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Level playing field to create jobs

By Ernest F. Hollings
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The nation has been losing jobs for more than 50 years to imports and off-shoring. As governor of South Carolina, I testified in 1960 before the old International Tariff Commission against textile imports from Japan. As a United States senator, my first bill to pass the Senate in 1968 was a jobs-protection bill that received a 68 bi-partisan majority. We passed four other job-protection bills through both Houses of Congress only to be vetoed.

The point is that the people of this country have been complaining about job losses to imports and off-shoring for years. Then with President Clinton's NAFTA and Permanent Normal Trade Relations with China job losses are now hemorrhaging.

President-elect Obama now plans to create 3 million jobs over two years with stimulation and infrastructure spending. Stimulation will not work. We have kept the government on steroids for eight years, deficit spending to the tune of \$5 trillion, and we are over-stimulated. And the Obama plan only addresses the 20 percent job loss from the downturn in the economy but not the 80 percent job loss to imports and off-shoring.

Princeton economist Allen Blinder estimated two years ago that we would lose 40 million jobs in the next 10 years

to off-shoring. The Obama plan will be 5 million short. It's similar to the bailout for the Big Three in Detroit. We ask the automobile manufacturers to come up with a plan to make a profit and stay in business long range. But Detroit can only do so much. It can't compete with imports sold at cost.

After World War II, Japan closed its domestic market, selling its exports at cost and making up the profit in its closed domestic market. The United States market remains open — \$10 billion a month of foreign motor vehicle imports for the past eight years.

Moreover, Japan has 5 percent value-added tax (VAT) and China a 17 percent VAT, rebated on its exports. When good Chinese cars start coming in next year, 17 percent cheaper than Detroit's cars, Detroit's bailout plan will be wanting.

Bottom line: The United States has got to start competing in globalization. It must engage in the trade war. We need to place quotas on foreign car imports, giving Detroit a chance to recover. Then we must put a tourniquet on the hemorrhage of job off-shoring with a value added tax.

It will take a year for the Internal Revenue Service and business to gear up for this tax. In the meantime, we can put

a 10 percent surcharge on imports as President Nixon did so successfully in 1971.

Those who argue that a VAT or import surcharge will cut off the stimulation can forget about it. People are not consuming. They're desperately trying to save. And we need the money from a surcharge and VAT.

Obama will find to his dismay in January that the \$500 billion he wanted to spend on health care for the country must be spent on nothing, which is the interest costs on the national debt. We need to pay down the debt and stop the waste of interest costs.

In President George Washington's first message to the first Congress, he stated: "A free people should promote manufactories to render them independent of essential, particularly military, supplies."

We puff and blow as the world's superpower and yet can't go to war without the help of the adversary. Defense manufacturers get their aircraft parts from Turkey and India, and Ford gets its automobile parts in China. The secretary of commerce should promulgate a list of those items of weaponry necessary to our national security so that the United States can be assured of domestic production and supply.

President Kennedy used this provision to support his seven-point program to protect the textile industry in 1961. Refurbishing our domestic production of defense materiel will put America back to work.

Ernest F. Hollings, a Democrat, was governor of South Carolina from 1959-63 and a U.S. senator from 1966-2005.

NOTE: This article appeared in The (Charleston, S.C) Post and Courier. It can be found online at: http://www.charleston.net/news/2008/dec/28/level_playing_field_create_jobs66402/