role in this. So the cries go out to punish the competition with tariffs. Protectionism is a predictable consequence of paper money inflation, just as is the impoverishment of the entire middle class. It should surprise no one that even in the boom phase of the 1990s, there were still many people who became poorer. Yet all we hear are calls for more government mischief to correct the problems with tariffs, increased welfare for the poor, increased unemployment benefits, deficit spending, and special interest tax reduction, none of which can solve the problems ingrained in a system that operates with paper money and a central bank.

If inflation were equitable and treated all classes the same, it would be less socially divisive, but while some see their incomes going up above the rate of inflation like movie stars, CEOs, stock brokers, speculators, professional athletes, others see their income stagnate like lower-middle-income workers, retired people and farmers. Likewise, the rise in the cost of living hurts the poor and middle class more than the wealthy. Because inflation treats certain groups unfairly, anger and envy are directed towards those who have benefited.

The long-term philosophic problem with this is that the central bank and fiat monetary system are never blamed. Instead, free market capitalism is. This is what happened in the 1930s. The Keynesians, who grew to dominate economic thinking at that time, erroneously blamed the gold standard, balanced budget and capitalism, instead of tax increases, tariffs and Fed policy. This country cannot afford another attack on economic liberty, similar to what followed the 1929 crash that ushered in the economic interventionism and inflationism with which we have been saddled with ever since.

These policies have brought us to the brink of another colossal economic downturn, and we need to be prepared. Big business and banking deserve our harsh criticism, but not because they are big or because they are rich. Our criticism should come because of the special benefits they receive from a monetary system designed to assist the business class at the expense of the working class.

□ 1630

Labor leader Samuel Gompers understood this and feared paper money and

a central bank while arguing the case for gold.

Since the monetary system is used to finance deficits that come from war expenditures, the military industrial complex, as one would expect, is a strong supporter of the current monetary system. Liberals foolishly believe that they can control the process and curtail the benefits going to corporations and banks by increasing spending for the welfare of the poor, but this never happens. Powerful financial special interests control the government spending process and throw only crumbs to the poor.

The fallacy with this approach is that the advocates fail to see the harm done to the poor with cost-of-living increases and job losses that are a natural consequence of monetary debasement. Therefore, even more liberal control over the spending process can never compensate for the great harm done to the economy and the poor by the Federal Reserve's effort to manage an unmanageable fiat monetary system.

Economic intervention financed by inflation is high-stakes government. It provides the incentive for the big money to invest in gaining government control. The big money comes from those who have it, corporation and banking interests. That is why literally billions of dollars are spent on elections and lobbying. The only way to restore equity is to change the primary function of government from economic planning and militarism to protecting liberty. Without money, the poor and the middle class are disenfranchised, since access, for the most part, requires money.

Obviously, this is not a partisan issue since both major parties are controlled by wealthy special interests. Only the rhetoric is different. Our current economic problems are directly related to the monetary excesses of 3 decades and the more recent efforts by the Federal Reserve to thwart the correction that the market is forcing upon us.

Since 1998, there has been a sustained attack on corporate profits. Before that, profits and earnings were inflated and fictitious, with WorldCom and Enron being prime examples. In spite of the 13 rate cuts since 2001, economic growth has not been restored. Paper money encourages speculation, excessive debts and misdirected investments. The market, however, always moves in the direction of eliminating bad investments, liquidating debt, and reducing speculative excesses.

What we have seen, especially since the stock market peak of early 2000, is a knockdown-drag-out battle between the Fed's effort to avoid a recession, limit the recession, and stimulate growth with its only tool, money creation, while the market demands the elimination of bad investments and excessive debt.

The Fed was also motivated to save the stock market from collapsing, which in some ways they have been

able to do. The market, in contrast, will insist on liquidation of unsustainable debt, removal of investment mistakes made over several decades, and a dramatic reevaluation of the stock market. In this go-round, the Fed has pulled out all stops and is more determined than ever, yet the market is saying that new and healthy growth cannot occur until a major cleansing of the system occurs.

Does anyone think that tariffs and interest rates of 1 percent will encourage the rebuilding of our steel and textile industries anytime soon? Obviously, something more is needed. The world central bankers are concerned with the lack of response to low interest rates, and they have joined in a concerted effort to rescue the world's economy through a policy of protecting the dollar's role in the world economy, denying that inflation exists and justifying unlimited expansion of the dollar money supply.

