

## Inflation and War Finance

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 Poor Best

Monday, 29 January 2007

By Ron Paul



*The Pentagon recently reported that it now spends roughly \$8.4 billion per month waging the war in Iraq, while the additional cost of our engagement in Afghanistan brings the monthly total to a staggering \$10 billion. Since 2001, Congress has spent more than \$500 billion on specific appropriations for Iraq. This sum is not reflected in official budget and deficit figures. Congress has funded the war by passing a series of so-called "supplemental" spending bills, which are passed outside of the normal appropriations process and thus deemed off-budget.*

This is fundamentally dishonest: if we're going to have a war, let's face the costs-- both human and economic-- squarely. Congress has no business hiding the costs of war through accounting tricks.

As the war in Iraq surges forward, and the administration ponders military action against Iran, it's important to ask ourselves an overlooked question: Can we really afford it? If every American taxpayer had to submit an extra five or ten thousand dollars to the IRS this April to pay for the war, I'm quite certain it would end very quickly. The problem is that government finances war by borrowing and printing money, rather than presenting a bill directly in the form of higher taxes. When the costs are obscured, the question of whether any war is worth it becomes distorted.

Congress and the Federal Reserve Bank have a cozy, unspoken arrangement that makes war easier to finance. Congress has an insatiable appetite for new spending, but raising taxes is politically unpopular. The Federal Reserve, however, is happy to accommodate deficit spending by creating new money through the Treasury Department. In exchange, Congress leaves the Fed alone to operate free of pesky oversight and free of political scrutiny. Monetary policy is utterly ignored in Washington, even though the Federal Reserve system is a creation of Congress.

The result of this arrangement is inflation. And inflation finances war. Economist Lawrence Parks has explained how the creation of the Federal Reserve Bank in 1913 made possible our involvement in World War I. Without the ability to create new money, the federal government never could have afforded the enormous mobilization of men and material. Prior to that,

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American wars were financed through taxes and borrowing, both of which have limits. But government printing presses, at least in theory, have no limits. That's why the money supply has nearly tripled just since 1990.

For perspective, consider our ongoing military commitment in Korea. In Korea alone, U.S. taxpayers have spent \$1 trillion in today's dollars over 55 years. What do we have to show for it? North Korea is a belligerent adversary armed with nuclear weapons, while South Korea is at best ambivalent about our role as their protector. The stalemate stretches on with no end in sight, as the grandchildren and great-grandchildren of the men who fought in Korea give little thought to what was gained or lost. The Korean conflict should serve as a cautionary tale against the open-ended military occupation of any region.

The \$500 billion we've officially spent in Iraq is an enormous sum, but the real total is much higher, hidden within the Defense Department and foreign aid budgets. As we build permanent military bases and a \$1 billion embassy in Iraq, we need to keep asking whether it's really worth it. Congress should at least fund the war in an honest way so the American people can judge for themselves.

*Congressman Ron Paul of Texas, is known among both his colleagues in Congress and his constituents for his consistent voting record in the House of Representatives*

## Comments (7)



### **worldist: Devaluation is a direct result of over spending.**

Governments have only three ways to raise money direct taxation, produce more currency or borrow the money all have the same effect to the working-class they reduce real wages either by increased taxes or devaluation of the currency that results in higher prices. Borrowing increases the damage due to the delayed reaction and paying interest on top of it all. The money system is a great for the world's Capitalist Bankers who issue currency at no cost to themselves and receive it back at full value plus interest. What a Racket! 😞



Only when we the workers of the world democratically replace the Private property, money based production for profit system of society. Where a tiny parasitic privileged class of owners exploits the immense 95% majority useful working-class. The wage-slaves who have been historically deprived of the means of living they must sell their ability to labor for a wage or a fee in order to live.

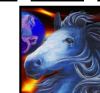
We must replace Capitalism with Common Ownership (Not State ownership as in Russia and China) then freely and democratically produce goods and services to satisfy the needs of ALL Humanity through-out the World. Without discrimination of sex, age or color. Or the insanity and great wealth disparity will continue.

