

## SOBER UP

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

MARCH 13, 2009 -- Few people realize that for the past fifty years the policy of the United States government has been to get rid of jobs. Beginning with the Marshall Plan after World War II the government sent money, equipment and expertise to revive the economies of Europe and the Pacific Rim. In doing so, the U. S. called for open markets and free trade. Europe responded, but Japan never opened its market. Instead, Japan started a trade war for market share by closing its domestic market, subsidizing and selling its export at cost, making up the profit in the closed market. It worked. Today, Toyota is #1, while Ford, GM and Chrysler struggle. We have yet to force Japan to open its market. We in Congress tried, but numerous attempts to open Japan's market and enforce our trade agreements were thwarted by the White House or vetoed by the President. Our attempts were all led by Corporate America to protect their investment and jobs in country. Then with NAFTA with Mexico and Permanent Normal Trade Relations with China Corporate America gave up and joined production in China, India and Mexico. Jobs hemorrhaged. Two years ago Alan Blinder, the Princeton economist, estimated that the nation would lose thirty to forty million jobs in ten years to offshoring. The economy boat has sprung leaks from derivatives and credit default swaps. With stimulus, we bail as fast as we can to stop the leaks, but do nothing to plug the hole in the hull ripped by offshoring. Stimulation can be a total success and we'll still loss more jobs than are created.

Fifty years ago, as Governor of South Carolina, I worked with the textile industry to save its jobs. Testifying before

the old Tariff Commission, Tom Dewey representing Japan ran me around the room with calls for free trade. When we lost, I went to President John Kennedy, who promulgated his seven-point program to save textiles. But it wasn't long before Japan was back at its tricks in trade, joined by Korea and China. China opened its market for foreign production in exchange for technology, but limited imports to things China didn't produce. China's control of its labor, safety, and currency and its failure to control the environment changed David Ricardo's "comparative advantage" in international trade from productivity to government. Corporate America could compete with any company in the world, but not with any country. Globalization is nothing more than a trade war with production looking for a country cheaper to produce. What we have now is a trade war, friendly, without guns.

But our country keeps making it more expensive to produce. For fifty years, Congress has been piling on requirement after requirement for production: Social Security, health care, minimum wage, labor rights, labor safety, plant safety, plant closing notice, parental leave, clean air, clean water. A company can avoid all of these costs by offshoring to China. And if a company's competition offshores to China, it will have to follow. Continuing to work its own employees with the cost of the U. S. standard of living will cause the company to go bankrupt. It's not just jobs. Investment, research, technology, development, production, the economy and corporate leadership are all outsourced. Years ago, Senator Byron Dorgan introduced an amendment to cancel the tax benefit to

offshoring. Wall Street, the big banks, the Business Roundtable, the National Association of Manufacturers and the United States Chamber of Commerce, and the Retail Federation of America came down on our heads and the amendment was easily defeated. Today the U. S. Chamber of Commerce opposes “Buy America” in the stimulus. The government’s and Corporate America’s policy remains getting rid of jobs.

Yesterday, President Obama, speaking to the Business Roundtable, pledged free trade and against protectionism. Little did the President realize that when it comes to creating jobs, he was talking to the enemy. And little does the President realize that he has the country headed in the wrong direction. There is no way this free trade/protectionism nonsense can continue. We have to sober up. Get real.

The United States was founded on protectionism. England started a trade war with the colony with the Navigation Act of 1632, requiring all of the colony’s export to be carried in English bottoms. Laws were against manufacture. The colony was forbidden to print a Bible. The Townsend Act, with increased tariffs on the colony, caused the Boston Tea Party, triggering the Revolution. And when we obtained our freedom and Constitution, the first act of the first Congress was protectionist: a fifty percent tariff on numerous articles. England continued to press for its colonial system, calling for free trade. But as Henry Clay in 1832 stated on free trade: “It never existed. It never will.” Abraham Lincoln campaigned as a protectionist and Teddy Roosevelt exclaimed: “Thank God I’m not a free trader.” We financed the building of this nation with protectionist tariffs. We didn’t pass the income tax until 1913. Victory in the trade war by the United

States over England is described colorfully in Edmund Morris’ book, *Theodore Rex*.

This first year of the new century found her worth twenty-five billion dollars more than her nearest rival, Great Britain, with a gross national product more than twice that of Germany and Russia. The United States was already so rich in foods and services that she was more self sustaining than any industrial power in history.

President Roosevelt protected agriculture. President Eisenhower protected oil. President Kennedy protected textiles. President Reagan protected steel, automobiles, computers, machine tools, and Harley-Davidson motorcycles.

Whether he realizes it or not, President Obama has stuck his toe into the trade war waters with health care. Avoiding health costs, Corporate America is presently building more cars in Ontario, Canada, than in Michigan. If our government assumes the burden of health care like every other country in the trade war, we can recoup these jobs and economy from Canada without touching NAFTA. To the President’s credit, he recommends cancelling the tax benefit to offshoring. But he plays games with a plethora of tax issues to pay for health care. He can easily pay for health care by adopting a value added tax, which will make the United States competitive in globalization. Every country in the trade war rebates its corporate tax, or VAT, at export. But the United States doesn’t. This will immediately remove the 17% inducement to offshore or lose jobs to China. Then President Obama can put America back to work producing those items or weapons necessary for our national security. In World War II, President Roosevelt had Ford produce the tanks and General Motors produce the

B24 bombers. A nation must have rolling stock. And today the United States is a net importer of aircraft. We puff and blow about being the world's superpower, but no longer do we produce the equipment for our troops. And rather than weaponry, in globalization it's "the economy, stupid." After Tiananmen Square, the United States adopted a

resolution to investigate China on human rights. That was in 1989. There has never been a hearing. China went to Zaire, where it was building a railroad, and other friends in Africa and the Pacific Rim forestalled any hearing. In the trade war, China is the superpower with the United States AWOL.

*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).*