To maintain confidence in the dollar, gold prices must be held in check. In the 1960s, our government did not want a vote of no confidence in the dollar, and for a couple of decades the price of gold was artificially held at \$35 an ounce. That of course did not last. In recent years there has been a coordinated effort by the world central bankers to keep the price of gold in check by dumping part of their large hoard of gold into the market. This has worked to a degree, but just as it could not be sustained in the 1960s, until Nixon declared the Bretton Woods agreement dead in 1971, this effort will fail as well.

The market price of gold is important because it reflects the ultimate confidence in the dollar. An artificially low price for gold contributes to false confidence. And when this is lost, more chaos ensues as the market adjusts for the delay.

Monetary policy today is designed to demonetize gold and guarantee for the first time that paper can serve as an adequate substitute in the hands of wise central bankers.

Trust, then, has to be transferred from gold to the politicians and bureaucrats who are in charge of our monetary system. This fails to recognize the obvious reason that market participants throughout history have always preferred to deal with real assets, real money rather than government paper.

This contest between paper and honest money is of much greater significance than many realize. We should know the outcome of this struggle within the next decade. Alan Greenspan, although once a strong advocate for the gold standard, now believes he knows what the outcome of this battle will be. Is it just wishful thinking on his part? In answer to a question I asked him before the Committee on Financial Services in February of this year, Mr. Greenspan made an effort to convince me that paper money now works as well as gold when he responded, "I have been quite surprised,

and I must say pleased, by the fact that central banks have been able to effectively simulate many of the characteristics of the gold standard by constraining the degree of finance in a manner which effectively brought down the general price levels."

Earlier, in December 2002, Mr. Greenspan spoke before the Economic Club of New York and addressed the same subject: "The record of the past 20 years appears to underscore the observation that although pressures for excessive issuance of fiat money are chronic, a prudent monetary policy maintained over a protracted period of time can contain the forces of inflation."

There are several problems with this optimistic assessment. First, efficient central bankers will never replace the invisible hand of a commodity monetary standard. Second, using government price indices to measure the success of a managed fiat currency should not be reassuring. These indices can be arbitrarily altered to imply a successful monetary policy. Also, price increases of consumer goods are not a litmus test for measuring the harm done by the money managers at the Fed. The development of overcapacity, excessive debt, and speculation still occur, even when prices happen to remain reasonably stable due to increases in productivity and technology.

Chairman Greenspan makes his argument because he hopes he is right that sound money is no longer necessary and also because it is an excuse to keep the inflation of the money supply going for as long as possible, hoping a miracle will restore sound growth to the economy. But that is only a dream. We are now faced with an economy that is far from robust and may get a lot worse before rebounding.

If not now, the time will soon come when the conventional wisdom of the last 90 years since the Fed was created will have to be challenged. If the conditions have changed and the routine of fiscal and monetary stimulation do not work, we better prepare ourselves for the aftermath of a failed dollar system, which will not be limited to the United States.

An interesting headline appeared in The New York Times on July 31: "Commodity Costs Soar But Factories Don't Bustle." What is observed here is a sea change in attitude by investors, shifting their investments, funds and speculation into things of real value and out of financial areas such as stocks and bonds. This shift shows that in spite of the most aggressive Fed policy in history in the past 3 years, the economy remains sluggish and interest rates are actually rising.

What can the Feds do? If this trend continues, there is very little they can do. Not only do I believe this trend will continue; I believe it is likely to accelerate. This policy plays havoc with our economy, reduces revenues, prompts increases in Federal spending, increases in deficits and debt occur, and interest costs rise compounding our budgetary woes.

The set of circumstances we face today is unique and quite different from all the other recessions the Federal Reserve has had to deal with. Generally, interest rates are raised to slow the economy and dampen price inflation. At the bottom of the cycle, interest rates are lowered to stimulate the economy. But this time around the recession came in spite of a huge significant interest rate reduction by the Fed. This aggressive policy did not prevent the recession, as was hoped. So far it has not produced the desired recovery. Now we are at the bottom of the cycle and interest rates not only cannot be lowered, they are rising.

This is a unique and dangerous combination of events. This set of circumstances can only occur with fiat money and indicates that further manipulation of the money supply and interest rates by the Fed will have little effect at all. The odds are not very good that the Fed will adopt a policy of not inflating the money supply because of some very painful consequences that would occur.

Also, there would be a need to remove the pressure on the Fed to accommodate the big spenders in Congress. Since there are essentially only two groups that have any influence on spending levels, Big Government liberals and Big Government conservatives, that is not about to happen. Poverty is going to worsen due to our monetary and fiscal policies, so spending on the war on poverty will accelerate. Our obsession with policing the world, nation-building, and preemptive war are not likely to soon go away since both Republican and Democrat leaders endorse them. Instead, the cost of defending the American empire is going to accelerate.

