

## CATCH 22

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

JULY 15, 2011 -- Congressman Jeb Hensarling just stated on *Morning Joe* that the problem is too much spending. On the contrary, the problem is not paying for too much spending. Even Bill O'Reilly understands the problem. He has suggested a 1% national sales tax to pay down the debt.

When we had a balanced budget, Congressman Eric Cantor voted for a loss of revenues from the Bush tax cuts. He voted for the wars in Iraq, Afghanistan and Pakistan without paying for them. President Obama approved the loss of revenues with tax cuts and refused to pay for the wars in Iraq, Afghanistan and Pakistan. Now after eleven years of not paying for wars and loss of revenue from tax cuts, Cantor and Obama want to balance the budget. Cantor insists we can balance with spending cuts alone. Tax cuts cost the budget \$4 trillion in eleven years. Defense, State Department contractors, and CIA bribes have cost the budget \$3 trillion in eleven years. Ask Cantor to give us his \$7 trillion in spending cuts.

Grover Norquist isn't the only lobbyist in Washington. There are hundreds of lobbyists responsible for the financing of Congressmen and Senators. For thirty-eight years my main concern was textiles. Textiles had my support and textiles (until they turned Republican) supported me. Members of Congress will always respond to their District or State's interest. But we can't outsource our ability to pay for government with pledges such as the Norquist pledge. The solution to this problem is to limit spending in Federal campaigns so that lobbyists will be limited

in influence, and Members of Congress will have time to work for the people. Congress limited spending in 1971 and 1973 to so-much per registered voter, and President Richard Nixon signed the Acts into law. Our intent was to prevent the rich from buying the office. But the Supreme Court in *Buckley vs. Valeo* disregarded our intent and now one has to get rich in order to run for office.

The Congress has tried every approach imaginable to correct the Court's equating speech with money. The homeless under the bridge doesn't have money to buy a home, but he has just as much speech as you and me. James Madison never thought his freedom of speech amendment to the Constitution would be limited or measured by money. Like the Court corrected "separate but equal" in the *Brown vs. Board of Education* decision, the Congress now has to correct the *Buckley vs. Valeo* decision with a Joint Resolution to amend the Constitution authorizing Congress to limit or control spending in Federal elections. Five of the last seven amendments to the Constitution deal with elections and this is more important than any of the five. It will take time to wrest Congress from the control of Wall Street and Corporate America. They are the principal contributors to Congressional campaigns. Wall Street and Corporate America want to keep the off-shore profits flowing, to keep the market up, and to get the CEOs their big bonuses. And Congress wants to keep the contributions flowing. It's a "catch 22" situation.

But we can move on jobs and the debt. The problem is that it is difficult to

manufacture for a profit in the United States. Any manufacture of size will soon get off-shore competition to put it out of business. And we have the same “catch 22” situation. To have Corporate America invest in the United States instead of China, you have to make Corporate America an offer it can’t refuse -- cancel the corporate income tax and replace it with a 6% value added tax. The average corporate tax is 23%, so replacing it with a 6% VAT is cutting taxes. In 2010 the corporate tax yielded \$194.1 billion. A 6% VAT for 2010 would have yielded \$700 billion. Exemptions for the poor of \$70 billion would still leave \$630 billion to pay down the debt and vote on the debt limit. Spending cuts would produce more revenues. Cancelling the corporate tax allows Corporate America to take a trillion dollars in off-shore profits and invest it in production and jobs in the United States. Exports are promoted since the VAT is rebated on exports. And since the VAT is self-

enforcing, you can limit the IRS and get rid of the tax lawyers and lobbyists in Washington.

136 countries compete in globalization with a VAT. Germany uses its 19% VAT to produce windmills in Charleston, S. C. Producing the parts in Germany at high cost, shipping them at 3% cost, assembling the parts at 3% cost, Germany produces windmills or green jobs in the United States 13% cheaper than any domestic production. Republican pundit O’Reilly not only recommends a consumption tax, but economists like Nobel Prize winner Michael Spence has recommended a consumption tax. Replacing the corporate tax with a 6% VAT cuts taxes, provides billions to pay down the debt, creates millions of jobs, cuts the size of government, and raises the debt limit. All we need is for the people to get on the President and Congress to withhold campaigning for money and govern for a change.

*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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