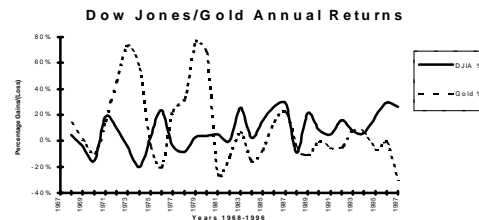




# Gold

## & Technology Stocks



Volume 19 No. 5

(Since 1981 - Formerly J Taylor's Gold & Gold Stocks)

May 11, 2000

## Congressman Ron Paul, M.D.

### In Defense of our "Unalienable Rights"

One February 17, 2000, one of the most profound moments in the history of the House Banking Committee was recorded. Yet it received absolutely no attention from the major financial news networks.

In his questioning of Alan Greenspan at the Humphrey-Hawkins hearings, Congressman Paul complained that the U.S. dollar money supply as measured by M-3 had, over the last three years, been far above the growth rates targeted by the Fed. He then said that if he, a physician, practiced medicine as inaccurately as that, his patients would die! Chairman Greenspan responded to this concern by explaining that it has become increasingly difficult in recent years to define what money in fact is. Therefore, Mr. Greenspan implied that it is no longer relevant for the Fed to attempt to keep M-3 growth within targeted ranges. The profound moment that I speak of occurred at the end of the dialog between Congressman Paul and Chairman Greenspan as follows:



Congressman Ron Paul, M.D.

**Congressman Paul :** "So its hard to manage something you can't define?"

**Chairman Greenspan:** "It is not possible to manage something you cannot define"

So there you have it! Alan Greenspan, who is in charge of managing the nation's money supply and, to a great extent, the global money supply, said it is not possible for him to do the job he has been appointed to do. How remarkable! The

revelation that the U.S. dollar has no legal definition is in my view as newsworthy as anything that has taken place in the U.S. Congress, including the Clinton impeachment hearings. This is extremely important because

with a global currency being used that has no definition, we have no choice but to face monetary and economic anarchy. Indeed this anarchy is now being evidenced by increasingly volatile domestic and international financial markets, irrational pricing and mal-investment that threatens the social, moral and economic fiber of our nation. Indeed, the irrational nature of our markets has now caused two of the greatest and most successful investors of all time to throw in the towel. To them, there is no rhyme or reason to the markets, so they are selling out their investments and holding cash, a strategy that this newsletter has to a great extent advised at the start of this year.

Given that no society can remain free in an environment where money is not defined and is created out of thin air by a privileged few, it is unfathomable that the high-priced talking heads on the major news networks could let this exchange between Congressman Paul and Fed Chairman Alan Greenspan go without at least commenting on it. The very survival of our democratic form of government depends on sound money. The Chairman's admission that he cannot define, much less manage, the U.S. money supply should have shocked the establishment press which has an implicit obligation to educate Americans so they can make informed and wise decisions as citizens. Yet virtually no one among the establishment press found Greenspan's admission that he cannot define money to be shocking or even newsworthy. But then, following the Clinton scandals, what does shock Americans these days?

One thing that is certain to alarm Americans will be plunging stock prices. We saw how important the bull market in stocks was in saving President Clinton during the impeachment hearings. The increasing volatility of our markets and the unwillingness of two genius investors to any longer participate in the markets may be sending us Americans a wake up call. The big question in my mind is that after the stock market bubble bursts, causing enormous economic hardships, will a proper analysis of the causes of the resulting crisis take place? Will policy makers

understand that the creation of money out of nothing over the past few years is the root cause of what is bound to be a calamity for ordinary people? Or might they scapegoat it and blame some ethnic group such as the Jews, or gold bugs, or foreign nations when they finally dump "dollars" upon recognizing that these tokens are worth little more than the paper they are written upon.

Few if any members of Congress understand the risks to the American freedom that stem from unsound money better than Congressman Ron Paul. Many consider him to be the nation's leading spokesman for liberty, sound money, free market economics and constitutional government. For more than twenty years, Congressman Ron Paul, M.D. has been one of my heroes because he has stood up for the personal freedoms of Americans, including unborn babies.

