

NATION NEEDS A LEADER

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MARCH 2, 2011 -- The government in Washington is in limbo. I saw it happen.

House and Senate members of Congress always came to Washington to solve the nation's problems – the budget process in '73 to stop deficit spending; the Social Security solutions in '83; the cutting of spending \$254 billion and the \$250 billion increase in taxes in '93. We even increased gas taxes and Social Security taxes. This happened without a single Republican vote in the House or Senate. This measure gave us eight years of the nation's strongest economy.

In 2001, President George W. Bush faced a balanced budget and "surpluses as far as the eye could see." President Bush was feeling so ebullient that he declared on February 27, 2001, that he would submit a plan to pay off the national debt in ten years. The debt stood at \$5 trillion. Instead, he doubled it to \$10 trillion in eight years.

The economy was facing a mild recession in 2001, but President Bush recommended a mammoth tax cut. Having lost the Congress in 1994 because of tax increases all except a few of us Democrats voted "aye." Then, all except a few of us Democrats voted with the Republicans for prescription drugs without paying for them. In January 2003, with the war in Iraq imminent, I introduced a 2% VAT to pay for the Iraq War. The United States had paid for all its wars since the Revolution. White House lobbyists said my tax initiative was "dead on arrival" at the White House, and I couldn't get any co-sponsors. Today, pollster politics for re-election has taken over the Congress and even the valiant

efforts of Senators Warner and Chambliss are thwarted.

Now Republicans and Democrats are in a Mexican standoff trying to get the nation's fiscal house in order -- playing the game of "you go first." Both sides have reached a point where spending cuts alone won't do it. Tax increases are needed, but no one wants to go first. House members can easily explain not being for a tax increase because the district is against it, and the Senator can say the State is against it. But one person, the President of the United States, always reflects the needs of the nation. It is up to him to lead. President Obama's spending freeze and tax reform is kicking the can down the road. The President must lead for spending cuts and tax increases to start paying down the debt.

The Bowles-Simpson Commission has put forward a workable solution, but the Commission's recommendation for tax reform or eliminating tax expenditures or loopholes is a non-starter. I have witnessed the Senate Finance Committee engaged in several tax reforms for thirty-eight years and they usually end up as a bonanza for the lobbyists -- with more loopholes and less revenue. Tax expenditures or loopholes today cost the government \$1.3 trillion, which exceeds all appropriations.

We have got to stop off-shoring jobs and our economy by getting into the trade war. We can get a good start by eliminating the \$156.7 billion corporate income tax and replacing it with a 5% value added tax that will produce \$600 billion. One hundred thirty-five countries in the trade war use a VAT, which is

rebated on export. This will put the United States in step with the global competition. It will remove our disadvantage because the corporate income tax is not rebated. It eliminates the biggest reason for the loss of jobs – “the highest business tax of any country.” Best of all, exemptions for the lower income will still leave over \$300 billion to pay down the debt. In short, replacing the corporate tax with a 5% VAT will engage us in the trade war; promote exports; create jobs; eliminate the trade deficit; encourage manufacturing; bolster the middle class, and pay down the debt. Corporations with their corporate tax eliminated will free up \$1 trillion in off-shore profits that can be repatriated tax free and create millions of jobs.

But Republicans in Congress won't opt for this because Republicans are wedded to Grover Norquist's Americans for Tax Reform -- “against all taxes.” And Democrats are not going for any tax initiative unless the President leads. President Obama has learned to campaign, but the President has yet to lead.

Even with the country on course to paying down its debt, investment, research, production, jobs, the economy, all continue to hemorrhage off-shore. Globalization is nothing more than a trade war with production looking for a cheaper country to produce. It's no longer company versus company, but country versus country, and the United States is not competing. To compete with the industrial policies of China, Japan, South Korea, Germany, etc., we must develop an industrial policy. The United States has it in the making in our trade laws, but Presidents Bush and Obama have yet to enforce them. Rather than wait for a vital industry like automobiles to go bankrupt, we should have moved under Section 201

of the Trade Act when General Motors was endangered. Dumping laws must be enforced. We can begin with the War Production Act of 1950 that assures the nation of a ready supply of materiel and equipment to go to war. We are now begging Russia for helicopters for Afghanistan. Eliminating the thousands of contracts that the Defense Department has for materiel with foreign countries will create millions of jobs. In 1961, President John Kennedy had hearings that determined that textiles, next to steel, were important to our national security. He then promulgated his seven-point program that saved the textile industry. Today, all textiles need not be domestically produced, but we must have on hand uniforms, parachute cloth, camouflage, body armor, etc. A War Production Board like we had in World War II must be appointed to determine what's necessary.

The tragedy is that the free press doesn't cover the needs of the country. The free press or media is so wrapped up in giving balance to all sides of a political issue, that once done, they think the needs of the country are covered. Axelrod has the President pollster politicking the country, and Bill Daley has been brought to Washington to get the money.

The United States is not fat, rich and happy. We don't need a cheerleader going over the country cheering to “out-educate, out-build, out-innovate.” General Motors' research or innovation is in China, and the President's man to innovate, Jeffrey Immelt of General Electric, has just announced a \$550 million research center for Brazil. The nation can't stand two more years in limbo. Now that Gates has said we “ought to have our heads examined” for being in Iraq and Afghanistan, we ought to get out of the Iraq and Afghanistan

wars and get into the trade war. We need spending and off-shoring our economy.
the President to lead, to stop deficit

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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