

WAKE UP! GET REAL!

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APRIL 26, 2011 -- *The Post and Courier* headline (4/21/11): "Is Boeing in trouble here?" reveals this country needs a wake-up call. Boeing is being sued by the National Labor Relations Board for locating some of its 787 Dreamliner production to South Carolina. The federal government contends that Boeing's move is in retaliation for labor strikes in Washington State. So if Boeing off-shores production and jobs, it gets a tax break. But if Boeing puts production and jobs in-country, the government sues. When Boeing off-shored production and jobs to China and Japan, Washington exempted Boeing from the corporate income tax so long as it kept profits off-shore. In essence Washington said: "Invest these off-shore profits in China for more profits, so that we can get rid of more jobs." Washington is not serious about creating jobs. Washington's policy is to get rid of jobs. Wake up, America! Get real!

Except for the "Gang of Six," the President and Congress are not serious about paying down the debt. It's always the politics of the problem, not the problem itself. It's always false choices like increased taxes or cutting spending. The issue is not the size of government, but paying for a program at the time of enactment. That's why I voted against prescription drugs – a good program but not paid for. A majority of the House of Representatives and forty-one Senators have signed the Grover Norquist pledge to oppose taxes, which guarantees that prescription drugs will never be paid for other than cutting programs. So Ryan's proposal is to cut Medicare in order to pay for Medicare. Every Governor pays the

state's bill, but Washington never pays the country's bills. All submit plans to pay down the long-term debt. Both Congressman Ryan and President Obama have submitted plans to cut spending \$4 trillion in ten or twelve years. Neither one pays the bill. Ryan cuts health to pay for health or cuts programs to give the rich a tax cut. The President's plan borrows \$7 trillion, which adds \$3 trillion to the debt. Washington has no credibility. Wake up! Get real!

Congress could cut taxes and start paying down the debt by cancelling the corporate income tax and replace it with a 5% value added tax. One hundred thirty-six countries in international trade compete with a VAT. The VAT is rebated on export. Germany, for example, has a 19% VAT. Germany has a windmill plant in Charleston, S.C. It highballs the cost of manufacture in Germany, ships the parts for 3% cost, assembles the parts in Charleston for 3%, and produces windmills 13% cheaper than any U. S. production because its 19% VAT is rebated. The 2010 corporate income tax brought in \$191.4 billion. A 5% VAT brings in \$583 billion. Exemptions of \$83 billion for the low income still leaves \$300 billion to pay down the debt. A VAT makes it profitable to produce in the United States and slow the off-shoring. A VAT promotes exports; and having cancelled the corporate tax, a trillion dollars in off-shore corporate profits can be repatriated tax free to create production and jobs in the United States. But Wall Street and the multi-nationals want to keep the off-shore profits flowing. The big banks that make a majority of their profits off-shore, and

their lobbyists like Grover Norquist, oppose a VAT, so the President and Congress oppose developing a competitive economy. Wake up! Get real!

Every nation has laws to protect its economy. For example, the War Production Act of 1950 protects domestic defense production. President Kennedy enforced this provision for the textile industry in 1961. All textiles need not be protected, but defense materials such as parachute cloth, camouflage, body armor, etc. need protection. Today, we don't have adequate helicopter production. We won Charlie Wilson's war by shooting down Russian helicopters with stinger missiles. Now the Obama administration is begging Russia for helicopters for Afghanistan. President Nixon levied a 10% import surcharge in 1971 when our trade deficit was a miniscule of what we are experiencing. President Reagan enforced our trade laws to protect the production of steel, automobiles, computers, machine tools, and motorcycles. It saved Intel and Harley-Davidson. But in order to keep the off-shore profits flowing and contributions up, President Obama refuses to enforce our trade laws. Wake up! Get real!

The United States waits for China to go democratic or adopt U. S. capitalism. Why would China change? Japan practiced controlled capitalism, subsidizing its manufacture, selling its export near cost and making up the profit in its closed market. It put General Motors in bankruptcy with Toyota #1. Following suit, China has wrought a miracle with controlled capitalism. In three decades, China has built a strong economy, a strong defense and has brought 300 million poor into the middle class. China has created more billionaires than Europe. It's now bringing another 400 million into the middle class; and, when that occurs, China will still have another 600 million looking for work. Soon China will need the 49% that it permits for foreign production. Foreseeing this, China alters acquired technology, patents it, and before long the China product becomes the article in trade. China will kiss foreign production goodbye and Corporate America will return home to a depleted economy with nothing to produce. China must control its economy and people to keep the country together. And the United States must protect its economy in order to compete in globalization. Washington, with its free trade nonsense, has no credibility. Wake up! Get real!

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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