If the Founding Fathers had been aware of the recent and ongoing actions of the Clinton Administration, they would, as the saying goes, "turn over in their graves." But champions of personal liberty like Thomas Jefferson would be completely at peace with the actions of Congressman Ron Paul, who demonstrates his love of country by fighting to keep our government on the path set out for us by our Founding Fathers. These men were willing to die for a cause higher than themselves, namely the unalienable rights of man granted to us by our Creator. Whether Ron Paul would be willing to pay the ultimate price to ensure that liberty continues to live in America is thankfully a question neither he nor any of us are required to answer, at least not yet. But one thing is clear to this writer: Dr. Paul is far more willing than most of his colleagues to place personal conviction and the good of his country ahead of personal ambition. Being a man of principle, Ron Paul is often at odds not only with the Democratic party but with his own party because he will not compromise his beliefs for the sake of political power. To me, that uncompromising spirit makes Congressman Paul a hero, as does his understanding and willingness to talk about the link between freedom and gold.

I am absolutely thrilled to be able to publish my interview with Congressman Paul who on May 3, 2000 spent nearly 40 minutes with me before rushing off to cast a vote on the floor of the House of Representatives. I hope you enjoy the interview with this very special lawmaker and

physician. I also hope you will support him in his efforts to defend the rights of American citizens written into the U.S. *Constitution*. I would also encourage you to follow Dr. Paul's Congressional activities, via his web site at [www.House.Gov/paul](http://www.House.Gov/paul).

**Taylor:** Congressman Paul, I want to thank you for sharing your valuable time with the readers of *J Taylor's Gold & Technology Stocks* newsletter. I must say that it is a thrill for me to have the opportunity to speak with you because you have been one of my personal heroes since the earliest years of your service in Congress. I most admire your strong stand for personal liberty and freedom as outlined by our Founding Fathers in the *Constitution*. I fear we are very rapidly losing those freedoms, especially in light of the unwillingness of our legislative branch to check the excesses of President Clinton. I believe we need more men of courage who put their country ahead of personal ambition, as I believe you have done. I say that because you have dared to stand up for what you believe even though that has not enamored you with your own party. So I am really excited about being able to have you share your unique and insightful views with our readers, most of whom also care deeply about the threats to our freedom that we now face on many different fronts.

Congressman, you represent the 14th District of Texas in the U.S. Congress. I believe that is right out side of Houston, is that correct?

**Congressman Paul:** The 14th District starts right outside of Houston. It extends west almost to Austin and then south almost to Corpus Christi. It is mostly rural and it covers some twenty-two counties.

**Taylor:** What are some prominent industries? Are there any large corporations in your district that would be familiar names to our readers? How does the district rank in terms of income with the country as a whole?

**Congressman Paul:** The district is mostly rural though I live in the most urban portion. The largest company in the district is Dow Chemical.

Union Carbide also has a plant there as does another company named Formosa. Along the coast there are a lot of petrochemical industries. Of course we have a lot of ranching, rice farming and corn. We also have a fishing industry along the coast. Although I see it as prosperous and independent, we have a lot of people who have a hard time making it. I frequently will make the point that in Washington they look at the stock market and assume everyone is doing very well and are very wealthy. But there are many people who, given their cash flows, have a difficult time paying their bills, paying for education and other essentials. They realize in a very real way that there is still an inflation in the prices they pay and that is hurting them greatly.

**Taylor:** Well there has been a huge reallocation of income over the past ten years or so from the people who actually generate wealth (e.g., workers and entrepreneurs) to the banking industry, which, under our fiat monetary system, has the privilege of engaging in a legalized counterfeiting operation called fractional reserve lending. Perhaps we will have a little time to talk about that later.

I would love to ask you a host of questions in many areas dealing with social issues and matters of freedom. But, since my newsletter's focus is mostly on investing and economics, I must keep my questions mostly related to those topics. But before I get started I would like our readers to know that before you ran for Congress, you became a physician. I believe you are an obstetrician, is that right?

**Congressman Paul:** Yes. I started my obstetrics practice in the Texas area there in 1968. I was raised in the North (Pittsburgh, P.A.) but went to Texas originally in the early 1960's in the U.S. Air Force as a flight surgeon, and then I chose to

stay in Texas. Then, off and on, I mixed politics with medicine while delivering approximately 4,000 babies.

