

SHAMEFUL CONDUCT

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OCT. 5, 2011 -- I don't know what the demonstrators want Wall Street to do, open earlier; cut the price of stocks? Demonstrators mistake result for cause. Business doesn't create the business climate or economy. Government does. Business takes advantage of the business climate that the U. S. government has developed. Capitalism has a tendency to monopolize. That's why government institutes anti-trust laws and restrictions to keep the market open. But an open market doesn't mean a free market. In globalization, with China setting the competition, the market is definitely not free. Corporate America shouts "free trade" but creates jobs and develops the most closed market in China.

The United States was founded on protectionism. The second bill signed by President George Washington was the Tariff Act of 1789. Abraham Lincoln, the father of the Republican Party, was the biggest protectionist ever. Teddy Roosevelt wrote to a friend in 1895: "Thank God I'm not a Free Trader." (*The Great Betrayal*, p. 232). Point: President Obama and Congress must protect our economy before it is completely off-shored.

The first order for government is to take the tax benefit for Corporate America to off-shore jobs and give it to Corporate America to on-shore jobs -- cancel the corporate tax and replace it with a 6% value added tax. Last year's corporate tax produced \$194.1 billion, whereas a 6% VAT for 2010 produces \$700 billion in revenues. Exemptions for the poor leaves billions to pay down the debt. With no loopholes, a VAT produces instant tax reform, which puts the tax lobbyists out

of business. The VAT replacement releases \$1.2 trillion in off-shore profits for Corporate America to create jobs in the United States. The VAT is like a sales tax, but not on the sales price -- only on the value added or seller's mark-up. 141 countries use a VAT to compete in globalization. U. S. business pays the corporate tax and a 17% VAT when its exports reach China. China rebates its 17% VAT on exports that reach the U. S. tax free. China's exports are tax free, but U. S. exports face double taxation. Germany located a windmill plant in Charleston, S. C. Parts are manufactured at high cost in Germany to avoid being taxed; shipped to Charleston at 3% cost; assembled in the U. S. at 3% cost, permitting Germany to produce green jobs 13% cheaper than any U. S. production. Shipping auto engines and sophisticated parts VAT free from Europe, Korea, and Japan for assembly in the U. S. destroys U. S. auto production.

President Obama refuses to enforce our trade laws. In 1971 President Richard Nixon imposed a 10% surcharge on imports when our trade deficit was a miniscule of today's trade deficit. President Ronald Reagan protected steel, motor vehicles, computers, machine tools, and imposed a 45% tariff on motorcycle imports that saved Harley-Davidson. Twenty years ago Admiral William J. Crowe, Jr., former Chairman of the Joint Chiefs of Staff, warned that we were off-shoring too much of our defense production. We're now begging Russia for helicopters for Afghanistan. If President Obama enforced the War Production Act of 1950 like President Kennedy did in 1961 to save the textile industry, it would create millions of jobs.

Producing in China, the U. S. CEO has no labor, safety, or environmental worries. Make a profit, and no tax unless repatriated; invest for more profit. Have a loss, write it off with no legacy cost. Do this for three years and the U. S. CEO can retire with his bonus and lifetime consultant contract. So Corporate America joins with Wall Street and the big banks to keep the off-shore profits flowing. Their economists characterize the economy in constant downturn or recession. The 2008 recession ended in June 2009. But President Obama on *Morning Joe* (10/3/11) talked of an “extraordinary recession,” and yesterday the Chairman of the Federal Reserve, Ben Bernanke, warned: “The recovery is close to failure.” This makes Washington politicians happy. They never have to pay for government. The rule of thumb is never raise taxes or cut spending in a downturn. So the President and Congress have been in a fiscal standoff for eleven years borrowing and adding trillions to the debt. Now President Obama and Congress have no plan to pay for

government for the next ten years. All plans continue borrowing.

Wall Street, the big banks, and Corporate America are happy for Congress to do nothing. They oppose the enforcement of trade laws; oppose a VAT because it increases the cost of imports, and oppose the repeal of the subsidy to off-shore jobs. Wall Street, the big banks, and Corporate America are the biggest contributors to the President and Congress. So the President refuses to enforce our trade laws. The President and Congress oppose the VAT solution even though they are for tax cuts; and they oppose repeal of the subsidy to off-shore profits.

Replacing the corporate tax with a 6% VAT would make it profitable for Corporate America to produce and create jobs in the United States. President Obama bails the economy boat as fast as he can with tax cuts and infrastructure, but fails to plug the off shore hole in the sinking economy. Congress does nothing.

Shameful conduct! Not in Wall Street, but in Washington.

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 [Making Government Work](#) (University of South Carolina Press, 2008).

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