

## PRESIDENT FOR THE COUNTRY

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APRIL 15, 2010 -- After ten years of campaigning, Barack Obama came to the Presidency with little chance to learn about the federal budget and globalization. He fell into the hands of Larry Summers, Timothy Geithner, et al., who feel that as long as finance is protected and the stock market up, people will invest more, borrow more and the banks can make more loans. They think this alone makes for a strong economy. They give no thought to research, development, manufacture, services, mining, and the effect of globalization upon international trade and production. They don't think that the country has to make anything or produce anything for a strong economy. They don't realize that globalization is nothing more than a trade war with production looking for a country cheaper to produce. Production and jobs flow to China, where profit is guaranteed so long as the producer furnishes its technology and expertise.

With U. S. jobs hemorrhaging to China, Summers believes, as Robert Reich, Secretary of Labor for President Clinton, writes in *The Wall Street Journal*, that jobs off-shored are not coming back, and no effort is made to bring our jobs and economy back. The finance crowd is oblivious to the fact that Southern Governors are bringing back automobile and middle-class jobs like gangbusters, while Washington off-shores our investment, research, development, production and the economy as fast as it can. The Summers' cabal is oblivious to the loss of our economy, and off-shoring makes it tough to manufacture for a profit in the United States. Banks are only interested in off-shore loans as the economy recovers.

Worst of all, this financial leadership and the Obama Administration are oblivious to the fact that China is already an economic superpower and is determined to remain economically strong as one country. The Obama Administration seems just as determined to do nothing to protect our economy as it becomes economically weak. The *Financial Times* reports that Timothy Geithner, the Secretary of the Treasury for President Obama "... during a two-day visit to India that protectionist measures to prevent jobs from migrating outside the country would do more harm to the US than good. 'We are not going to go down that path,' promised Mr. Geithner. 'We know that it would make us weaker, not stronger.'" When was that? When did it make us weaker?

The United States was founded in a trade war. The Navigation Act of the Mother Country of 1632 required that all trade from the colony be carried in English bottoms, and England prohibited manufacturing in the colony. The Townsend Act that sparked the Boston Tea Party caused the Revolution for our freedom. The cause of the Revolution was not only taxation without representation but manufacture as related in Alexander Hamilton's famous "Report on Manufacturers." The first act of our Congress in history, on July 4, 1789, was a protectionist tariff measure. We didn't pass the income tax until 1913. We founded, financed, and built the industrial power, the United States of America, with protectionist tariffs. Congress has always used protection to maintain a strong economy. It protected the domestic market with anti-trust provisions, etc., and the import market against dumping, etc.

The War Production Act of 1950 protected production of material necessary to our national security.

Financial leaders justify their fraud with cries of “protectionism,” “free trade,” “don’t start a trade war,” that we’re already in. In 1832, Henry Clay on the floor of the United States Senate repudiated the political cry “free trade,” stating: “It never existed; it never will exist...” Manufacturing creates the middle-class jobs that create the small business jobs that create a strong economy. Every nation is competing all out in globalization, attracting investment and production to strengthen its economy, while the United States languishes in politics, spending, borrowing and off-shoring its economy.

Corporate America goes along with the financial crowd for off-shored profits to get its stock up and solicits more borrowing, spending and stimulus in *Business Week*, stating: “If the nation turns too quickly to deficit reduction, the economy could get stuck in a rut that would be expensive to escape.” The economy is already in a rut “expensive to escape.” We gave President George W. Bush “surpluses as far as the eye could see.” He cut taxes, causing a debt or rut of \$5 trillion, and now President Obama deepens the rut with a budget (page 178) calling for trillion dollar deficits as far as the eye can see. President Obama has our country on automatic pilot, borrowing, spending, and off-shoring the economy.

Corporate America feels good about off-shoring because it thinks that capitalism will overcome communism in China like it did in Russia. But China’s leaders are not just communists, but students of government. In a country of 1.3 billion people, the task of the Chinese leaders is to create a strong economy and at the

same time maintain law and order. If they move to “one man, one vote” democracy, like many think capitalism will cause, the country of 1.3 billion will come apart. To keep the country together will be a contest of enough capitalism for a strong economy and enough communist control to maintain the “Middle Kingdom.” Thinking ahead, China alters its acquired technology and patents it to make it cheaper or the desired product in globalization. It won’t be long before China’s leaders will need that 49% interest of Corporate America’s production in China to bring more of its poor into the middle-class. In a few short years, Corporate America will be told “Goodbye,” and, under the present Obama policy Corporate America will return to a country with an enfeebled economy and nothing to produce.

This morning’s news reports that after five years of battle we are withdrawing from a valley in Afghanistan. In World War II, in less than five years, the U. S. and its allies had taken Africa, Europe, and the Pacific. No longer does the atom bomb and Sixth Fleet drawing off-shore change governments. After Tiananmen Square in 1989, the United States was successful in having the General Assembly of the United Nations adopt a resolution to investigate human rights in China. China begged off to its trade or economic friends in Africa and the Pacific Rim, and there has never been a hearing on China’s human rights in the United Nations. Globalization has globalized not only international trade but influence in foreign policy. In globalization, military no longer makes a nation a superpower. “It’s the economy stupid.” John McCain, calling for the trigger on Iran this morning, makes us appreciate the fact that he’s not President. It highlights that in extending freedom, world peace and security, the economy is supreme.

It is not the military but the economy stupid.

No one in Congress wants to run for re-election in November defending the off-shore hole in the economy and \$1 trillion deficits as far as the eye can see. President Obama doesn't have the luxury of a study commission. He must act now on jobs and deficits. Unless someone has a better idea, repealing the corporate income tax with a 5% value added tax will curtail the need to off-shore and reduce the deficit. A 2% VAT will yield more revenues than the corporate income tax; a 1% VAT can pay for health care; and the remaining 2% VAT will start eliminating deficit spending. The Internal Revenue Service and business community will need the rest

of this year arranging their computers, so a VAT can't become effective until after the election in November. Under the Constitution, revenue measures must originate in the House of Representatives. No House Member will introduce this change of taxation without the approval of the White House. The President must stop campaigning and lead. He can work on a headcount in Congress to replace the business tax with a VAT. But after a good college try, call for the vote. Even if the VAT approach doesn't prevail, at least President Obama has made a responsible attempt to stop off-shoring our economy and stop \$1 trillion deficits. Instead of a candidate for contributions, President Obama will become President for the country.

*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).*