

WASHINGTON'S JOB FRAUD

By former U.S. Sen. Ernest F. Hollings, D-SC

MARCH 5, 2010 -- Washington engages in the grandest fraud on jobs. The people are led to believe that tax cuts stimulate growth and jobs and that borrowing and spending money stimulates jobs.

I'll never forget as Chairman of the Budget Committee briefing Ronald Reagan with Alan Greenspan in the Blair House just before Reagan was sworn in as President. The economy was not good, and I can hear Reagan exclaiming now: "I promised to balance the budget in a year, and there's no way to do it." I explained it would take three years, and I would be glad to help in a bi-partisan effort to try to bring it in balance. The rest is history. President Reagan launched the policy of "growth" to stimulate the economy by cutting taxes, giving the United States its first trillion dollar debt in his first term, with another trillion dollar growth in debt in his second term. President George W. Bush, bragging that he was a Reaganite, stimulated the economy by cutting taxes, which increased the national debt \$5 trillion. Instead of growth, the economy lost 673,000 private jobs in eight years under President George W. Bush.

Elected President in November 1992, then Governor Clinton was told in Little Rock by Wall Street and its economists that he not only had to cut spending, but had to increase taxes. Taking office, President Clinton submitted an energy tax increase that was killed in the United States Senate by the farmers. Then we moved desperately to repair our defeat in the Senate with a package of tax increases on everything -- income, beer, tobacco, even Social Security. This tax increase passed both the House and the Senate without a single Republican vote in 1993,

with Vice President Gore breaking the tie. Wall Street was given predictability, and the United States enjoyed its strongest economy in history, giving President George W. Bush surpluses "as far as the eye can see."

With spending cuts and tax increases, President Bill Clinton created 21,814,000 private jobs in eight years, more than Reagan, Papa Bush and Junior Bush created in twenty years with tax cuts for "growth." And in the last eighteen months, Paulson, Obama, and the Federal Reserve have borrowed and spent over \$2.5 trillion stimulating the economy. But the only growth experienced is in debt, and we're still losing jobs.

We lost one-third of our manufacturing jobs during President George W. Bush's eight-year term. Corporate America was rushing pell-mell to China. With a stimulated economy, a manufacturer going to the bank for a loan, the first question the banker asks is: "Can your product meet the China price?" If not, no matter how innovative the product, someone will go to China in a couple of years and import the same article at a lower price, putting you out of business and making the bank lose on its loan. Today, it doesn't pay to produce in the United States.

An important part of the job fraud is to make the people feel like the loss of jobs is due to the recession, not off-shoring. Long before the recession, South Carolina lost its textile industry; North Carolina lost its furniture industry; Detroit its automobile industry, and California its computer industry, etc. President Obama wants to increase exports, but we have

nothing to export. Today, the United States has the export profile of an eighteenth century colony, with the only value added products exported being chemicals, agriculture and airplanes. Last week *The Wall Street Journal* announced that the largest chemical producer in the United States was off-shoring. Most of the job loss is from off-shoring, not the recession. But Washington acts as if nothing can be done to limit the off-shoring and protect our economy.

Globalization has developed into a trade war with production looking for the cheapest country to produce, with fierce competition for industry and jobs. Necessarily, every country has developed an industrial policy in this competition to protect its economy. Alexander Hamilton, in his famous "Report on Manufacturers," founded the United States in a trade war with an industrial policy of protective tariffs that financed and built this country into an industrial power. We had the only industry after World War II. To spread capitalism, we instituted the Marshall Plan to develop industry and jobs in Europe and the Pacific Rim. At the same time, we enhanced our industrial policy with trade laws to protect our economy. But President Obama and Congress act as if these trade laws and policies don't exist. They would have the people think that all we can do is stimulate the economy to supplant job loss from the recession. Trade laws and policies should be enforced to make it profitable once again to produce in the United States; to limit off-shoring, and protect our economy. In globalization, off-shoring can't be stopped, but off-shoring of essentials must be limited to prevent the economy from being destroyed.

President Obama and the Congress should immediately take the following

steps:

1. Suffering a \$5.8 trillion dollar trade deficit in the last ten years, President Obama should levy a 10% surcharge on imports like President Nixon did in 1971.
2. Don't wait for a basic industry to go bankrupt like General Motors, but once production is endangered, institute import quotas or tariffs under Section 201 of the Trade Act.
3. Activate the 1950 War Production Act reauthorized as the Defense Production Act of 2009 (S.1677). This requires the nation to have a ready supply of materiel necessary for our national security. Today, we can't go to war save the favor of some foreign country for supplies. Stop the off-sets for military sales and activate this law and policy, creating millions of jobs. President Kennedy used this law in 1961 to launch his 7-point program, saving the textile industry. Hearings before a Cabinet Committee determined that next to steel, textiles were the second most important to our economy. The Committee found in 1961 that "we can't go to war in Japanese uniforms."
4. Stop subsidizing off-shoring and cancel the exemption of off-shore profits unless repatriated.
5. Stop equivocating on "Buy American" and institute a "buy domestic" program like other countries competing in globalization.

6. President Obama can boost exports, pay for health reform and start paying down the debt by replacing the corporate income tax with a 5% VAT. Three percent will more than replace the revenues from the corporate income tax; 1% will pay for health reform, and 1% will start paying down the debt. The ox is in the ditch. We don't have time for a study commission.

I suggested canceling the corporate tax and replacing it with a 5% VAT to the Administration a year ago. It's a winner, but the President refuses to act. Why? To begin with, President Obama is inexperienced on trade and does generally what Larry Summers advises. Larry Summers is of the bail-out and bonus crowd, and he and Wall Street insist on continuing off-shore profits. They could care less about the United States economy. So Summers' and the Democrats' favorite economist, Paul Krugman, give the silent treatment to the off-shoring of investment, research, development, technology, production and jobs. They act as if nothing can be done to limit the off-shoring and strengthen our economy. The CEOs of Corporate America are interested also in continuing

off-shore profits so they and their entities, such as the Business Roundtable, the United States Chamber of Commerce, and Americans for Tax Reform, oppose any move to compete in globalization. Any move by the President and Congress to compete is met with chants: "Free trade," "Protectionism," "Don't start a trade war." Like Tom Donahue of the U. S. Chamber, Corporate America threatens to cut off contributions.

The United States is not organized for profit, but for the common good. Under Article I, Section 8, of the Constitution, Congress is charged with regulating foreign commerce and protecting our economy. The Constitution also requires all trade measures to originate in the House of Representatives. So members of the Senate are given a free ride. They give trade and the economy the silent treatment – and get the contributions. And Members of the House are not about to introduce a trade measure to create jobs and protect our economy unless approved by the White House. House Members also give off-shoring jobs the silent treatment and get the contributions. Nothing gets done.

One grand fraud!

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).