**Taylor:** Did you spend time in the Vietnam theater?

**Congressman Paul:** I was an Air Force Flight surgeon on active duty from about 1963. One personal experience I had that really made me start to think about the war was that I was doing many physicals on Army warrant officers who were seeking to become helicopter pilots. I don't know if you remember, but in the early years of the Vietnam War many of our helicopters were shot down. That made me think seriously about my role in the Vietnam fiasco. In one way I was not directly participating, but indirectly I was. As the years have gone by, I have become much more fascinated with foreign policy as a result of that experience and it has played a role in leading me to totally reject our insane foreign policy which causes us to get involved in places like Vietnam.

**Taylor:** Are you involved in any committees that deal with foreign policy where your views would have a larger impact?

**Congressman Paul:** I requested to be on the International Relations Committee. This is a committee that is not as highly sought after as some others like the Budget or Ways & Means committees. I was initially told that I would not have a problem gaining an appointment to that committee. But then at the last minute, I was turned down by Republican leadership. They said they really didn't want me on that committee because they figured I would vote against all foreign aid because they knew I didn't believe in any of it. So instead they put me on the Education and Workforce Committee. That is a good committee too because the fight there is a significant one to try to maintain individual rights for parents to educate children at home or in private schools as they see fit.

**Taylor:** What prompted you to run for Congress after surviving the grueling task of going through and passing medical school and serving in the Air Force? It's a very unusual career path.

**Congressman Paul:** My desire to become involved in politics was stimulated by an introduction to Austrian school economic thought. I imagine the book that influenced me in the early days was Hayek's *Road to Serfdom*. And that led me to read about everything Ayn Rand wrote and nearly everything Ludwig von Mises wrote. And then meeting and getting to know very well Hans F. Senholz and Murray Rothbard really got me fascinated with studying economics.

I'm sure you recall the 1970's during the Nixon era when wage and price controls were implemented and when the gold window was closed. It was on August 15, 1971, when the gold window was closed, that it dawned on me that all that I was reading by the Austrian economists really was true. The problems the Austrians predicted for us were coming true in the 1960's. They correctly predicted that our monetary system would break down, and that alarmed me. We were in turmoil especially politically and economically in 1974, which was the first year I ran for public office. The reason I ran was to talk about economics, which I found fascinating. I think, from the very first campaign I ever ran in 1974, my literature has talked about sound money and the gold standard, and I continue to talk about it although there has been a lot that has happened since that time.

**Taylor:** I would say that you are pretty much a lone voice when it comes to these views. Would you agree?

**Congressman Paul:** Pretty much so. But I think there is smoldering support there. There are those who might be supportive if they ever thought gold would come alive. But because the dollar price of gold has not reflected some of our serious problems, they have not seen the need to support my monetary views. But I see ourselves living in a time somewhat like the 1960's when gold was artificially held at \$35 per ounce and there was suddenly an explosion and a serious dollar problem. And I think the 1990's are somewhat like that. So only a few of us who study it and understand the long-term effects of fiat money pay much attention to it. But others will become more interested as our current problems unfold.

**Taylor:** I think that is right. The only concern I have is whether the policy makers in Washington will place the blame for our boom and bust where it belongs, namely on our fiat monetary system and the enormous debt that inevitably results from this system. Or will our politicians look for scapegoats like Jews, or political dissidents or foreign countries who suddenly dump dollars as they realize the greenback is in fact little more than a piece of paper, worth very little compared to what it is currently perceived to be worth.

Changing topics if I may, I didn't realize until I read over your biography that is posted on your web site ([www.House.Gov/paul](http://www.House.Gov/paul)) that you had written at least two books. Their titles are *Challenge to Liberty* and *The Case for Gold*. Unfortunately I have never read these books, so I am wondering if you could provide our readers with a quick summary of the ideas contained in those two books. Also, since our readers would no doubt be interested in the content of these books, can you tell them how they may obtain copies, assuming they are still in print?