A country that is getting poorer cannot pay these bills with higher taxation, nor can they find enough excess funds for the people to loan to the government. The only recourse is for the Federal Reserve to accommodate and monetize the Federal debt. And that, of course, is inflation.

It is now admitted that the deficit is out of control, with next year's deficit reaching over \$1 trillion, not counting the billions borrowed from the trust funds, like Social Security. I am sticking to my prediction that within a few years the national debt will increase over \$1 trillion in one fiscal year.

So far so good. No big market reactions, the dollar is holding its own, and the administration and congressional leaders are not alarmed. But they ought to be.

I agree it would be politically tough to bite the bullet and deal with our extravagance, both fiscal and monetary, but the repercussions here at home from a loss of confidence in the dollar throughout the world will not be a pretty sight to behold. I do not see any way we are going to avoid the crisis.

We do have some options to minimize the suffering. If we decided to, we could permit some alternatives to the cur-

rent system of money and banking we have today. Already we took a major step in this direction. Gold was illegal to own between 1933 and 1976. Today, millions of Americans do own gold. Gold contracts are legal, but a settlement of any dispute is always in Federal Reserve notes. This makes gold contracts of limited value. For gold to be an alternative to Federal Reserve notes, taxes on any transaction in gold must be removed, both sales and capital gains. Holding gold should be permitted in any pension fund, just as dollars are permitted in a collecting account of these funds.

Important point. Repeal of all legal tender laws is a must. Sound money never requires the force of legal tender laws. Only paper money requires such laws.

These proposals, even if put in place tomorrow, would not solve the problems we face. It would, though, legalize freedom of choice in money. And many who worry about having their savings wiped out by a depreciating dollar would at least have another option. This option would ease some of the difficulties that are surely to come from run-away deficits in a weakened economy with skyrocketing inflation.

Curbing the scope of government and limiting its size to that prescribed in the Constitution is the goal that we should seek, but political reality makes this option available to us only after a national bankruptcy has occurred. We need not face that catastrophe. What we need is to strictly limit the power of government to meddle in our economy and our personal affairs and stay out of the internal affairs of other nations.

It is no coincidence that during the period following the establishment of the Federal Reserve and the elimination of the gold standard a huge growth in the size of the Federal Government and its debt occurred. Believers in Big Government, whether or not on the left or right, vociferously reject the constraints on government growth that gold demands.

Liberty is virtually impossible to protect when the people allow their governments to print money at will. Inevitably, the left will demand more economic interventionism, the right more militarism and empire building. Both sides, either inadvertently or deliberately will foster corporatism, those whose greatest interest in liberty and self-reliance are lost in the shuffle. Those left and right have different goals and serve different special interest groups are only too willing to compromise and support each other's programs.

If unchecked, the economic and political chaos that comes from currency destruction inevitably leads to tyranny, a consequence of which the founders were very much aware. For 90 years we have lived with the Central Bank, with the last 32 years absent of any restraint on money creation. The longer the process lasts, the faster the

printing presses have to run in an effort to maintain stability. They are currently running at record rates.

It was predictable and is understandable that our national debt is now expanding at a record rate. The panicky effort of the Fed to stimulate economic growth does produce what is considered favorable economic reports, recently citing a second quarter growth this year at 3.1 percent. But in the footnotes we find that military spending, almost all of which went overseas, was up an astounding 46 percent.

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This, of course, represents deficit spending financed by the Federal Reserve's printing press, in the same quarter, after tax corporate profits fell 3.4 percent. This is hardly a reassuring report on the health of our economy, and merely reflects the bankruptcy of our current economic policy.

Real economic growth will not return until confidence in the entire system is restored. That is impossible as long as it depends on the politicians not spending too much money and the Federal Reserve limiting its propensity to inflate our way to prosperity. Only sound money and limited government can do that.

PRAYER IN AMERICA

The SPEAKER pro tempore (Mr. CARTER). Under the Speaker's announced policy of January 7, 2003, the gentleman from Maryland (Mr. BARTLETT) is recognized for 60 minutes.

Mr. BARTLETT of Maryland. Mr. Speaker, this morning we began our session here with a prayer. That was a prayer to a God. We did the Pledge of Allegiance to the flag, and in that Pledge of Allegiance we recognized that this was a Nation under God. And inscribed in marble above your chair, Mr. Speaker, are the words "In God We Trust."

Now, while we opened our session with prayer today and recognized God in our Pledge of Allegiance to the flag and recognized there is a God in that inscription in marble above your chair, at the same time we have removed the Ten Commandments that that God wrote from a courthouse in Alabama.

