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## HON. RON PAUL OF TEXAS BEFORE THE US HOUSE OF REPRESENTATIVES

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### The Hidden Cost of War

The cost of war is always more than anticipated. If all the costs were known prior to the beginning of a war, fewer wars would be fought. At the beginning, optimism prevails. Denial and deception override the concern for the pain and penalties yet to come. Jingoistic patriotism and misplaced militarism too easily silence those who are cautious about the unforeseen expenses and hardships brought on by war. Conveniently forgotten are the goals never achieved by armed conflict, and the negative consequences that linger for years. Even some who recognize that the coming war will be costly easily rationalize that the cost will be worth it. Others claim it's unmanly or weak to pursue a negotiated settlement of a political dispute, which helps drive the march toward armed conflict.

It has been argued by proponents of modern technological warfare in recent decades that sophisticated weapons greatly reduce the human costs by using a smaller number of troops equipped with smart weapons that minimize battle deaths and collateral damage. This belief has led some to be more willing to enter an armed conflict. The challenge will be deciding whether or not modern weapons actually make war more acceptable and less costly. So far the use of sanctions, the misjudgments of resistance to occupation, and unintended consequences reveal that fancy weapons do not guarantee fancy and painless outcomes. Some old-fashioned rules relating to armed conflicts cannot be easily repealed despite the optimism of the "shock and awe" crowd. It seems that primitive explosive weapons can compete quite effectively with modern technology when the determination exists and guerrilla tactics are used. The promised efficiency and the reduced casualties cannot yet be estimated.

Costs are measured differently depending on whether or not a war is defensive or offensive in nature. Costs in each situation may be similar but are tolerated quite differently. The determination of those defending their homeland frequently is underestimated, making it difficult to calculate costs. Consider how long the Vietnamese fought and suffered before routing all foreign armies. For 85 years the Iraqis steadfastly have resisted all foreign occupation, and even their previous history indicates that meddling by western and Christian outsiders in their country would not be tolerated. Those who fight a defensive war see the cost of the conflict differently. Defenders have the goal of surviving and preserving their homeland, religious culture, and their way of life-- despite the shortcomings their prior leaders. Foreigners are seen as a threat. This willingness to defend to the last is especially strong if the society they fight for affords more stability than a war-torn country.

Hardships can be justified in defensive wars, and use of resources is more easily justified than in an unpopular far-away conflict. Motivations are stronger, especially when the cause seems to be truly just and the people are willing to sacrifice for the common goal of survival. Defensive war provides a higher moral goal, and this idealism exceeds material concerns. In all wars, however, there are profiteers and special interests looking after their own selfish interests.

Truly defensive wars never need a draft to recruit troops to fight. Large numbers voluntarily join to face the foreign threat.

In a truly defensive war, huge costs in terms of money, lives, and property are endured because so much is at stake. Total loss of one's country is the alternative.

The freer a country is, where the love of liberty is alive and well, the greater the resistance. A free society provides greater economic means to fight than a tyrannical society. For this reason truly free societies are less

likely to be attacked by tyrants.

But societies that do not enjoy maximum freedom and economic prosperity still pull together to resist invaders. A spirit of nationalism brings people together when attacked, as do extreme religious beliefs. The cause of liberty or a "divine" emperor or radical Islam can inspire those willing to fight to the death to stop a foreign occupation. These motivations make the costs and risks necessary and justifiable, where a less popular offensive war will not be tolerated as long. Idealism inspires a strong defense; cynicism eventually curtails offensive wars.

The cost of offensive war over time is viewed quite differently by the people who must pay. Offensive wars include those that are initiated by one country to seek some advantage over another without provocation. This includes needless intervention in the internal affairs of others and efforts at nation building, even when well intentioned. Offensive war never achieves the high moral ground in spite of proclamations made by the initiators of the hostilities. Offensive wars eventually fail, but tragically only after much pain and suffering. The cost is great, and not well accepted by the people who suffer and have nothing to gain. The early calls for patriotism and false claims generate initial support, but the people eventually tire.

At the beginning of an offensive war the people are supportive because of the justifications given by government authorities, who want the war for ulterior reasons. But the demands to sacrifice liberty at home to promote freedom and democracy abroad ring hollow after the cost and policy shortcomings become evident. Initially, the positive propaganda easily overshadows the pain of the small number who must fight and suffer injury.