**Congressman Paul:** *Challenge to Liberty* is a small booklet I wrote about abortion from a libertarian point of view. *The Case for Gold* was a book that was an outcome from the Gold Commission of which I was a member and which was formed as a result of the efforts of Jesse Helms and me. The commission was formed to study the role of gold in the monetary system in the early 1980's. There were only two of us on the commission who were pro-gold. Fifteen members were opposed because they were members of the Federal Reserve & Treasury. Lew Lehrman and myself were the only pro-gold members of the commission. We authored a dissenting view, which then was made into *The Case For Gold*.

**Taylor:** And are these booklets or books available to people if they would like to obtain them?

**Congressman Paul:** It's a shame. The Cato Institute published *The Case for Gold*. Recently I have had calls for the book because people who stay fascinated with this issue wanted copies.

And I called them and they don't have any more and no one plans to publish it again. Actually, it is available so anyone can reproduce that because the dissenting views were placed into government's records. Someday I may reprint it through one of my foundations.

**Taylor:** Well, I would certainly like to read both *The Case for Gold* and *Challenge to Liberty*. Perhaps they would be available in used books stores or the Internet.

One of the committees in Congress that you serve on is the House Banking Committee. So you frequently have the opportunity to ask questions of Alan Greenspan, whom many people believe is the most influential man not only in the U.S. economy but in the global economy.

The global financial markets and our own equity markets have recently been displaying extreme volatility. Whether the Clinton administration and their Wall Street friends care to characterize it this way or not, increased volatility means increased risk for investors. In fact, in recent days, some of the most successful investors during the last two or three decades, namely George Soros and Julian Robertson have said these markets are even too volatile for them. I think both of them have said something to the effect that these markets no longer make any sense. Would you care to comment about the current levels of risk in our equities markets? What do you think is underlying these risks? What if anything can the policy makers in Washington do about it?

**Congressman Paul:** I don't think people should be surprised. I think many of us have anticipated the volatility because this is what one would expect from a monetary system like the one we have. We don't have sound money. We don't have commodity money. We have money that is created out of thin air. And from an Austrian viewpoint this inevitably leads to over-investment, over-capacity, speculation, excessive debt and mal-distribution of wealth. So it is a natural consequence. I guess the only thing that has surprised many of us is that it has gone on for so long. And if you look at how some of

these curves have been rising exponentially, especially the NASDAQ, it is probably amazing that it has been kept together for so long.

One reason why I believe this has gone on so long is because of a subjective element that is not measurable. We can measure real value and we anticipate certain events but what we can't measure are the subjective valuations. The breakdown of the Soviet Union has probably added a tremendous element of subjective valuation to our markets because, since 1989, when the Soviet system collapsed, the perception has been that the U.S. is invincible economically and militarily. So there has been a tremendous trust placed in our economic system as well as in our dollar. This has contributed to the perpetuation of the financial bubble much longer than normal. And although this has produced great times for a large number of people, it has also set the stage for a tremendous correction. In fact, we may now be in the early stages of this correction.

**Taylor:** It is true that for the time being, the whole world seems to trust in the U.S. dollar, which has meant that we can print as many of these things as we want. Foreigners are willing to accept our paper in exchange for manufactured goods and services, and, because they believe in our financial markets and our economy, they simply recycle these trade dollars back into our financial markets. But I view this as a game of musical chairs. As long as the music continues to play (i.e., as long as foreigners recycle dollars earned from our tremendous trade deficit—now about \$1 billion per day), the game can continue. But should the Japanese and Chinese and our other trading partners finally reach the conclusion that they have enough dollars, the music will stop, perhaps as it did during the late 1960's when the French and Germans decided they had their fill of the U.S. dollar. Then I suspect the game will be over. But in the mean-time, we go on with an "eat drink and be merry" attitude. The party has certainly gone on much longer than I ever expected it to.

**Congressman Paul:** Yes, and it provides a chance for us to live beyond our means because

we print these dollars, we create the credit. We don't have to save money. Foreigners are willing to take our dollars. The only true reflection of this that many sound economists, Austrian school or not, are recognizing is that the current account deficit is so big that someday we will have to pay. Because if they know anything about monetary history, they know these current account deficits can't last forever. So there will be an attack on the dollar. There will be a shift and interest rates will go up. We will have enough inflation that even the government will admit to it.