Mr. Speaker, we appear to be a Nation conflicted. We pray in this House. Just at the other end of this Capitol, every day the Senate is opened with prayer. I understand the Supreme Court prays to open their session, and in many public events we have a prayer. In most athletic events there is a prayer before the event. Our military has chaplains of just about every religion. But in our society the only place where prayer is conspicuously absent is our schools, another reflection, Mr. Speaker, of the confliction of our society.

To understand how we got here and how we can open our session with prayer and recognize in our Pledge of Allegiance that this Nation is under God

and have that inscription above your chair "In God We Trust," and still to remove the Ten Commandments under court order from a courthouse in Alabama, I think we need to go back and review who we are and how we got here.

Mr. Speaker, freedom is not free. Five of the 55 signers of our Declaration of Independence were captured and executed by the British. Nine of them died on the battlefields of the Revolutionary War, and another dozen lost their homes, possessions and fortunes to British occupation.

Today, much of what our Founding Fathers fought and died for is at risk of being lost. The major reason for that is that there are three big lies that are about in the land today, and for the next few minutes I want to look back at our history to refute these three lies that I think are the basis for the conflicts in our society which allows us to pray to a God here, recognize him in our Pledge of Allegiance, and is inscribed above your desk, and still to remove the Ten Commandments from the courthouse. These three big lies are that our Founding Fathers were largely atheists and deists, that they wanted to establish a nonChristian Nation, and in that first amendment they sought to erect a big wall of separation between church and State.

This history, of course, begins in 1776 with the Declaration of Independence. In that Declaration of Independence was a radical departure from the norms of the time. We read those words, or recite those words if we have memorized them, and they do not have the same meaning to us as they had to them because we did not come out of the milieu from which they came. Today, of course, our citizens are children of immigrants from every part of the world, but our Founding Fathers came largely from the British Isles and the European Continent. Thinking back to the history at that time, essentially all of those countries were ruled by a king or emperor who incredibly, from our perspective, claimed and was granted divine rights. What that meant was that the rights came from God to the king, and the king or emperor would then give what rights he wished to his people.

Now, in our Declaration of Independence we broke with that, because we said all men are created equal. Notice the reference to a God, a Creator, in that Declaration of Independence, that all men are created equal. That was a startling statement to make because in the countries from which they came, all people were not created equal. They made a break from that and said that all men are created equal and endowed by their Creator with certain inalienable rights. Among these are life, liberty, and the pursuit of happiness.

Now, 11 years later, and it took 11 years for the promise of the Declaration of Independence to meet the fulfillment of the Constitution, the Constitution was written. In that Constitu-

tion they sought to put down in very plain words the fundamental principles that they espoused in the Declaration of Independence, that all men are created equal, that the fundamental rights belong to the people, and they belong to the people because they were given to the people by God. Our Constitution does not give us any rights. Those rights were given to us by our God. The best that our Constitution can do is to say we are not going to permit another person to take those rights away from us.

But the ink was hardly dry on the Constitution before they wondered if people would really understand that they meant that the fundamental rights, most of the rights belonged to the people, and so they wrote 12 amendments that started through the process of two-thirds of the House and two-thirds of the Senate, and then three-fourths of the State legislatures. Ten of them made it through that process, and we call those the Bill of Rights. If Members look through the first through the tenth, in many of them, the rights of the people are specifically mentioned; but where the rights of the people are not mentioned in those words, it is clearly the rights of the people that are being protected by these amendments.

Now how did we go from a government, a Constitution that was created by God-fearing people who recognized God in their Declaration of Independence and who sought in their Constitution and those first 10 amendments, to make sure that those God-given rights were never taken from us, how did we come to a society so conflicted as we are today? I think it is because of the three great lies that are about in our country today: that our Founding Fathers were atheists and deists, that they sought to establish a nonChristian Nation, and they wanted to erect a big wall of separation between church and State.

What I want to do now for the next few minutes is to go back into our history and let our Founding Fathers speak for themselves.

Let us see what the courts said. We will take a brief look at some things which the Congress did and said, and then we will look at our schools and what they were at the beginning of our country.

We can look all we want in the Declaration of Independence and the Constitution for those words, a wall of separation between church and State or separation between church and State. Those words do not appear in either the Declaration of Independence or in our Constitution. And so we looked in constitutions to see where we could find those words, and we do find them. We find them in the Constitution of the United Soviet Socialist Republic, article 124. It says there, "In order to ensure citizens' freedom of conscience, the church in the USSR is separated from the state and the schools from the church."