Written by **Joe Wolverton, II, J.D.** on July 14, 2011

Ron Paul: Cancel $1.6 Trillion Fake "Debt" Owed to Federal Reserve

With the "shutting down" of the federal government looming, Republican and Democratic lawmakers on Capitol Hill are scrambling to hit their respective marks on the stage of public attention. Reportedly, Republicans in the Senate are unanimously behind passage of a Balanced Budget Amendment, while Democrats in both houses are clamoring to raise the debt ceiling, lest Social Security checks not be mailed.

The performances are predictable and the soliloquies are so well-rehearsed and so familiar to critic and citizen alike that most of the dramatized sound and fury goes unnoticed and little of the legitimate signal breaks through the noise of rhetoric.

As has become his custom, however, there is one man in Washington consistently breaking the fourth wall, going off script, and speaking directly to the people.

Dr. Ron Paul, congressman from Texas and GOP candidate for president in 2012, has appeared on various televised outlets as well as in print, prescribing a treatment plan that he promises will bring a "reprieve" in the debt crisis and take us farther down the path toward ridding ourselves of the Federal Reserve tumor that has for years been sapping our monetary health.

In simple terms, Congressman Paul is recommending that the United States dismiss the $1.6 trillion payment owed by the Treasury to the Federal Reserve. The American government (and citizens) incurred this "debt" through a crafty bit of sleight of hand on the part of the Federal Reserve, a cabal of men determined to make our freedom disappear. Paul justifies this seemingly radical response by reminding Americans that the debt owed to the Federal Reserve isn't real and that it was created by that organization "out of thin air."

The method by which the Fed summoned this massive obligation out of the thin air and thus acquired this debt is so illogical as to cause reason to shake its head. First, the Fed buys Treasury bills, then it requires the federal government to pay the bills, and finally, when the government cannot make the payment, the Federal Reserve prints more money, thus increasing the debt by pretending to help pay the debt.

The arrangement reminds one of the old analogy: the government breaks your leg, then gives you a crutch and says, "See, if it weren't for us, you wouldn't be able to walk."

Congressman Paul recognizes this deception as a crutch upon which our federal government is leaning as it continues year after year marching along the well worn path leading to financial enslavement. He is determined to break that crutch and allow our nation to walk on its own, even though the first steps

may be cautious and difficult.

Who's at fault for perpetrating this fraud on the American people? In a statement made by Paul during an appearance on the "Dylan Ratigan Show," there is plenty of blame to go around. The mile-long slate of special-interest groups, the endlessly growing military industrial complex, the expensive (and unjust) foreign wars in which we are engaged, and the score of Congressmen who are "vying for power and buying votes."

All of those contributing causes of our current economic crisis are not truly causes at all, insists Dr. Paul. In the same television appearance, he explained that these wells of cash at which all those factions listed above are constantly drawing would dry up if the Federal Reserve weren't always there ready to fix interest rates and manipulate the money supply in such a way as to facilitate the filling of those reservoirs.

Problem is, the water is poison and will eventually kill the American body politic. The fixing of false rates of interest that encourage borrowing and spending merely propagates the profligate spending habits of a fiscally unfettered Congress.

One of the most noxious elements present in this font of bitter water is a worthless money supply. The Federal Reserve creates this non-potable problem by engaging in a practice known euphemistically as "quantitative easing" — a policy that plain-speaking men would call "printing worthless money." A brief description of the method of monetary manipulation known as quantitative easing follows:

> Quantitative easing (QE) is an unconventional monetary policy tool used by some central banks to stimulate the national economy when conventional monetary policy has become ineffective. A central bank implements quantitative easing by purchasing financial assets from banks and other private sector businesses with new money that it creates electronically.

In the United States, the central bank (the Federal Reserve) claims that this electronic creation of "money" is necessary to prevent inflation, deflation, or default. From Wikipedia:

> The US Federal Reserve held between $700–$800 billion of Treasury notes on its balance sheet even before the recession. In late November 2008, the Fed started buying $600 billion in Mortgage-backed securities (MBS).[35] By March 2009, it held $1.75 trillion of bank debt, MBS, and Treasury notes, and reached a peak of $2.1 trillion in June 2010. Further purchases were halted since the economy had started to improve. Holdings started falling naturally as debt matured. In fact, holdings were projected to fall to $1.7 trillion by 2012.
>
> However, in August 2010 the Fed decided to renew quantitative easing because the economy wasn't growing robustly. Its goal was to keep holdings at the $2.054 trillion level. To maintain that level, the Fed bought $30 billion in 2-10 year Treasury notes a month. In November 2010, the Fed announced it would increase quantitative easing, buying $600 billion of Treasury securities by the end of the second quarter of 2011.

As incredible as it may sound, this is the Fed's illogical and diabolical response to an economic decline fueled by the accelerating expansion of the welfare state and the American empire. A crisis, it must be said, that has our republic on the precipice of ruin.

Regardless of the deceptive labels and ostensibly noble intent, quantitative easing is no more or less than a well-organized plot — a conspiracy — designed to bury the United States of America under an avalanche of worthless paper currency, currency printed to pay a debt incurred to pay the debt

incurred to print it, all brought on by the printing of money to keep the beast that skulks along the shore of the Potomac fat and frolicking.

Dr. Paul notes that all of the money printed under this policy of quantitative easing was justified by the Federal Reserve under the theory that it was an effective way to increase consumer spending and keep the economy growing. In fact, however, that $5 trillion stimulus was doled out to corporations, banks, and the military industrial complex, with not a red cent being given to the struggling middle class. Not that that would be sound policy either, but at least it wouldn't be such a damaging, destructive lie.

So, while *Forbes* may call Representative Paul's debt cancellation plan a "magic wand" riddled with holes that would prevent its success, the Republican presidential candidate's reasoning is sound — and would have the dual benefits of reducing the debt and weakening the Federal Reserve's stranglehold around the neck of the American republic.

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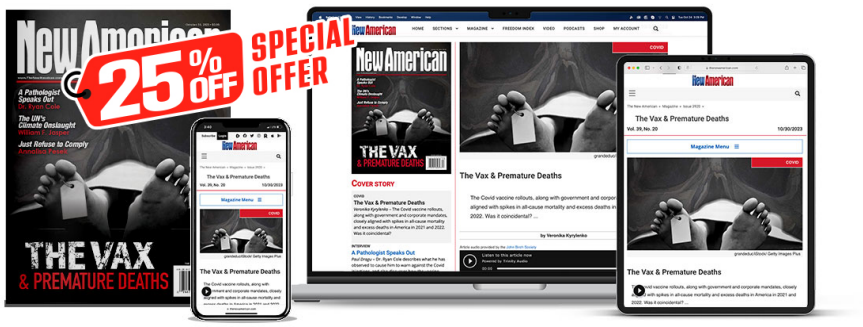

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