

## KILL ALL THE ECONOMISTS

*By former U.S. Sen. Ernest F. Hollings (D-SC)*

FEB. 13, 2009 -- No one likes to hear from a "has been." I've tried to be polite. I've tried to be politically correct, but -- in Shakespeare's *Henry VI*, Jock the Butcher exclaims: "Kill all the lawyers." Paraphrasing Shakespeare for the need of the times: "Kill all the economists."

The President, the Congress and all in Washington are playing "economists." The economists refuse to admit that in the last eight years we have added \$5 trillion to the national debt; stimulated the economy \$5 trillion. Heaped on this debauchery, the voters have consumed or added to the household debt \$7 trillion or stimulated the economy another \$7 trillion, for a total of \$12 trillion stimulation.

Let's realize the enormity. It took this nation two hundred years paying for all the wars -- the Revolution, World War I, World War II, Korea, Vietnam; paying for LBJ's "Great Society," and we had yet reached a national debt of \$1 trillion. It wasn't until Ronald Reagan in 1981 that we reached a \$1 trillion debt. Now in eight years, President George W. Bush and the Congress have increased the debt \$5 trillion or stimulated the economy \$5 trillion.

According to the Congressional Budget Office, the national debt increased from September 30, 2007, to September 30, 2008, \$1 trillion, \$35 billion. In short, we stimulated the economy last year \$1 trillion, \$35 billion, and we're losing jobs like gangbusters. Since the beginning of this fiscal year, October 1, 2008, we have stimulated the economy \$733 billion, and last month lost 600,000 jobs.

It took the economists a year to agree that we were in a recession and they still debate whether or not we're in a depression. As a lawyer, listening to economists for fifty-two years of public service, stimulation is not working. The economy has collapsed. Families all over the land have run out of money or their economies have collapsed. And those with money know that the economy is in real trouble, and given money, they will not spend it. Everybody with sense is saving, and that's what the government must do for a change.

It so happens that the U. S. economic collapse occurs at the same time global economies have had a downturn. They are properly moving with stimulation to jump-start or jolt their economies. China, trying to keep its economy going, pursue a "Buy China" policy. But the economists, the financial world, and the U. S. Chamber of Commerce are so extremely wrong as wanting to eliminate the "Buy America" provision in the stimulation bills.

In short, the economists would have us in essence replace "Buy America" with a "Buy China" provision. For most of what we consume is now produced in China. Since 70% of our economy or GDP is consumption and has been driving the economies of the world, the economists look at the problem and say to themselves: "All we need is to get U. S. consumption back up to 70%." This could happen again someday, but not now.

As a lawyer with this case, I can tell you the American economy is in a saving mood. And we're not going to change

until Congress stops throwing money at the problem; stops the waste; stops hastening inflation, and stops devaluing our dollar. It's not the trust of the banker to be restored, it's our trust in the government.

Finally, if all of the stimulation plans work and if all of the bail out plans work, the economists still have the economy losing almost eleven thousand jobs a day. Alan Blinder, the Princeton economist that I want to keep alive, estimated two years ago that in ten years the United States would lose thirty to forty million jobs to offshoring. Playing with the various stimulation and bail out plans, the economists exacerbate job loss to offshoring. As General Motors and Caterpillar and others terminate jobs in country, they open up jobs offshore. And President Obama's constant admonition that things are going to get worse before they get better, tells all the businesses producing in the United States that they had better move to China while they can, using the collapse as a reason for closing. For if and when the economy recovers, the only way that their businesses could survive is to be in China.

We have gotten to the point that all manufacture and most services can no longer operate for a profit in the United States. While the Congress plays "economist," they also play "environmentalist." And while I'm an environmentalist, we don't have the luxury right now to debate "green" jobs. We're in real trouble. We need to first save the production that's left and rebuild the production necessary to save our standard of living and economy.

Now is the time for President Obama to institute a value added tax under his emergency powers. It will take a year for the Internal Revenue Service and business

to gear up for a VAT. In the meantime, he can impose an equalization tax or a 10% surcharge on imports that President Nixon did successfully in 1971. We need the money to pay our bills, stop increasing the national debt, stop the waste and begin to put the government on a pay-as-you-go basis. The economy is already experiencing the trauma to consumption of a VAT. The VAT works in two ways. Rebated at export, it will lessen our trade deficit, and, best of all, it will put a tourniquet on the offshoring. American production will no longer receive the 17% advantage to move to China.

Finally, we must engage in globalization. Globalization is nothing more than a trade war with production looking for a country cheaper to produce. All countries, save the United States, have a national purpose to build their economies. We are arrogant enough to think all we have to do is build the global economy. At the moment, we don't have the luxury of free trade or fair trade.

What we have to do is necessary trade to protect our security, to protect our economy. We can forget about new trade agreements and just enforce the trade agreements and laws on the books. Admiral William J. Crowe, the Chairman of the Joint Chiefs of Staff, years ago warned that we were depending too much on offshore production for the defense of our country. Ford produced the tanks in World War II and General Motors produced the B24 bombers. Our rolling stock is in jeopardy. Boeing can't produce the planes and Sikorsky can't produce the helicopters without foreign parts. The Secretary of Commerce is emburdened with the duty of correlating a list of those items of production necessary for our national security. Activating this list immediately will create jobs. My point is that we've got to get out of the Iraq

war, and the Afghanistan war, and get into the trade war.

We still think we're spreading democracy. I helped liberate Morocco, Algeria and Tunisia sixty-eight years ago and they have yet to opt for democracy. We liberated Kuwait eighteen years ago and they have yet to opt for democracy. In the Muslim world, more important than freedom and democracy, is tribe and religion. All of the mid-East, except Israel, wants us out of Iraq, including the majority of the people of Iraq.

After almost six years, we must have learned that you can't force feed democracy. Democracy comes from within. Trying to get rid of Saddam, we brought terrorism to Iraq and are now

creating terrorism rather than eliminating it. Same for Afghanistan. After seven years we have yet to teach warlords to like democracy and grow cotton instead of poppies. Out. No more troops. It took us ten years and fifty-eight thousand lives in Vietnam to learn that some like Communism better than democracy. Afghanistan has become a matter of conscience.

Those in Congress must remember the Wartime Prayer found in Eleanor Roosevelt's papers: "Dear Lord, lest I continue my complacent way, help me to remember that somewhere, somehow out there, a man died for me today. As long as there be war, I then must ask and answer, Am I worth dying for?"

*Senator Hollings of South Carolina served 38 years in the United States Senate, and for many years was Chairman of the Commerce, Space, Science & Transportation Committee. He is the author of the recently published book, Making Government Work (University of South Carolina Press, 2008).*