Of course from a free market viewpoint, we have a lot of inflation if you look at the money supply, at the inflated prices for financial instruments, if you look at the cost of certain things like housing and medical care and education. As an interesting aside on this, one of my kids three or four years ago bought a house. Recently he chose to upgrade into a larger home. So in just three years, with this very modest house he made \$30,000. So, I said, this is fantastic. But then the government continues to say there is no inflation. Of course they fudge the CPI numbers and they don't even look at the cost of buying a house. They use another calculation that brings the increase in cost of housing down to something like 3% per year. But when I ask people in my district if they think there is no inflation, they think that's a joke. They simply don't believe what the Alan Greenspans of the world are telling us.

**Taylor:** Right, and many of these people in your district, and I suppose in the districts of most every member in Congress, have incomes that are probably not even keeping up with even the government's rate of inflation, never mind the real rate of inflation. Those directly or indirectly involved with the part of our economy that is benefiting from inflation, namely the banking industry and financial markets, are thriving and indeed some are becoming super rich. But common folks are falling behind dreadfully.

Last year I interviewed Ravi Batra, Ph.D. who is the head of the Economics Department at SMU in Dallas. He has also authored a number of best selling books on economics, one of which was

*“The Crash of 1990”*. He has carried out research that shows that whenever wages have fallen significantly behind productivity gains over a long period of time, economic depressions always result. Lower income people initially try to maintain their standard of living by borrowing money. But eventually their purchasing power is squeezed by the cost of servicing their debt. In the aggregate, then, effective demand is snuffed out with disastrous macro economic effects. I believe there are signs that our lower income groups are borrowing to the hilt, which is partly reflected in our country’s negative savings numbers. I should think this does not bode well for the American economy.

**Congressman Paul:** Yes, and I think it is very important to ask questions about the productivity numbers the government is giving us. Very often we have been told that productivity has been increasing tremendously, and we have not made the point that borrowing is the compensation for the shortfall in wages as you suggest. But there are many, whom I tend to agree with, that question the validity of these productivity increases. Many think they are not real. As a matter of fact, there are predictions from Jim Grant, I think they are coming out tomorrow, that are going to shake up the markets because productivity is much lower than what has been reported by the government.

**Taylor:** Right. I think I saw him on CNBC the other day say that in fact productivity growth is only about ½ what the government has been reporting.

**Congressman Paul:** But I would agree absolutely that productivity increases are very important. But the importance of these numbers may lead government to miscalculate them either by making mistakes or by deliberately deceiving us.

**Taylor:** I’m wondering if you are aware of a speech given by Mr. Greenspan approximately two weeks ago to the American Enterprise Institute Conference in which he suggested that there need to be limits to central bank intervention. He used the 100-year flood insurance analogy to suggest that intervention in

markets should take place only on the rarest of circumstances. He also implied that our system, as it currently exists, can withstand all pressures except those that come around once or twice per century. Of course, the Fed intervenes very frequently in many different markets such as the currency markets, and it does so almost daily in some other markets like the Fed Funds market. So this 100-year flood analogy made very little sense to me. But what really grabbed my attention were the closing two sentences to his speech. He said, “In summary, then, although information technology by its very nature has lowered risk, it has also engendered a far more complex international financial system that will doubtless bedevil central bankers and other financial regulators for decades to come. I am sure that nostalgia for the relative automaticity of the gold standard will rise among those of us engaged to replace it.”

As a member of the House Banking Committee, you have had a number of opportunities over the past few years to question Mr. Greenspan and to think about what he is saying. To me he is most often very confusing. I don’t know if you have had a chance to think about Mr. Greenspan’s speech to the American Enterprise Institute, but if you have, what message do you think he was trying to get across to us?

**Congressman Paul:** No, I have not seen that speech in particular but all that information seems like a rehash of the things I have heard from him at the Banking Committee where he used those same words, “nostalgia for the gold standard.” I think what he is doing is covering himself in the event the economy turns negative. I think he knows or suspects that some things are out of control. Not too long ago I asked him about the tremendous growth of the money supply as measured by M-3 as I tried to put the responsibility on him for inflation. But he said that he had no control over M-3 and that it was becoming increasingly difficult to define money. And I made the point if you can’t define the money supply, how can you control it. He said not only is it difficult, but it is impossible, to control something you cannot define.

