

## COMPETE

Former U. S. Senator Ernest F. "Fritz" Hollings (D-SC)

DEC. 4, 2009 -- President Obama at West Point made an outstanding presentation, not only of our situation in Afghanistan but our dilemma here at home. He stated:

“But as we end the war in Iraq and transition to Afghan responsibility we must rebuild our strength here at home. Our prosperity provides a foundation for our power. It pays for our military; it underwrites our diplomacy; it taps the potential of our people and allows investment in new industry; and it will allow us to compete in this century as successfully as we did in the last.”

Talking along, he emphasized:

“In the end, our security and leadership does not come solely from the strength of our arms, it derives from our people, from the workers and businesses who will rebuild our economy.”

But earlier in his talk the President observed:

“Meanwhile, competition within the global economy has grown more fierce, so we can’t simply afford to ignore the price of these wars.”

EUREKA! I have been trying all year with friends in the administration to have the President recognize “competition within the global economy” and compete, trade. We have laws galore on the books to protect our production and jobs; to protect our economy. But President

Obama acts like the only way to protect and rebuild the nation’s economy is to stimulate consumption.

Finally, at West Point the President acknowledged that our security derives “from the workers and businesses who will rebuild our economy.” Until now, President Obama has opposed “workers ... who will rebuild our economy” by favoring off-shoring their jobs. Rather than a White House summit on jobs, all the President has to do as our Chief Executive is to change the tax laws and execute the trade laws:

1. Cancel the tax incentive to off-shore and give it to domestic production.
2. Our tax laws force off-shoring. You can manufacture a computer in Chicago, which requires an average corporate income tax of 27%. Exporting that computer to China, when it reaches Hong Kong, China adds another 17% value added tax. But if you manufacture a computer in China, the 17% VAT is rebated or cancelled as it leaves Hong Kong for Chicago. And when it reaches Chicago, there is no 27% add-on, making for a 44% penalty to produce in Chicago. Imagine a country where you can’t produce for a profit. Well, that’s Obama’s United States today. The corporate income tax should be replaced with a 3% VAT.

3. Take the bailout of the automobile industry. It has no chance of success. In the last eight years, Detroit has suffered a trillion dollars of subsidized import competition. Section 201 of the trade laws authorizes the President to institute import quotas when our production of automobiles is in danger. Now bankrupt, we should have acted long ago.
4. Boeing can't produce a fighter plane or Sikorsky a helicopter without importing the parts. The United States can't go to war except for the favor of some foreign country. The War Production Act of 1950 requires the Administration to make certain that we have the materiel necessary for our national defense. If the President institutes tariffs or import quotas and starts the production of essential materials, it would create millions of jobs. Under President Kennedy in 1961, the Cabinet Secretaries determined that next to steel, textiles was the second most important to our national defense. We don't have to produce the T-shirts, but we must have woollens for winter war and parachute cloth. Instead of acting helpless with summits, Barack Obama should act as President by putting America immediately back to work producing necessary defense materiel.
5. Suffering trillions in deficits in the balance of trade, do like President Nixon in 1971. Impose a 10% surcharge on imports to put our friends in globalization on notice that we are going to compete in globalization, to trade, and rebuild our economy.

These suggestions have been ignored all year long. Why? Because Corporate America doesn't have to bother with labor, safety, and environmental provisions in China and it makes a bigger profit. So the U. S. Chamber of Commerce, the Business Roundtable and Corporate America oppose any initiative to compete in global trade, shouting "protectionism," "free trade," "educate," "innovation." Alexander Hamilton founded our country on protectionism. And Henry Clay stated in the United States Senate on free trade: "It never existed; it never will exist...."

In South Carolina, we, like every state, have technical training programs and are producing automobiles and planes. Innovation doesn't create jobs, but is immediately developed in China for the bigger profit. Wall Street and Corporate America furnish the contributions for the campaign. Larry Summers, David Axelrod and Rahm Emanuel make sure nothing is done to disturb the flow of contributions.

The eminent Princeton economist, Alan Blinder, almost three years ago estimated that in the next ten years the United States would lose thirty to forty million jobs to off-shoring. That's on an average of three to four million jobs a year. Most of the job

loss is not from the recession, but off-shoring.

afford to ignore the price of these wars [emphasis added],”

The sentence in the President’s talk:

should read:

“Meanwhile, competition within the global economy has grown more fierce, so we can’t simply

Meanwhile, competition within the global economy has grown more fierce so we can’t simply afford to ignore the competition.

*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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