For a better way! 😊  
Go to; [www.worldsocialism.org](http://www.worldsocialism.org)

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### **Arvy: The numbers need some perspective.**

The staggering total costs of ongoing U.S. invasions and occupations (I refuse to call them wars) is almost beyond comprehension for us ordinary folks without some other basis for comparison. The International Herald Tribune recently published an article by David



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Leonhardt that may help. Here a very brief excerpt from *Tallying the true price of the Iraq war*:

For starters, \$1.2 trillion would pay for an unprecedented public health campaign — a doubling of cancer research funding, treatment for every American whose diabetes or heart disease is now going unmanaged and a global immunization campaign to save millions of children's lives.

Combined, those programs wouldn't use up even half our money pot.

So we could then turn to poverty and education, starting with universal preschool for every 3- and 4-year-old child across the country. The city of New Orleans could also receive a huge increase in reconstruction funds.

The final big chunk of the money could go to national security. The recommendations of the 9/11 Commission that have not been put in place — better baggage and cargo screening, stronger measures against nuclear proliferation — could be enacted. Financing for the war in Afghanistan could be increased to beat back the Taliban's recent gains, and a peacekeeping force could put a stop to the genocide in Darfur.

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**Kla: Talaban**



Financing for the war in Afghanistan could be increased to beat back the Taliban's recent gains

So one war is ok and the other is not. Don't get it. Is the Taliban worse than the worst of the Iraqi factions? I don't know and few people that keep making these comments do.

At least I have read the "Kite Runner".

The best way to spend the money of course is on an all-out crash program on alternative energy sources. US engineers stop languishing into uselessness. They are the best. (WWII, space program.) Health will improve as a result.

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**worldist: Kla: questions justification of Afghanistan slaughter of Taliban vs. Iraq plus alternative energy**



I don't see any justification to slaughter Taliban particularly when they had nothing to do with the demolition of the WTC that was Cheney Bush's false flag operation, sociopath Hoax to justify the ever expanding US War of Terror!

The best way, to avoid such horrendous activity in the future is to abolish money entirely along with the Private Property Profit system of society. Then establish a border-less, production for USE economy where the conditions that spawn wars will no longer exist and the tremendous energy

wasted in maintaining the dictates of Capitalism will disappear Banks, courts, prisons, police, military production and maintenance along with competitive advertising, bill collection, insurance etc. etc.

Engineers will then be free to investigate and develop better energy sources as well as energy requirements will be reduced with no need to rush daily to and from city centers to do a useless job just for a pay check as is the case for many workers today.

Investigate carefully and critically; [www.worldsocialism.org](http://www.worldsocialism.org) 😊

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**a guest: Gold Standard Dinar**

The ex-Prime Minister of Malaysia had the idea of re-introducing the Gold Standard Islamic Dinar currency.



If such a system were to be implemented in Arabia, oil would only be sold for gold, not dollars, it would deprive the US government the ability to finance endless wars by printing money.

If they continued to print more money without the backing of oil, it would lead to hyper-inflation so they would have to end their wars.

Getting the arab leaders to implement such a Gold Standard would require a change of leadership from dictatorship to one that reflected the thoughts, emotions and values of the people: Islam.

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**Dante: ...**

The U.S. is Fundamentally Dishonest!



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**a guest: Aabolish the banking swindel, reactivate the " sub treasury system"**

Thomas Jefferson goes into the banking swindel quiet well. That was his beef with Hamilton that started the political party system. Bankers delibertlly foment wars then loan their government the bank money to buy the arms to protect us from facism, comunism or terrorism or what ever is next to fear. Abe Lincoln, when Chase wanted to lend him money to finance the civil war at 18% went to the U.S. Treasury and had them print up five hundred million non interest bearing U.S.Notes to pay for the war The U.S. nnotes remained in circulation until the Johnson administration. the nots had a red seal on them instead of the Federal Reserve green seal.



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