Offensive wars are fought without as much determination as defensive wars. They tend to be less efficient and more political, causing them to linger and drift into stalemate or worse.

In almost all wars, governments use deception about the enemy that needs to be vanquished to gain the support of the people. In our recent history, just since 1941, our government has entirely ignored the requirement that war be fought only after a formal congressional declaration-- further setting the stage for disenchantment once the war progresses poorly. Respect for the truth is easily sacrificed in order to rally the people for the war effort. Professional propagandists, by a coalition of the media and government officials, beat the war drums. The people follow out of fear of being labeled unpatriotic and weak in the defense of our nation-- even when there is no national security threat at all.

Joining in support for the war are the special interest groups that have other agendas to pursue: profits, religious beliefs, and partisan political obligations.

Ideologues use war to pursue personal ambitions unrelated to national defense, and convert the hesitant with promises of spreading democracy, freedom, and prosperity. The tools they use are unrestrained state power to force their ideals on others, no matter how unjust it seems to the unfortunate recipients of the preemptive war. For some, the more chaos the greater the opportunity to jump in and remake a country or an entire region. At times in history the opening salvo has been deliberately carried out by the ones anxious to get the war underway while blaming the opposition for the incident. The deceptions must stir passion for the war through an appeal to patriotism, nationalism, machismo, and jingoistic manliness of proving oneself in great feats of battle.

This early support, before the first costs are felt, is easily achieved. Since total victory may not come quickly, however, support by the people is gradually lost. When the war is questioned, the ill-conceived justifications for getting involved are reexamined and found to have been distorted. Frequently, the people discover they were lied to, so that politicians could gain support for a war that had nothing to do with national security.

These discoveries and disenchantments come first to those directly exposed to danger in the front lines, where soldiers die or lose their limbs. Military families and friends bear the burden of grief, while the majority of citizens still hope the war will end or never affect them directly in any way. But as the casualties grow the message of suffering spreads, and questions remain unanswered concerning the real reason an offensive war was necessary in the first place.

Just when the human tragedy becomes evident to a majority of the citizens, other costs become noticeable. Taxes are raised, deficits explode, inflation raises its ugly head and the standard of living for the average citizen is threatened. Funds for the war, even if immediate direct taxes are not levied, must come from the

domestic economy and everyone suffers. The economic consequences of the Vietnam War were felt throughout the 1970s and into the early 1980s.

As the problems mount, the falsehoods and distortions on which the war was based become less believable and collectively resented. The government and the politicians who pursued the policy lose credibility. The tragedy, however, is that once even the majority discovers the truth, much more time is needed to change the course of events. This is the sad part.

Political leaders who needlessly dragged us into the war cannot and will not admit an error in judgment. In fact they do the opposite to prove they were right all along. Instead of winding down, the war gets a boost to prove the policy was correct and to bring the war to a victorious conclusion. This only motivates the resistance of those fighting the defensive side of the war. More money and more troops must be sacrificed before the policy changes. Using surrogate foreign troops may seem to cut domestic troop losses in the country starting the war, but will only prolong the agony, suffering, and costs and increase the need for even more troops.

Withdrawing financial support for the effort is seen as being even more unpatriotic than not having supported the war in the first place. Support for the troops becomes equivalent to supporting the flawed policy that led to the mess.

No matter how unwise the policy and how inevitable the results, changing course becomes almost impossible for those individuals who promoted the war. This fear of being labeled unpatriotic and not supportive of the troops on the battlefield ironically drives a policy that is more harmful to the troops and costly to the folks at home. Sometimes it requires a new group of politicians, removed from the original decision makers who initiated the war, to bring about a shift in policy. Johnson couldn't do it in Vietnam, and Nixon did it slowly, awkwardly and not without first expanding the war before agreeing enough was enough.

With the seemingly inevitable delays in altering policy, the results are quite predictable. Costs escalate and the division between supporters and non-supporters widens. This adds to economic problems while further eroding domestic freedoms, as with all wars. On occasion, as we've seen in our own country, dissent invites harsh social and legal repercussions. Those who speak out in opposition will not only be ostracized, but may feel the full force of the law coming down on them. Errors in foreign affairs leading to war are hard to reverse. But even if deliberate action doesn't change the course of events, flawed policies eventually will fail as economic laws will assert themselves.

