

## TURNED OFF

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MAY 13, 2010 -- The columnists and pundits are in a competition trying to explain the frustration of the people by analyzing President Obama -- "doing big things," "not fiery enough," "trying to do too much," etc. None of that! People are frustrated because the President doesn't do anything about two important concerns critical to the economy -- deficit spending and a trade war that's developed into a war on the economy.

President Obama articulates his concern about deficits and the debt, saying he's reviewing each item in the budget line by line. But no President serious about stopping deficit spending and paying down the national debt would submit a budget showing deficits in excess of a trillion dollars each year for ten years. (President's F/Y 2011 budget, page 178). Now the House and Senate are in a standoff, refusing to adopt a budget resolution showing deficits as far as the eye can see. The budget law requires both Houses to have conferenced and adopted a budget resolution by April 15<sup>th</sup>. Instead, both bodies now plan to use the Pelosi rule of "deeming" a budget resolution having been passed and making what spending cuts they can.

The President's study commission on the budget is a costly delay. The deficit for F/Y 2010 has already reached \$1 trillion, 21 billion (5/12/10) and we have 4 1/2 more months of borrowing and spending left in this fiscal year. Interest costs waste \$500 billion a year. Reporting in December any recommendation by the commission can't take effect until 2012 -- an election year. Members will oppose voting to cut spending in an election year. Members will oppose raising taxes in an

election year. It is doubtful that Congress will adopt the commission's recommendations. Mayors and City Councils, Governors and State Legislatures over the land are struggling to pay for this year's government. People are frustrated over the President and Congress considering 10-year budgets with trillion dollar deficits and waiting for anything to be done about the deficit and debt.

No President serious about creating jobs would ignore the off-shoring of the nation's economy in a trade war. I'll never forget the briefing by Lee Kuan Yew, the Prime Minister of Singapore, forty years ago when he stated: "Japan doesn't act like it lost World War II. It teaches in its schools that the war was only a temporary set back. And Japan is determined to take over the world economically."

After World War II, Japan started a trade war by closing its domestic market, subsidizing its manufacture, selling its export at cost, and making up the profit in the closed market. Now after forty years, General Motors is bankrupt with Toyota #1. Six years ago Senator Richard Shelby (R-Al) and I were in Singapore, and I wanted Lee Kuan Yew to tell Shelby what he had told me about Japan. Instead, Lee told of the visit of the incoming president of China, Hu Jintao, who wanted to learn how Singapore, so diverse of population and with no natural resources, could become so economically strong. Lee counseled: "You have to watch China now. China is determined to take over the world economically, and I am banding together countries in the Pacific to counter China. We need the United States to help us."

China changed the trade war into a war for not only trade, but investment, research, technology, development, production, jobs -- the economy. It not only operated from a closed market for market share, but with communist control of its market and labor, China invaded the production of the industrialized countries seeking their technology and expertise. For a 49% interest producing and developing in China, it has attracted U. S. investment, research, and technology.

Instead of helping Lee Kuan Yew counter China's assault, Corporate America is building China into an economic superpower. It's making communism work. Malaysia, Singapore, Thailand, Vietnam and other countries have joined China's assault, with globalization resulting in nothing more than a trade war with production looking for a country cheaper to produce. Off-shoring began in the eighties and hemorrhaged under the eight years of President George W. Bush, with almost a third of our manufacture being lost. South Carolina lost the textile industry long before the recession; Michigan the automobile industry; Intel and advanced technology had long since bailed out of Silicon Valley, and Bill Gates' research had long since left for China. We're losing more jobs from off-shoring than the recession, but only act for job loss from the recession. That's the people's frustration.

President Obama has no experience in trade and takes the advice of Larry Summers, Tim Geithner, and the financial crowd. Summers and the financial crowd feel that as long as Corporate America's profits keep flowing from China with the Wall Street market up, the U. S. has a strong economy. All needs to be done is to stimulate the financial community and consumption for the economy to recover. With imports soaring, we're stimulating

the production of China, not the United States. The Obama administration refuses to enforce our trade laws to protect the economy and change our tax laws to promote exports.

Corporate America, producing in China, has a 17% VAT rebated at export and pays no tax on its imports to the U. S.; whereby Corporate America, producing in the United States, pays on an average of 27% corporate tax plus a 17% VAT when its export reaches Hong Kong, for a total of 44%. This 44% is a substantial incentive for Corporate America to off-shore its production to China. Eliminating the corporate tax and replacing it with a 2% VAT would not only remove this incentive, but promote exports and raise more revenues. This should be done now.

President Obama fails to enforce our trade laws that would protect domestic production and jobs. Section 201 of the Trade Act calls on the President to impose import tariffs or quotas when American production is endangered. President Obama should have enforced Section 201 and not wait for General Motors to go bankrupt and need a bailout. The War Production Act of 1950 calls on the President to protect America's production and supply of those items necessary for our national security. Boeing can't build a fighter plane except with an important part manufactured in India. Sikorsky cannot produce its helicopter except with a tail motor coming from Turkey. Our defenses are down, and the President could create millions of jobs by exercising his authority under the War Production Act.

The trade war is kept "top secret" by the economists and the media. The economists know better but respond to their employ. Corporate America doesn't

want to return from off-shore and produce in the U. S. for less profit and worry about labor, safety, and the environment. Of course, Wall Street, the big banks, and the financial community and their entities, the Business Roundtable and United States Chamber of Commerce, join this opposition. And this opposition crowd furnishes the contributions for and against the President's and Congress's re-election.

Thomas Jefferson's free press has joined his free government. And "mums the word" on off-shoring the economy with the media and the pundits. The media and the pundits want to be smart and, if Wall Street, the financial community, Corporate America, Congress and the

President don't mention off-shoring the economy, they're bound not to. As all of the industrialized countries protect and build their economies in the trade war, the United States stays AWOL and is on the road to ruin. This is why the people are turned off against Washington. We could all be turned on by the President and Congress beginning to solve the deficit, debt, jobs, economy, and health cost problems by replacing the corporate tax with a 5% VAT – NOW! When could there be a better time?

Like Eliza Doolittle in *My Fair Lady*:  
"Words! Words! Words! I'm so sick of words! I get words all day through; first from him, now from you! Is that all you blighters can do?"

*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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