

STATE OF THE UNION

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

President Obama faced two challenges in his State of the Union. First, to restore the people's confidence in their government. Next to make the people confident that their government could solve the problem with the economy. As to the first, the President did a masterful job. He spoke as if he knew what he was talking about and, most importantly, felt what he was talking about.

Sure enough the Louisiana governor, Bobby Jindal, came with the same old Republican politics. Jindal waxed: "The strength of America is not found in our government." Since Ronald Reagan, the Republican creed has been: "Government is not the solution, government is the problem." And with the recent antics of our Secretary of the Treasury on the bank problem, people are beginning to believe that government is the problem. Obama brilliantly dispelled this thought. "History reminds us that at every moment of economic upheaval ..." that government "has responded with bold action and big ideas."

But as to the principal problem with our economy -- the offshoring of the nation's investment, research, development, production and jobs, i.e. the economy, he barely mentioned it. And only as a tax equity problem. Globalization is nothing more than a trade war with production looking for a country cheaper to produce. Every industrialized country on the globe engages with a fierce competition -- subsidies, tax benefits, currency distortion, everything imaginable. For example, China just promised Russia steel for a 20-year delivery of \$20 a barrel oil. All nations are fighting for their economy, but

in this trade war the United States is AWOL.

Two years ago, the Princeton economist, Alan Blinder, estimated that in ten years this nation will lose thirty to forty million jobs to offshoring. The President covered his stimulus plan to create jobs, but said nothing about losing jobs faster than any stimulus could create. At present, the government is the problem. Offshoring is caused not by the little tax cost to producing in-country because corporations pass this on in the price of the product. It's the high standard of living that is required for production in America: Social Security, Medicare, labor rights, minimum wage, clean air, clean water, safe working place, safe machinery, plant closing notice, parental leave, anti-trust, etc.

Economists usually measure competition in manufacture by productivity. But in globalization, it's government. The Chinese government controls labor and has none of our environmental restrictions. Moreover, production in China also has a 17% VAT tax advantage -- rebated at export. The United States doesn't rebate corporate taxes. In short, the problem with our economy is that, unless business is local, like a laundry or a restaurant, business can't make a profit in our country. This sounds crazy, but in globalization it's a fact. You can have a wonderful industry producing for a profit, but if your competition goes to China, India or Mexico and you continue to work your own people, you'll go broke. In short, the affirmative action policy of the United States government is to get rid of jobs, get rid of the economy. And

President Obama, with his “free trade” economic team, continues our demise.

The President mentioned Teddy Roosevelt’s call for reform of health care costs, but he should have spent more time on Teddy Roosevelt’s exclamation: “Thank God I’m not a free trader.” Business opposes our competing, cautioning “Free Trade,” “Protectionism,” “Don’t start a trade war.” The banks, Wall Street, and a substantial amount of our production, have long since offshored

making big profits. They even have the United States Chamber of Commerce objecting to “Buy America” in the President’s stimulus plan. But the American people are the most productive, the most competitive. The people are proud of our high standard of living and they don’t want to go back to dirty air and no labor rights. They were looking to hear from their wonderful President his plan to compete in globalization. It wasn’t mentioned.

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).