

## CHANGE FOR OBAMA

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JAN. 22, 2010 -- The message of Massachusetts is like the answer to a question of multiple choices – “all of the above.” But the one thing that stands out is “jobs” – and Washington is not competing for jobs. Yes, we’ve had two \$750 billion stimuli to create consumption for jobs, but nobody is consuming; everybody is saving. Thus, a “jobless recovery.” Even if the economy is stimulated, most of the jobs would go to China. We’re importing over half of what we consume and the problem is not just to create jobs, but to compete in globalization for jobs. Globalization is nothing more than a trade war with production looking for a cheaper country to produce. It’s a competition for jobs.

The “comparative advantage” in international trade or globalization is government. But our government plays the Wall Street and bonus crowd game: “Protectionism;” “Free Trade;” “Don’t start a trade war.” This keeps the United States AWOL in globalization or the trade war. If the President and Congress continue to wait for “free trade” in globalization, the country will go the way of General Motors – bankrupt.

Trade is a game. All games must be played by the rules; as in football with “roughing the kicker,” we must have rules. We don’t want “free trade.” We want rules. That’s why we have price fixing and anti-trust rules in domestic trade, and it’s the same in international trade. David Ricardo’s “comparative advantage” of English woolens and Portuguese wine was the country’s advantage. And the country in international trade or globalization that controls today is China.

The United States of America was founded in a trade war. The Mother Country prohibited manufacture in the colony and exports from the colony had to be carried in English bottoms. The Townsend Act triggered the Boston Tea Party, which triggered the Revolution.

After adopting a seal, the first act of Congress in history on July 4, 1789, was a protectionist 50% tariff. Article I, Section 8, of the Constitution didn’t call for free trade. It called on Congress “to regulate Commerce with foreign nations, ....” On free trade, Henry Clay cried on the floor of the United States Senate: “It never existed ... it never will exist.” Abraham Lincoln was a protectionist, and Teddy Roosevelt wrote in a letter to a friend: “Thank God I’m not a Free Trader.” We didn’t pass the income tax until 1913. For the first one hundred years the United States was built into an industrial power with protectionist tariffs. The nation’s trade laws assume industrial production, industrial power.

After World War II, Japan started today’s trade war by closing its market, subsidizing its manufacture, and selling its export at cost, making up the profit in its closed market and putting General Motors into bankruptcy. China has now taken over, instituting Communist or government capitalism with total control of its economy. The economists will have to get used to government capitalism. All countries in globalization now have an industrial policy to compete in international trade. And the frustration in Virginia, New Jersey, and now Massachusetts, is that Washington has an industrial policy – but its for China and not the U. S.

The pollsters, the consultants, the campaign managers, total politics have taken over Washington with one aim – get the money for the campaign. The money for the campaign is mostly furnished by Wall Street, the banks, and now Corporate America, who all engage in the free trade charade so that they can offshore production and jobs to China. China furnishes the plant and the CEO doesn't have to worry with Social Security, health care, labor stoppage, clean air, clean water, and OSHA's minions checking safety rules.

Instead of a minimum wage, China has a maximum wage, and you're more or less guaranteed a profit. If you make a profit, there is no income tax unless you repatriate it. You can invest in an additional operation in China for more profit, or, if you suffer a loss, you can walk away with no legacy costs. All Wall Street and Corporate America have to do to continue the profits and bonuses is to keep sending the contributions to the President and Congress to continue its industrial policy for China. If the President and Congress develop an industrial policy for the United States, the CEO would have to come back and go to work worrying about labor and OSHA.

In a way, you can't blame Corporate America. Business is not responsible for the U. S. economy – it's the responsibility of the President and Congress. Under the Constitution all trade laws must originate in the House of Representatives. Trade is not your responsibility as a Senator. Unless a trade bill comes over from the House, you keep your mouth shut as a Senator and continue to collect the contributions.

Senators love filibusters because all they need is two colleagues to keep the floor while the rest of the Senators go to New

York and California for fundraising. If you're a member of the House, the temptation is to keep quiet on trade, keep the contributions coming, don't start any legislation to compete for jobs or save our economy unless the White House is in favor. So it comes down to President Barack Obama. He and the Congress must institute an industrial policy for the United States instead of China, India, the rest of the world:

- (1) The President and Congress should cancel the tax exemption for offshore profits.
- (2) With trade deficits amounting to \$5.8 trillion in the last ten years, President Obama should impose immediately a 10% import surcharge as President Nixon imposed in 1971.
- (3) Cancel the corporate income tax and replace it with a 3% value added tax, with exemptions for food, health and housing. The average corporate tax rate at 27% with China adding another 17% on our exports amounts to a 44% incentive to produce in China rather than the United States. Every industrialized country in globalization competes with a rebatable value added tax.
- (4) The President and Congress should institute a "buy domestic" program like other countries in globalization that are building their economies.
- (5) Under Section 201 of the Trade Act, the President can institute import quotas or tariffs when a significant production is endangered. In the eight years under President George W. Bush,

Detroit was subjected to \$1 trillion of subsidized auto and auto parts imports. General Motors was not just endangered, but bankrupted. President Obama has sponsored a bail-out, but the bail-out can't work in competition to subsidized imports. Acting under Section 201 on autos and other endangered production would create millions of jobs.

- (6) Under the War Production Act of 1950, the Secretary of Commerce is directed to compile a list of strategic materials important to our national security. Today, the United States can't go to war save the favor of foreign supply. Activating production of strategic materials in-country with quotas or tariffs on imports will create millions of jobs.

If the President follows the advice of Nobel Prize economist Paul Krugman, who writes in this week's *New York Times*: "At this point Mr. Obama probably can't do much about job creation," he will end up a one-term President. All Krugman

and Larry Summers want to do is follow Keynes' stimulation theory. Keynes never lived in a country that had increased household debt \$7 trillion in eight years and the people were determined to save. Keynes never lived in a work where you can produce anything, anywhere – guaranteeing a constant trade war.

The fundamental of government is to protect. We have the Army to protect us from enemies without, the FBI to protect us from enemies within, Social Security to protect us from the ravages of old age, Medicare to protect us from ill health, clean air, clean water, anti-trust to protect us from monopolies, etc. The frustration of Massachusetts was from the most competitive people in the world feeling that Washington was not competing in globalization; not protecting our economy or standard of living.

President Obama just remarked on TV that the Republican Senator from Massachusetts was elected for the same reason he was elected. He's right. Candidate Obama talked the talk for jobs in Pennsylvania and Ohio, but President Obama hasn't walked the walk.

*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).*