I think he is sort of, and I say this not in an overly critical fashion, schizophrenic in the sense that I believe that he has not totally given up his belief and conviction that sound money was a worthy cause and that the gold standard had some benefits. At the same time he has joined the forces and has lived with the entities of the world, the world bankers, who believe that paper works. **And for paper to really work, you have to destroy confidence in gold.** So he is really in a dilemma. What I think I hear him saying is that “just in case the system falls apart, and it probably will” he might as well at least give a token acceptance of the ideas that he used to hold about the gold standard. Some people believe that Mr. Greenspan holds a harder core of support for our views. I don’t have a final conclusion on that. I don’t know. The true believer of course would have never joined the opposition, as he has done. I am always hopeful we will revive in him not only nostalgia, but also a willingness to give a person like myself more support. Other members of Congress see my views as being very strange, but if I could get support from an Alan Greenspan it would give our views more credibility in the eyes of others.

**Taylor:** Well, I understand Mr. Greenspan was at one time a student of Ayn Rand and from what I understood was very much in agreement with the libertarian philosophy.

**Congressman Paul:** It’s an amazing thing that he went from an Objectivist viewpoint to the point where he is the insider’s insider. So I would think the powerful financial influences that dictate the Federal Reserve Chairman must have been satisfied with his loyalty to their cause.

**Taylor:** On September 16th, 1998, in the midst of the Asian crisis, you sent some questions to the Secretary of the Treasury, Robert Rubin, relating to the Hearing on International Economic Turmoil conducted by the House Banking Committee. I have a copy of those questions and answers, which are available to the public. In your question to Robert Rubin, you noted that Alan Greenspan observed that “if you are on a gold standard or other mechanism in which the central banks do not have discretion,

then the system works automatically”. You then asked Mr. Rubin what are the benefits of a system that works automatically.

Mr. Rubin responded by noting that some people think a fixed rate exchange system would result in lower bond rates. But then he proceeded to point out a host of reasons why he was opposed to a fixed rate regime, the most significant of which was the argument advanced, most frequently by opponents to a return to the gold standard. Mr. Rubin said “...fixed regimes can also amplify recessions, since governments or central banks are constrained in their monetary policy choices by the need to maintain parity.” My question to you is this. If you had the chance to continue this conversation with Mr. Rubin, how would you respond to his criticism of a fixed regime?

**Congressman Paul:** The point I would want to make is that his fixed exchange rates are different than what I perceive as a proper fixed exchange rate. **What we see as a proper fixed exchange rate is that everybody defines their currency in terms of the weight of gold which is outside the hands of the central bankers.** And yet he is talking about a fixed exchange rate for people that are printing money at different rates. To a degree I would agree with him. I don’t believe that artificially fixed exchange rates when countries are inflating at different rates works well either. In some ways it has almost been miraculous how the floating exchange rates, the market adjustments have helped these central bankers, because the markets make the adjustments that central bankers could not handle. So it is a market mechanism that makes these horrible currencies work better than they deserve to work. So I would probably just ask him what differences he sees between the fixed rate of paper currencies vs. what we call a universal fixed rate with a commodity money.

**Taylor:** In that same set of questions, you asked Mr. Rubin “When was the last time the Treasury intervened in the gold, gold futures or gold options markets?” He responded by saying, “since 1979 the Treasury has sold no gold bullion and has not participated in the futures or options markets in gold.” That seems to be a

straight forward denial of any involvement by the U.S. Treasury in the gold markets. And recently in a question you posed to Alan Greenspan, he said, "I can state unequivocally that the Federal Reserve Bank of New York has not intervened in the gold market in an attempt to manipulate the price of gold on its own behalf or for the U.S. Treasury or anyone else."