The more people have faith in and depend upon the state, the more difficult it is to keep the state from initiating wars. If the state is seen as primarily responsible for providing personal and economic security, obedience and dependency becomes a pervasive problem. If the state is limited to protecting liberty, and encourages self-reliance and personal responsibility, there's a much better chance for limiting pro-war attitudes. The great danger of war, especially unnecessary war, is that it breeds more dependency while threatening liberty-- always allowing the state to grow regardless of existing attitudes before the war. War unfortunately allows the enemies of liberty to justify the sacrifice of personal freedoms, and the people all too often carelessly sacrifice precisely what they are supposed to be fighting for: freedom. Our revolution was a rare exception. It was one war where the people ended up with more freedom not less.

## **Economics and War**

Almost every war has an economic component, some more obvious than others. Our own civil war dealt with slavery, but tariffs and economic oppression by the North were also major factors. Remember, only a small number of southern soldiers personally owned slaves, yet they were enthusiastic in their opposition to the northern invasion. The battles fought in the Middle East since WWI have had a lot to do with securing Arab oil fields for the benefit of western nations. Not only are wars fought for economic reasons, wars have profound economic consequences for the countries involved, even if one side is spared massive property damage. The economic consequences of war play a major role in bringing hostilities to an end. The consequences are less tolerated by the citizens of countries whose leaders drag them into offensive and unnecessary wars. The determination to fight on can't compete with those who see their homeland threatened by foreign invaders.

## **Iraq**

There's essentially no one, not even among the neo-con crowd, claiming that the Iraqi war is defensive in nature for America. Early on there was an attempt to do so, and it was successful to a large degree in convincing the American people that Saddam Hussein had weapons of mass destruction and was connected to al Qaeda. Now the justification for the war is completely different and far less impressive. If the current justification had been used to rally the American people and Congress from the beginning, the war would have been rejected. The fact that we are bogged down in an offensive war makes it quite difficult to extricate ourselves from the mess. Without the enthusiasm that a defensive war generates, prolonging the Iraq war will play havoc with our economy. The insult of paying for the war in addition to the fact that the war was not truly necessary makes the hardship less tolerable. This leads to domestic turmoil, as proponents become more vocal in demanding patriotic support and opponents become angrier for the burden they must bear.

So far the American people have not yet felt the true burden of the costs of this war. Even with 1,700 deaths and 13,000 wounded, only a small percentage of Americans have suffered directly-- but their pain and suffering is growing and more noticeable every day. Taxes have not been raised to pay the bills for the current war, so annual deficits and national debt continue to grow. This helps delay the pain of paying the bills, but the consequences of this process are starting to be felt. Direct tax increases, a more honest way to finance foreign interventionism, would serve to restrain those who so cavalierly take us to war. The borrowing authority of governments permit wars to be started and prolonged which otherwise would be resisted if the true cost were known to the people from the beginning.

Americans have an especially unique ability to finance our war efforts while minimizing the immediate effect. As the issuer of the world's reserve currency, we are able to finance our extravagance through inflating our dollars. We have the special privilege of printing that which the world accepts as money in lieu of gold. This is an invitation to economic disaster, permitting an ill-founded foreign policy that sets the stage for problems for years to come. A system of money that politicians and central bankers could not manipulate would restrain those with grandiose ideas of empire.

The Federal Reserve was created in 1913, and shortly thereafter the Fed accommodated the Wilsonians bent on entering WWI by inflating and deficit financing that ill-begotten involvement. Though it produced the 1921 depression and many other problems since, the process subsequently has become institutionalized in financing our militarism in the 20<sup>th</sup> Century and already in the 21<sup>st</sup>. Without the Fed's ability to create money out of thin air, our government would be severely handicapped in waging wars that do not serve our interests. The money issue and the ability of our government to wage war are intricately related. Anyone interested in curtailing wartime spending and our militarism abroad is obligated to study the monetary system, through which our government seductively and surreptitiously finances foreign adventurism without the responsibility of informing the public of its cost or collecting the revenues required to finance the effort.

