

MONEY IS THE CANCER

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SEPT. 10, 2009 -- The President's address last night to Congress on health care looked like a home run -- until he got to costs -- and then the ball hit the back fence and dropped back into the field.

Paying for reform by eliminating waste, fraud, and abuse in health care is the typical cop-out. I served on President Reagan's Grace Commission to eliminate waste, fraud, and abuse in government. We saved a lot, but President Ronald Reagan added a trillion dollars to the national debt. It might work now, but not in President Obama's time.

We submitted the solution of a value added tax to the administration weeks ago, but Axelrod has the President campaigning still for the money. All we have to do is eliminate the corporate income tax and replace it with a 5% value added tax. A 3% VAT replaces the revenues from corporate tax, 1% more pays \$1.3 trillion for health care, and 1% more brings in enough revenue to start paying down the debt. With the average corporate tax at 27%, the 5% VAT cuts taxes by 22% for domestic sales and eliminates taxes for Corporate America's exports.

This immediately removes the 44% tax advantage to off-shore Corporate America's production and jobs to China. China has a 17% VAT so that U. S. production pays on an average of 27% corporate tax and, when its export reaches Hong Kong, China adds its 17% VAT -- for a total of 44%. With a 5% VAT the U. S. begins competing in globalization, which is nothing more than a trade war with production looking for a cheaper country to produce.

But Corporate America would rather not compete in globalization. It can produce in China for a guaranteed profit with the CEO sitting on the 38th floor of Sixth Avenue in New York checking quality control on the internet, while his profit increases in China. The CEO has three years to get his stock up on Wall Street for his bonus and golden parachute. Some now, like GE, would like to produce in the United States and create jobs. But Corporate America's CEO is not about to limit his profit by competing in globalization and losing out on his bonus and golden parachute. Corporate America rather pay the corporate tax and oppose the VAT. And Corporate America, Wall Street, the financial houses, the big banks, furnish the money for the campaign.

So the present policy in Washington is to off-shore production and jobs -- not create jobs. The Princeton economist, Alan Blinder, estimated in February 2007 that in ten years the U. S. would lose thirty to forty million jobs to off-shoring. This is an average of three to four million jobs a year -- which we are exceeding. The President's stimulus creates at best four million jobs in two years. We're losing more jobs to off-shoring than we are creating. But Wall Street, the big banks, the Business Roundtable and the U.S. Chamber of Commerce love those China profits and oppose the U.S. coming in from the cold in the trade war and begin competing with a VAT. And Congress, needing the contributions from these financial interests, refuses to introduce or even consider a VAT.

Money is the cancer on the body politic. It can easily be excised with a one-line Constitutional amendment that "the

Congress is hereby permitted to regulate or control spending in federal elections.” This is what we intended in a bipartisan vote in 1971 and 1973 before the Supreme Court found that money is speech.

With a Constitutional amendment, Congress could limit the money, limit the fund-raising for money, limit the time Congressmen and Senators spend traveling the country for money and limit the influence of the lobbyists and Corporate America. I worked with Corporate America for thirty-eight years trying to protect their investment, production, and jobs in-country. But now

Corporate America is interested in its investment and the economy of China.

In globalization you can't manufacture for a profit in the United States -- Corporate America is forced to China or India. Article I, Section 8, of the Constitution says it's the duty of Congress to regulate trade. Congress could put in a VAT in place of the corporate tax and begin regulating trade and creating jobs. But jobs and health care -- and the economy -- are all sacrificed for campaign contributions. “Free trade and get the money” is the only bipartisanship in Washington.

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).

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