

GOING BROKE

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MARCH 22, 2011 -- Congress is full of protective politicians who refuse to lead. Most have come to Congress by way of money and polls, and they figure that if they have enough money and protect their record by voting the polls, they'll have no trouble with re-election. Some are complaining that the President didn't consult Congress before going into Libya, but most are saying: "Shut up. Regardless of the outcome, we can't be blamed." The polls show that everybody is for defense and against taxes. That's why we're still in Iraq and Afghanistan. That's why we refuse to pay for government and continue to run trillion dollar deficits. On *Morning Joe*, commenting on Libya, several commentators cautioned: "We're doing nothing about Syria, Bahrain, and Yemen." We're always somewhere else in the world, but never taking care of the needs at home.

The President, as Commander-in-Chief in the war against Libya, karokes to Brazil stating: "In this increasingly interconnected and fiercely competitive world, our top priority has to be creating and sustaining new jobs and new opportunities for our people." The President is right about the competitive world, but the President and Congress are not competing. As Governor I led a delegation of business executives to Brazil fifty years ago. We got jobs then, but today Brazil is taking jobs from us. In this competitive world, Brazil, that was buying turbines from GE, told GE that it would stop buying them unless GE moved to Brazil. We now have an empty GE plant in South Carolina. That's my point. All countries are competing in globalization except the United States.

Globalization is nothing more than a trade war with production looking for a cheaper country to produce. If the President stayed in Washington and enforced the trade laws, the economy would recover and far more jobs would be created than those coming from Brazil. Our defenses are down. The Pentagon has been off-shoring its needs for defense materiel so that we are begging Russia for helicopters for the war in Afghanistan. If President Obama would enforce the War Production Act of 1950, as President John F. Kennedy did for the textile industry, millions of jobs would be created. If President Obama would impose a 10% surcharge on imports as President Richard Nixon did in 1971 when our trade deficit was a miniscule of what it is today, it would create millions of jobs. If President Obama would impose import tariffs or quotas on endangered production as President Reagan did for Harley-Davidson motorcycles, it would create millions of jobs. If President Obama would obtain voluntary restraint agreements on autos, steel, computers, and machine tools, as President Reagan did, it would create millions of jobs.

We developed Sematech in the '80s, saving Intel and Hewlett-Packard. I launched the Advanced Technology Program in the State, Justice, Commerce, Appropriation Bill to support innovation. The National Academy of Engineering had to certify the technology as innovative and it had to be approved by a committee in the Department of Commerce – no earmarks. The industry had to provide 50% of the funding. The Advanced Technology Program was highly successful, but President George W. Bush defunded it as "corporate welfare." Instead of crying for innovation, if President Obama would reinstitute the Advanced Technology Program, it would create millions of jobs. But it doesn't pay to develop innovation in the United States. Intel has long since closed up in Silicon Valley,

moved to Dublin, Ireland, then to China, and now in Vietnam. Steve Jobs has 700,000 workers developing innovation in China with more in South Korea and Taiwan. If President Obama had enforced Section 201 of the Trade Act to save General Motors when it was endangered, GM would not have gone bankrupt, needing a bail-out. Enforcing Section 201 would create millions of jobs. In the trade war which ensues, President Obama cries for education but refuses to protect the economy. We need a lot more education in South Carolina, and we never have produced an airplane. But Republican leaders in the Legislature packaged a \$900 million benefit for Boeing, and we are now producing Boeing's Dreamliner.

The corporate income tax is not rebateable on export. The value added tax, which is rebateable on export by foreign competition, is being used to put our domestic production out of business. The Congress refuses to eliminate the corporate income tax and replace it with a 5% VAT. The corporate tax is estimated to bring in \$156.7 billion, whereas a 5% VAT would reap \$600 billion. Exemptions for the lower income would not exceed \$100 billion, which would still leave \$350 billion to start paying down the debt. This would promote exports, and free up a trillion dollars in off-shore profits for Corporate America to invest and create millions of jobs. It would make U. S. production competitive in globalization.

China's managed trade protects U. S. investment, research and production. If the United States would fight in this trade war by protecting vital research and production, our economy would recover. But an inexperienced President calls for free trade, and Congress, campaigning for money, is not about to replace the corporate tax with a VAT that Corporate America opposes. As a result, investment, research, production and jobs are forced off-shore as the country goes broke.

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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