Being the issuer of the world's premier currency allows for a lot more abuse than a country would have otherwise. World businesses, governments, and central banks accept our dollars as if they are as good as gold. This is a remnant of a time when the dollar *was* as good as gold. That is no longer the case. The trust is still there, but it's a misplaced trust. Since the dollar is simply a paper currency without real value, someday confidence will be lost and our goose will no longer be able to lay the golden egg. That's when reality will set in and the real cost of our extravagance, both domestic and foreign, will be felt by all Americans. We will no longer be able to finance our war machine through willing foreigners, who now gladly take our newly printed dollars for their newly produced goods and then loan them back to us at below market interest rates to support our standard of living and our war effort.

The payment by American citizens will come as the dollar loses value, interest rates rise, and prices increase. The higher prices become the tax that a more honest government would have levied directly to pay for the war effort. An unpopular war especially needs this deception as a method of payment, hiding the true costs which are dispersed and delayed through this neat little monetary trick. The real tragedy is that this "inflation tax" is not evenly distributed among all the people, and more often than not is borne disproportionately by the poor and the middle class as a truly regressive tax in the worst sense. Politicians in Washington do not see inflation as an unfair seductive tax. Our monetary policy unfortunately is never challenged even by the proponents of low taxes who care so little about deficits, but eventually it all comes to an end because economic law overrides the politicians' deceit.

Already we are seeing signs on the horizon that this free ride for us is coming to an end. Price inflation is alive and well and much worse than government statistics show. The sluggish economy suggests that the

super stimulation of easy credit over the last decades is no longer sufficient to keep the economy strong. Our personal consumption and government spending are dependent on borrowing from foreign lenders. Artificially high standards of living can mask the debt accumulation that it requires while needed savings remain essentially nil.

This ability to print the reserve currency of the world, and the willingness of foreigners to take it, causes gross distortions in our current account deficits and total foreign indebtedness. It plays a major role in the erosion of our manufacturing base, and causes the exporting of our jobs along with our dollars. Bashing foreigners, in particularly the Chinese and the Japanese, as the cause of our dwindling manufacturing and job base is misplaced. It prevents the evaluation of our own policies-- policies that undermine and increase the price of our own manufacturing goods while distorting the trade balance. Though we continue to benefit from the current circumstances, through cheap imports on borrowed money, the shaky fundamentals make our economy and financial system vulnerable to sudden and severe adjustments. Foreigners will not finance our excessive standard of living and our expensive war overseas indefinitely. It will end! What we do in the meantime to prepare for that day will make all the difference in the world for the future of freedom in this country. It's the future of freedom in this country that is truly the legitimate responsibility of us as Members of Congress.

Centuries ago the notion of money introduced the world to trade and the principle of division of labor, ushering in for the first time a level of economic existence above mere subsistence. Modern fiat money with electronic transactions has given an additional boost to that prosperity. But unlike sound commodity money, fiat money, with easy credit and artificially low interest rates, causes distortions and mal-investments that require corrections. The modernization of electronic global transfers, which with sound money would be beneficial, has allowed for greater distortion and debt to be accumulated-- setting the stage for a much more serious period of adjustment requiring an economic downturn, liquidation of debt, and reallocation of resources that must come from savings rather than a central bank printing press.

These economic laws will limit our ability to pursue our foreign interventions no matter how well intentioned and "successful" they may seem. The Soviet system collapsed of its own weakness. I fear an economic collapse here at home much more than an attack by a foreign country. Above all, the greatest concern should be for the systematic undermining of our personal liberties since 9/11, which will worsen with an ongoing foreign war and the severe economic problems that are coming.

Since we are not fighting the war to defend our homeland and we abuse so many of our professed principles, we face great difficulties in resolving the growing predicament in which we find ourselves. Our options are few, and admitting errors in judgment is not likely to occur. Moral forces are against us as we find ourselves imposing our will on a people six thousand miles from our shores. How would the American people respond if a foreign country, with people of a different color, religion, and language imposed itself on us to make us conform to their notions of justice and goodness? None of us would sit idly by. This is why those who see themselves as defenders of their homeland and their way of life have the upper hand regardless of the shock and awe military power available to us. At this point our power works perversely. The stronger and more violent we are the greater the resistance becomes.