Yet organizations like GATA and many of us who earn a living in one way or another on the long side of the gold markets have noted what seems to be substantial circumstantial evidence that something is not kosher in the gold markets. Laws of supply and demand that normally govern markets seem not to be working. Such intervention would seem in fact to be consistent with the philosophy of the Clinton Administration. For example, elsewhere in an answer to another question you posed to Mr. Rubin on September 16<sup>th</sup>, he voiced his strong approval for government intervention in order to maintain confidence and "rational" behavior among investors. Mr. Rubin said, "We have long recognized that helping prevent extreme market fluctuations from generating self-fulfilling losses of confidence that could unnecessarily destabilize the real economy is an appropriate objective of government policy. We also recognize that government action is often required to create the conditions for markets to work at their best." Given Mr. Rubin's philosophy about the need for governments to manage the behavior of its citizens so as to retain stable markets and create ideal market conditions, why would he or someone on his behalf not intervene in the gold markets? Indeed, given this belief, would he not be morally obligated to do so?

**Congressman Paul:** I think he clearly justified them doing so in the second part of his answer. Of course his denial still stands. But it doesn't mean that with a wink and a nod someone overseas in another central bank does not get involved in manipulating the gold market through the futures markets. I think there is no doubt that governments will distort values of currencies, whether they clip the coins and try to deceive people as in the old days. Or whether they keep gold at an artificially low price as they

did in the late 1960's when they temporarily maintained it at \$35 per ounce by literally dumping it on to the market after they printed so much money that a \$35 price was totally unrealistic. Centuries of monetary history illustrate that governments have it in their best interest to try to perpetuate the fraud that they have been involved in. So, I think this is what Rubin is saying. There is a need for it. He is denying that he does it directly. Many of us believe gold is being set at an artificially low price now with someone else acting on behalf of the Treasury and/or the Federal Reserve. The more blatant and open effort to do this would seem to be the example of the Bank of England who took the most unusual step of pre-announcing their gold sales. They announced they are going to sell ½ of their entire gold hoard and this brought about a precipitous drop in gold and they have been literally dumping a lot of gold on to the market. Yet the price of gold has held up relatively well despite the Bank of England and other central bank selling. So I think it is going to be difficult to run it down exactly. I think they are going to continue to do this in the future. But I do believe very sincerely that the markets are more powerful than all these central bankers and that eventually the markets will rule just as they did in the early 70's. Eventually the artificially low price of gold imposed on us by the central banks and governments will be rejected just as \$35 gold was rejected in the late 1960's.

**Taylor:** I hear a bell ringing. Is that your call to cast your vote?

**Congressman Paul:** Yes, but if you have one short question, perhaps I can answer it.

**Taylor:** Well I could ask you questions for at least another ½ hour, but I must respect your time. I want to thank you again, in the event I don't have the opportunity, for your generosity in sharing your time, knowledge and viewpoint with our readers. I do have one question I feel I must ask for the benefit of our subscribers and that has to do with seeking your investment advice. Perhaps it isn't fair to ask a physician and a lawmaker for investment advice. But given your view that we are in a gigantic bubble, I

must ask you what you think Americans should do at this stage to protect themselves from what could be a cataclysmic bubble bursting event?

**Congressman Paul:** Just recently in the early part of the year I did a floor speech dealing with a lot of political and economic issues in general. I believe I listed ten things that people ought to consider doing to preserve our liberties. But there were two things I listed that I think are very important.

First, in political and economic crisis even the most basic rights, like personal safety, are threatened. I happen to be a strong proponent of the Second Amendment just as the founders of this country were. Secondly, I think ultimately economic chaos will bring on, under today's circumstances especially, some currency crisis. So I am a strong believer in actually holding something of real value, not something that represents debt as does the U.S. dollar and virtually all other currencies. **So despite the argument that the holders of gold have not done well during the past ten or twenty years, I think people should ultimately protect themselves with gold.** My job as a politician is to make sure those options needed for self-protection, namely to own a gun and buy gold, are available. Over the years, I have worked hard to do this by helping to push for the re-legalization of gold and gold coinage. One result of the Gold Commission was that we convinced our government that it can and should mint gold coins. Even though it is not considered money at the current time, they are gold coins. I think these are the two major things people can do.

Ultimately though, in the big picture, what I advocate is that people defend their liberties. In

that way, we would not have to worry about protecting such basic rights as the right for parents to educate their children at home or the right to own a gun or the right to own gold. You see, if we lived in a free society where individual liberty was cherished, all these things would be automatic.

