

## NO ONE'S MINDING THE STORE

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AUG. 6, 2009 -- Henry Ford developed the middle class in America by doubling the minimum wage, providing health care and retirement benefits for his employees. We in public service trusted business to look out for the economy. After all, business knew how best to protect its investment and the nation's economy. As General Motors' Charlie Wilson said: "What's good for General Motors is good for the country." That's when business depended on the nation's economy.

Globalization changed all that. Now business doesn't necessarily depend on the economy of the country where it is headquartered. Globalization is nothing more than a trade war with production looking for a country cheaper to produce. Business now looks to the economy of the cheaper country, with GM, Intel, and Microsoft not only locating research and production but awarding community grants in China. The problem with the economy is that Congress has yet to cope with this change. We in Congress got so used to relying on Corporate America to tell us their needs; to tell us the needs of the nation's economy, that we forgot that the economy was -- not the responsibility of business -- but of the Congress.

Article I, Section 8, of the Constitution calls on Congress to regulate trade. Any hint of this responsibility is avoided by Congress doing what Corporate America counsels -- free trade, avoid protecting the economy. As Henry Clay said of free trade: "It never existed ... it never will." But all in Congress go along with the charade. We Democrats, particularly in the Senate, can repair a major flaw in our political armor by becoming pro-business, chanting "free trade," and doing nothing

to have the nation compete in globalization. Investment, research, development, jobs, trade -- literally the economy -- follows production offshored. Congress has no idea of doing anything to stop the job loss from offshored production and strengthening the economy unless the President calls for it.

President Obama is talented, capable, and working hard, but he is inexperienced. It took me years in public service to learn of Corporate America's greed -- its lack of patriotism. I worked closely with business in the United States Senate, passing many a trade bill to protect its investment and production -- its jobs in country. But it wasn't until "on the road to NAFTA" that I was converted to learn of Corporate America's zeal for profit, which blinded them from the nation's economy. Today, Corporate America leads the opposition to any attempt by Congress to regulate trade or protect our economy.

Serving in the state legislature in Illinois and just two years in the United States Senate before running for the presidency, President Obama hardly ever debated trade or voted on trade. In the presidential race the nearest they got to a debate on trade was that NAFTA was a flawed agreement. But there was never any understanding or debate about the cause of offshoring. Everybody was for jobs, but no debate of the loss of jobs to offshoring, the real loss of the nation's economy.

With Larry Summers in charge of the economy for President Obama, "mum" is the word on offshoring. Summers has just completed an appearance on *Meet the Press* to discuss the economy and jobs.

Not a word about offshoring. Yet the Princeton economist, Alan Blinder, warned in February 2007 that in the next ten years the United States would lose thirty to forty million jobs to offshoring. When Summers was questioned on *Meet the Press* about a stimulus that was “supposed to create three to four million jobs when all is said and done,” Summers never suggested anything to slow or stop an average loss of three to four million jobs to offshoring each year for the next seven years.

The eminent economist, Roger Lowenstein, in his recent article on jobs and the economy in the *New York Times Magazine* never mentions the problem of offshoring. Paul Krugman, the Nobel Prize economist, writes regularly about jobs and the economy, but no mention of losing an average three to four million jobs a year to offshoring. Business and their economists look upon offshoring as an opportunity not a problem. That’s because anything that can be produced cheaper offshore from the United States is bound to be offshored from the United States – including research, software, law work, accounting work, and heart transplants.

Economists, like us politicians, respond to the problem of offshoring with the old axiom of “whose bread I eat, his song I sing.” Economists rely on the shibboleth of David Ricardo’s “comparative advantage” in international trade of productivity – “English woolens and Portuguese wine.” Today, in globalization, government is the “comparative advantage.” China’s government protects and controls not only its labor, but how many babies in a family, and one’s religion. To talk of “free trade” when China protects and controls everything is fanciful. China’s government even offers incentives to

invest and produce in China like us Southern Governors. China, protecting its economy, has become the superpower in the trade war as the United States refuses to protect its economy and remains AWOL in the trade war. Our country has so many problems and so many wars that President Obama is not going to confront the problem of offshoring by getting the country into another war – especially a war that his economists won’t even admit is going on. No one in Washington is minding the store.

Globalization is grand for profiteers. But it could leave our nation unable to defend itself. The *Harvard Business Review* reports that items needed for our national security, such as light-emitting diodes, flat-panel displays, and carbon-fiber components of fighter planes, no longer are produced in the United States. The nation’s defense should never depend on the favor of a foreign country. Worst of all, the Summers’ plan for the economy of consumption is working – except most of what’s consumed is imported – produced in another country. To create jobs, one must first create production.

We’re well on the road to becoming a banana republic. If the United States is to remain a superpower, we’ve got to come in from the cold in the trade war and pass the stone of industrial policy. We have an industrial policy for domestic trade with provisions for interstate commerce, a minimum wage, anti-trust, price-fixing, etc. Now we must move deliberately into an industrial policy for international trade. Bit by bit, we can incrementally protect not the total production, but the basic production on those items necessary for our national security such as guns, airplanes and automobiles with tariffs and quotas. The nation’s manufacture of automobiles permitted President Franklin

Roosevelt to have Detroit manufacture the tanks and planes for World War II. To stop the offshoring and save the economy, we need to immediately replace the corporate tax with a 5% value added tax. A 3% VAT is more than tax-neutral with eliminating the corporate tax. Two percent more will pay for health costs with exemptions and eliminate deficits rather than increasing them. But the public must appreciate the problem of offshoring and its solution before Congress will move.

As Adlai Stevenson said, it is time to talk sense to the American people. We already have government health care and are rationing health care in the United States. The government provides Medicare for the senior citizens; Medicaid for the poor. The government subsidizes health care for business. The government provides health care for the veterans. And the “free market” rations health care from children and working America that can’t afford it. The debate should be on how government can better provide and ration.

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Once and for all, let’s do away with outmoded ideas about “protectionism” and “free trade.” The fundamental of government is to protect. Our nation was founded on protectionism. And enough of this trade charade of entrepreneurship and innovation – windmills and diploma mills -- educate, educate. We’re producing a BMW in Spartanburg, South Carolina, of equal quality as one produced in Munich, Germany. In fact, Intel used South Carolina’s technical training program to get its Dublin, Ireland, plant up and running. The educated and skilled in the United States are without jobs. What’s needed to be educated is the President and Congress.

The Congress must make it profitable, once again, to produce in the United States. Our task is to make business patriotic – to help instead of opposing the rebuilding of our economy. Our task is to compete in globalization.