The neo-conservatives who took us to war under false pretenses either didn't know or didn't care about the history and traditions of the Iraqi people. Surely they must have heard of an Islamic defensive jihad that is easy to promote when one's country is being attacked by foreign forces. Family members have religious obligations to avenge all killings by foreign forces, which explains why killing insurgents only causes their numbers to multiply. This family obligation to seek revenge is closely tied to achieving instant eternal martyrdom through vengeful suicide attacks. Parents of martyrs do not weep as the parents of our soldiers do; they believe the suicide bombers and their families are glorified. These religious beliefs cannot simply be changed during the war. The only thing we can do is remove the incentives we give to the religious leaders of the jihad by leaving them alone. Without our presence in the Middle East, whether on the Arabian Peninsula or in Iraq, the rallying cry for suicidal jihadists would ring hollow. Was there any fear for our national security from a domestic terrorist attack by Islamists before we put a base in Saudi Arabia?

Our freedoms here at home have served the interests of those who are hell-bent on pursuing an American empire, though this too will be limited by economic costs and the undermining of our personal liberties.

A free society produces more wealth for more people than any other. That wealth for many years can be confiscated to pay for the militarism advocated by those who promote preemptive war. But militarism and its

costs undermine the very market system that provided the necessary resources to begin with. As this happens, productivity and wealth is diminished, putting pressure on authorities to ruthlessly extract even more funds from the people. For what they cannot collect through taxes they take through currency inflation-- eventually leading to an inability to finance unnecessary and questionable warfare and bringing the process to an end. It happened to the Soviets and their military machine collapsed. Hitler destroyed Germany's economy, but he financed his aggression for several years by immediately stealing the gold reserves of every country he occupied. That, too, was self-limited and he met his military defeat. For us it's less difficult since we can confiscate the wealth of American citizens and the savers of the world merely by printing more dollars to support our militarism. Though different in detail, we too must face the prospect that this system of financing is seriously flawed, and our expensive policy of worldwide interventionism will collapse. Only a profound change in attitudes regarding our foreign policy, our fiscal policy, and our monetary policy will save us from ourselves.

If we did make these changes, we would not need to become isolationists, despite what many claim. Isolationism is not the only alternative to intervention in other nations' affairs. Freedom works! Free markets supported by sound money, private property, and respect for all voluntary contracts can set an example for the world-- since the resulting prosperity would be significant and distributed more widely than any socialist system. Instead of using force to make others do it our way, our influence could be through the example we set that would motivate others to emulate us. Trade, travel, exchange of ideas, and friendly relationships with all those who seek friendship are a far cry from a protectionist closed border nation that would serve no one's interest.

This type of society would be greatly enhanced with a worldwide commodity standard of money. This would prevent the imbalances that are a great burden to today's economy. Our current account deficits and total foreign indebtedness would not occur under an honest non-political commodity money. Competitive devaluations and abnormally fixed exchanged rates would not be possible as tools of protectionism. We can be certain that the distortions in trade balance and the WTO trade wars that are multiplying will eventually lead to a serious challenge to worldwide trade. The tragedy of trade wars is that they frequently lead to military wars between nations, and until the wealth is consumed and young men are no longer available to fight and die the process will cost plenty.

We must not forget that real peace and prosperity are available to us. America has a grand tradition in this regard despite her shortcomings. It's just that in recent decades the excessive unearned wealth available to us to run our welfare/warfare state has distracted us from our important traditions-- honoring liberty and emphasizing self-reliance and responsibility. Up until the 20<sup>th</sup> century we were much less eager to go around the world searching for dragons to slay. That tradition is a good one, and one that we must soon reconsider before the ideal of personal liberty is completely destroyed.

## Summary

1. The costs of war are always much more than anticipated, while the benefits are much less.
2. The cost of war is more than just the dollars spent; it includes deaths, injuries, and destruction along with the unintended consequences that go on for decades.
3. Support for offensive wars wears thin; especially when they are not ended quickly.
4. The Iraq war now has been going on for 15 years with no end in sight.
5. Ulterior motives too often preempt national security in offensive wars.
6. Powerful nations too often forget humility in their relationships to other countries.
7. World history and religious dogmatism are too often ignored and misunderstood.
8. World government is no panacea for limiting war.
9. Most wars could be avoided with better diplomacy, a mutual understanding of minding one's own business, and respect for the right of self-determination.