**Taylor:** As Americans we have enjoyed liberty and freedom for so long that it seems as though we should not need to fight to retain it. But as Thomas Jefferson once said, "the price of liberty is eternal vigilance." So I guess the protection of liberty is something we will always need to fight for. The day we take it for granted, is the day we will lose it.

**Congressman Paul:** That is for sure.

**Taylor:** I have many more questions I could have asked, but I know you have to go to the floor to cast a vote and it is only fair that we respect your time. I am so thankful to you for your generosity in sharing your time with our readers, who, I am sure, are quite supportive of your efforts to defend our liberties. I will do my best to keep my subscribers aware of your activities and, as a God-fearing man, I will be pray that the voters of the 14<sup>th</sup> District in Texas return you for another term to the next U.S. Congress. Without your presence in Washington, I'm not sure to whom those of us who value the *Constitution* could turn to. No doubt there are a few others who respect it, but none who defend it as devoutly as you do.

**Congressman Paul:** Thank you. I have to run.

## Help Congressman Paul's Re-election Efforts?

If you think sound money and other issues of individual liberty and freedom as outlined in the *Constitution of the United States* are important, then you may wish to help Congressman Paul in his efforts for re-election. With the Democrats pushing hard to take control of the legislative branch of our government this November, they are likely to spend huge dollars to unseat Dr. Paul, whose desire to maintain freedom and liberty is at odds with their agenda. Though he is a registered Republican, Congressman Paul is not likely to get much help in his re-election efforts from his own party. As a person who stands for lofty principles rather than self promotion, he has not compromised his views for the sake of self-advancement within the Republican party. It is therefore imperative that those of us who think it essential that Congressman Paul's views on freedom and sound money continue to be heard in Congress do what we can to assist him in his re-election efforts. To help, contact the Committee to Re-elect Ron Paul, 837 West Plantation, Clute, Texas, 77531. Tel. 1-800-RON-PAUL.

# FAME

Foundation for the Advancement of Monetary Education, 501(c)(3)  
Box 625, FDR Station, New York, NY 10150-0625  
Phone (212) 818-1206 • Fax (212) 754-6543  
E-mail [Join@FAME.org](mailto:Join@FAME.org)  
[www.FAME.org](http://www.FAME.org)

**NEW**  
Credit card donors can  
now fax their support

## **YES! I Want to Join the Fight for Honest Monetary Weights & Measures**

### JOIN THE FIGHT FOR HONEST MONETARY WEIGHTS & MEASURES

My fully tax-deductible contribution is:

\$2,500    \$1,000    \$500    \$250    \$100    \$50    \$25    other \_\_\_\_\_

Please charge my:

check enclosed    Visa    Mastercard    American Express

Credit Card Number

Expiration

Signature

### DONOR INFORMATION

\_\_\_\_\_  
Name

\_\_\_\_\_  
Company

\_\_\_\_\_  
Address

\_\_\_\_\_  
Address cont'

\_\_\_\_\_  
Phone

\_\_\_\_\_  
Fax

\_\_\_\_\_  
E-mail

Your support goes farther when we can reach others who think as you do. Please attach the name of an associate or colleague to whom we should send literature and it will be sent with your compliments.

\_\_\_\_\_  
Name

\_\_\_\_\_  
Company

\_\_\_\_\_  
Address

\_\_\_\_\_  
Address continued

\_\_\_\_\_  
Phone

\_\_\_\_\_  
Fax

\_\_\_\_\_  
E-mail

### OTHER OPTIONS

Please call me to discuss:

- a bequest       a sustaining gift  
 my employer's matching gift program – (if your employer has a matching gift program, you may be able to double your tax-deductible contribution to FAME).

The best time to reach me is approximately \_\_\_\_\_  
am/pm at telephone number: \_\_\_\_\_

### COMMENTS

Please feel free to offer any comments or suggestions, e.g., how did you hear about us?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*FAME is an independent, unaffiliated, 501(c)(3) not-for-profit public charity devoted to educating people about the importance of honest money and the harm cause by its absence. A copy of the organization's last financial statement is available upon request.*