

LESSON LEARNED

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MAY 29, 2009 -- The one lesson I learned in fifty-two years of public service was as de Tocqueville said: "America is good." All elements of our society support the nation's economy, except Wall Street and its entities, such as the big banks, brokerage houses, etc.; a/k/a the financial leadership. It is not interested in the U. S. economy. Its interest is in the investment economies; China, India, and Mexico. As the financial leadership continues to wreck our economy with protection for itself, it shouts "protectionism," "free trade," against the U. S. protecting its economy from offshoring.

Let me first qualify as a friend of business. I've won every Chamber of Commerce recognition imaginable. In 1979, I won the New York Board of Trade award and in 1981 I was the speaker when it was given to Sam Walton of Wal-Mart. As Governor I instituted technical training, attracting so much industry as to change South Carolina from an agricultural to an industrial state. In the United States Senate, I worked with Corporate America for protection of their investment and production – passing five trade bills, all blocked or vetoed by the President. In 1992, the National Chamber of Commerce's president, Bob Thompson, publicly endorsed my reelection to the United States Senate; but by 1998 the National Chamber of Commerce put out thousands of flyers against my reelection. I understood. NAFTA with Mexico and Permanent Normal Trade Relations with China forced Corporate America to offshore. I had voted for NAFTA with Canada because Canada had a free market. Mexico didn't – so I opposed it. The European Union taxed themselves \$5 billion over five years to develop a free

market in Greece and Portugal before admitting them to the EU. I recommended the European Union approach of building a free market in a country before its admission to the EU.

Today, Corporate America is still concerned about the U. S. economy, but remains quiet because of the stranglehold that the financial leadership has on both business and Congress. No one said it better than Senator Dick Durban of Illinois the other day when he lamented on the floor of the United States Senate: "The banks own this place."

The financial hierarchy, Henry Paulson, Larry Summers, Timothy Geithner, put on a grand charade of stimulus to save the economy but oppose reciprocal trading in globalization to save the economy. They stimulate AIG, Citicorp, and the insurance companies that should have been put in receivership under the Reform, Recovery and Enforcement Act of 1989. President George W. Bush had just stimulated the economy \$5 trillion in his time. Now eight months after Paulson told the Congress that he was appropriating \$700 billion to stimulate, another \$737 billion by Congress isn't working. We're still losing jobs like gangbusters. No mystery. We're bailing out the economy boat desperately with stimulation, but the financial leadership opposes plugging the hole in the hull from offshoring. AIG and the financial entities are given the ultimate protection of financing and government takeover. But it's a "no-no" to compete in globalization. It's a "no-no" to enforce your trade laws. It's a "no-no" to trade. McKinsey, Peterson and other "experts" keep grinding out warnings against protectionism, against

“Buy America,” shouting “free trade. And as fast as we give money to GM to invest, GM invests in China.

The reason Congress is quiet about trade is money – and the financial leadership furnishes the money. In my last race for reelection to the United States Senate for the seventh time in 1998, I had to raise \$8 ½ million. That’s \$30 thousand a week, each week, every week, for the six-year Senate term. A Senate race today in South Carolina would cost between \$13 million and \$15 million. This means that every working hour, the Senator has his or her mind on fundraising; no time for constituents; no time for the needs of the country; only time for the needs of the campaign. Mike Mansfield used to require a vote every Monday morning at 9 o’clock to be sure we had a quorum. And we stayed in session until 5 o’clock on Friday.

Today we finesse a vote after 6 o’clock on Monday to get back from New York or California from fundraisers and adjourn on Thursday so that we can get to California for a Friday fundraising lunch. We don’t care about Washington and Lincoln. We’ve merged their birthdays for a ten-day break called Presidents’ Day for fundraising. We have fundraising breaks every month with the month of August gone for fundraising; Columbus Day break; and we give thanks for a fundraiser at Thanksgiving. Even with all this effort, you still have to rely on the national party for help. There is no way for a Democrat in Republican South Carolina to raise \$8 ½ million by himself. This explains the

confrontational party politics in Washington.

In 1971 and 1973, in a bipartisan vote, we limited spending in campaigns to so much per registered voter so neither the candidate nor the contributor could buy the office. But a five to four decision by the Supreme Court in *Buckley vs. Valeo* permitted the candidate but not the contributor to buy the office. James Madison never thought that his First Amendment right of free speech would be limited by money. I tried for years with a bipartisan Constitutional amendment permitting Congress to limit or control spending in Federal elections so that we could return as Congress intended in 1971 and 1973.

If Congress and the States enact this Constitutional amendment, members of the Congress will be freed from the stranglehold of the financial leadership and have time to save the economy. Two things are bound to happen. Sooner or later Congress will take care of health care and enact a VAT tax to pay for the government we provide. President Obama is on course for health care, and while he is still popular he needs to get “the foot in the door” on a VAT. Today, 150 nations have a VAT at an average of 15.5%. The Internal Revenue Service advises that it will take a year for business and the I.R.S. to gear up for a VAT. No need now to determine the amount needed. Just get it enacted at 2% and adjust it up or down as it replaces the income or corporate tax.

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 newly published book, [Making Government Work](#) (University of South Carolina Press, 2008).