

## JUST CAMPAIGNING ...

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APRIL 8, 2011 -- The economy is in a period of slow growth – 1% to 3% a year. But off-shore the markets are experiencing two to three times that rate.

In the Harvard Business Review for October 2009, Jeffrey Immelt, the CEO of General Electric, said "Reversed Innovation" is needed for global growth. Accordingly, GE has moved its research, development, production and management techniques off-shore. GE now has more than a dozen growth teams in China and India. The Harvard article is headlined: *GE's Business in China Will Grow 25%*. The article has Immelt responding to an Indian team manager concerned with a U. S. problem: "I don't even want to talk to you about your growth plans for the United States. You've got to triple the size of your Indian business in the next three years ...." Immelt has just been appointed job czar by President Barack Obama to develop jobs in the United States. After his appointment, Immelt announced a \$550 million research center for GE in Brazil. Jeffrey Immelt's mind is still concentrated off-shore.

Over the weekend, President Obama on the campaign trail said: "I don't wake up in the morning that I don't think of jobs. I don't go to sleep at night without thinking of jobs." Pretty words -- but President Obama is the reason we don't have jobs. Only the President can enforce the trade laws, and President Obama avoids enforcement like the plague. Enforcement would limit off-shore profits, which would limit campaign contributions, which would ruin Obama's

drive to raise \$1 billion in campaign contributions.

Then I heard Donald Trump on the campaign trail say: "China is the enemy." China is not the enemy. China is developing a strong economy with controlled trade like the United States did in the early days. We didn't pass the income tax until 1913. For the first hundred years we financed and built these United States with trade tariffs, causing Edmund Morris to report in *Theodore Rex*: "This first year of the new century found her [U.S.] worth twenty-five billion dollars more than her nearest rival, Great Britain, with a gross national product more than twice that of Germany and Russia." President Theodore Roosevelt exclaimed: "Thank God, I'm not a free trader." China uses every twist and turn in the trade laws to develop its economy. The United States doesn't call China on it because this would limit corporate profits which would limit campaign contributions. Both the President and Trump are as confused as Hogan's goat. Like Pogo, we've met the enemy, and it is us.

Twenty years ago I called my friend Walter who was developing an industry in California, and I said: "Walter, I see your stock is doing good. The next expansion – we want it in South Carolina." Walter replied: "I don't produce anything in-country. It's all in China. You lease the plant on a year-to-year basis. China furnishes the labor. I send a young manager to watch production. I don't have any labor, health, safety or environmental worries. If it works out, I don't have to pay any tax; I lease another

plant. If it doesn't work out, I walk away and have no legacy cost. I can keep up every day on the internet and have time to play a round of golf." This is the real world. It doesn't pay to produce in the United States. We're getting rid of production and jobs as fast as we can. We're in a trade war and disarming.

Globalization is nothing more than a trade war with production looking for a country cheaper to produce. Every country, except the United States, is competing in globalization for jobs. Today the nation needs to attract investment and industry to rebuild our economy. The President and Congress must act like Southern Governors. We can do this by changing our tax laws and enforcing our trade laws.

The world-wide value added tax of 136 countries applying a VAT averages 15%, which is rebated on export. We can make it pay to produce in the United States if President Obama called on Congress to replace the corporate income tax with a 5% VAT. This cuts taxes and eliminates "the highest business tax in the world." It reduces the price of family needs. It eliminates the disadvantage to U. S. exports (\$180 billion) and export subsidies to import competition (\$270 billion). A \$450 billion total disadvantage to trade is eliminated. With revenues of \$600 billion from a 5% VAT instead of \$156.7 billion from the corporate income tax, exemptions for the low income still leaves \$350 billion to pay down the debt. Now

corporate America can invest a trillion dollars from the off-shore profits to produce jobs in the United States.

But my friends in Congress tell me they are not about to introduce such a measure without the President's approval. And President Obama doesn't want to disturb corporate contributions. If President Obama would govern instead of campaigning and enforce the War Production Act of 1950 like President Kennedy did for the textile industry, it would create millions of jobs. It's not necessary to enforce the law for all textiles, but the nation must have on hand parachutes, camouflage, body armor, etc. If President Obama would impose a 10% surcharge on imports like President Nixon did in 1971 when our trade deficit was a miniscule of what it is today, it would create millions of jobs. If the President would enforce our trade laws like President Reagan did for steel, automobiles, computers, machine tools, and motorcycles, it would create millions of jobs.

President Obama needs to get the country out of the Iraq, Afghanistan, and Libya wars and get into the trade war. The nation is in a desperate condition. To signal campaigning for the rest of this year and next year for a billion dollars is obscene. President Obama needs to lead the country in the trade war. Appointing Jeffrey Immelt is just campaigning.

*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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