

last thing central banks, or the politicians who need a backup for all their spending mischief, want is for the government to lose its power for creating money out of thin air, which serves political and privileged financial interests.

When the people are forced to think only about rising prices, government-doctored price indexes can dampen concerns for inflation. Blame then can be laid at the doorstep of corporate profiteers, price gougers, labor unions, oil sheiks, or greedy doctors. But it is never placed at the feet of the highly paid athletes or entertainers. It would be economically incorrect to do so, but it is political correctness that does not allow some groups to be vilified.

Much else related to artificially low interest rates goes unnoticed. An overpriced stock market, overcapacity in certain industries, excesses in real estate markets, artificially high bond prices, general mal-investments, excessive debt and speculation all result from the generous and artificial credit the Federal Reserve pumps into the financial system. These distortions are every bit, if not more, harmful than rising prices. As the economy soars from the stimulus effect of low interest rates, growth and distortions compound themselves. In a slump, the reverse is true and the pain and suffering is magnified as the adjustment back to reality occurs.

The extra credit in the 1990s has found its way especially into the housing market like never before. Government Sponsored Enterprises, in particular Freddie Mac and Fannie Mae, have gobbled up huge sums to finance a booming housing market. GSE securities enjoy implicit government guarantees that have allowed for a generous discount on most housing loans. They have also been the vehicles used by consumers to refinance and borrow against their home equity to use these funds for other purposes, such as investment in the stock market. This has further undermined savings by using the equity that builds with price inflation that homeowners enjoy when money is debased.

In addition, the Federal Reserve now buys and holds GSE securities as collateral in their monetary operations. These securities are then literally used as collateral for printing Federal Reserve notes. This is a dangerous precedent.

If monetary inflation merely raised prices and all prices and labor costs moved up at the same rate and it did not cause disequilibrium in the market, it would be of little consequence. But inflation is far more than rising prices. Creating money out of thin air is morally equivalent to counterfeiting. It is fraud and theft, because it steals purchasing power from the savers and those on fixed incomes. That in itself should compel all nations to pro-

hibit it, as did the authors of our Constitution.

Inflation is socially disruptive in that the management of fiat money, as all today's currencies are, causes great hardships. Unemployment is a direct consequence of the constantly recurring recessions. Persistent rising costs impoverish many as the standard of living of unfortunate groups erodes. Because the pain and suffering that comes from monetary debasement is never evenly distributed, certain segments of society actually benefit.

In the 1990s, Wall Streeters thrived while some low-income, non-welfare, non-homeowners suffered with rising costs for fuel, rent, repairs, and medical care. Generally, one should expect the middle class to suffer and to literally be wiped out in severe inflation. When this happens, as it did in many countries throughout the 20th century, social and political conflicts become paramount when finger-pointing becomes commonplace by those who suffer, looking for scapegoats. Almost always, the hostility is inaccurately directed.

There is a greater threat from the monetary mischief than just the economic harm it does. The threat to liberty resulting when economic strife hits and finger-pointing increases should concern us most. We should never be complacent about monetary policy.

We must reassess the responsibility Congress has in maintaining a sound monetary system. In the 19th century, the constitutionality of a central bank was questioned and challenged. Not until 1913 were the advocates of a strong federalist system able to foist a powerful central bank on us, while destroying the gold standard. This banking system, which now serves as the financial arm of Congress, has chosen to pursue massive welfare spending and a foreign policy that has caused us to be at war for much of the 20th century.

Without the central bank creating money out of thin air, our welfare state and worldwide imperialism would have been impossible to finance. Attempts at economic fine-tuning by monetary authorities would have been impossible without a powerful central bank. Propping up the stock market as it falters would be impossible as well.

But the day will come when we will have no choice but to question the current system. Yes, the Fed does help to finance the welfare state. Yes, the Fed does come to the rescue when funds are needed to fight wars and for us to pay the cost of maintaining our empire. Yes, the Fed is able to stimulate the economy and help create what appears to be good times. But it is all built on an illusion. Wealth cannot come from a printing press. Empires crumble and a price is eventually paid for arrogance toward others. And booms inevitably turn into busts.

Talk of a new era these past 5 years has had many believing, including Greenspan, that this time it really would be different. And it may indeed be different this time. The correction could be an especially big one, since the Fed-driven distortion of the past 10 years, plus the lingering distortion of the past decades, have been massive. The correction could be made big enough to challenge all of our institutions, the entire welfare state, Social Security, foreign intervention, and our national defense.

This will only happen if the dollar is knocked off its pedestal. No one knows if that is going to happen sooner or later. But when it does, our constitutional system of government will be challenged to the core.

Ultimately, the solution will require a recommitment to the principles of liberty, including a belief in sound money, when money once again will be something of value rather than pieces of paper or mere blips from a Federal Reserve computer. In spite of the grand technological revolution, we are still having trouble with a few simple, basic tasks: counting votes, keeping the lights on, or even understanding the sinister nature of paper money.

Mr. Speaker, I will continue this special order tomorrow.

GENERAL LEAVE

Mr. PAUL. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on the subject of the special order by the gentleman from Indiana (Mr. PENCE) today.

The SPEAKER pro tempore (Mr. SIMPSON). Is there objection to the request of the gentleman from Texas?

There was no objection.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. CALVERT (at the request of Mr. ARMEY) for today on account of official business.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. ABERCROMBIE) to revise and extend their remarks and include extraneous material:)

Mr. BROWN of Ohio, for 5 minutes, today.

Mr. DAVIS of Illinois, for 5 minutes, today.

Mr. UNDERWOOD, for 5 minutes, today.

Mrs. MINK of Hawaii, for 5 minutes, today.