

# U.S. Economic Future Is Endangered

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Dubai could have a silver lining. The government didn't think twice about the security of six major seaports in the United States. It thought that what was good for the transnationals, for globalization, was good for the country. People now realize that corporate America is blind to the nation's security and its economy. Only government can protect our manufacturers, our economic strength. The bubble of "free trade," and of "protectionism," has popped. The charades of the "trade war" and of "globalization" are over. As Henry Clay observed in 1832, "The call for free trade is as unavailing as the cry of a spoiled child, in its nurse's arms... It never has existed; it never will exist."

We started a "trade war" when Alexander Hamilton rebuffed Britain's proposal that the freed colony should trade what it produced best while Britain would trade what it produced best — David Ricardo's "Doctrine of Comparative Advantage." In his famous "Report on Manufacturers," Hamilton told the Brits to bug off: We are not going to remain your colony, trading our rice, cotton, indigo for your finished goods. We will become a nation-state by building our own manufacture. The first bill to pass Congress on July 4, 1789, was for the seal of the United States. The second bill was a 50-percent tariff on numerous articles. The United States was built on managed trade or protectionism. Abraham Lincoln managed trade for steel for the intercontinental railroad; Franklin Roosevelt managed trade for agriculture; Dwight Eisenhower for oil; John Kennedy for textiles; Ronald Reagan for semiconductors.

By the time of Teddy Roosevelt, Edwin Morris in "Theodore Rex" writes: "This first year of the new century found her (U.S.) worth \$25 billion more than her nearest rival, Great Britain, with a gross national product more than twice that of Germany and Russia. The United States was already so rich in goods and services that she was more self-sustaining than any industrial power ... More than half the world's cotton, corn, copper, and oil flowed from the American cornucopia, and at least one third of all steel, iron, silver, and gold...the excellence of her manufactured products guaranteed her dominance of world markets." This industrial might — personified by Rosie the Riveter — was a principal force for victory in World War II. At the end of the war, the United States had the world's only manufacture and wisely launched the Marshall Plan to develop manufacture in Europe and the Pacific Rim. We called for "free trade" in an effort to open markets. But Japan and South Korea's markets remained closed. Even our winking at dumping violations and transshipments failed to budge Japan and South Korea. Now China follows suit.

In recent years, Congress strained to protect the nation's manufacture. It passed four textile bills, with Jimmy Carter vetoing one, Reagan vetoing two, and George H. W. Bush vetoing the fourth. Corporate America got the message: Our standard of living and domestic production were not to be protected — head offshore. By the time of the Clinton administration, the nation was not only losing hard manufacture but service jobs. With this outsourcing, candidate Bill Clinton campaigned on protecting the workforce of America with the slogan "it's the economy, stupid." After his inauguration, Clinton, who had been lukewarm about NAFTA with Mexico during the campaign, surprised everyone with his zeal for it. NAFTA with Canada provided free trade because Canada and the United States have the same standard of living. But Mexico needed to develop a free market for free trade — one including labor rights, property rights, a respected judiciary — in other words, the Common Market approach. In Europe, before admitting Greece and Portugal to the Common Market, the Market countries taxed themselves some \$5 billion over five years to develop in those countries the conditions for a free market. Instead, NAFTA with Mexico protected corporate rights to produce, in disregard for labor, the environment, and the government.

Clinton placed the white tent on the White House lawn for the Fortune 500 and twisted arms to change the vote in Congress, joining congressmen in golf, granting C-17 contracts, cultural centers, and so on. This had the Democratic Party abandoning labor for corporate America. With the Democratic Leadership Council tending to corporate America, the multinationals, now transnationals, had a free run of government. Textile quotas were terminated, the Glass-Steagall Act was repealed, and offshore profits were repatriated at a reduced rate. Industry's Man of the Year, Jack Welch, announced that General Electric would not contract with any U.S. subcontractor that had not moved to Mexico. "Squeeze the lemon" was his slogan. Clinton led the way to give "most favored nation status" to China and put China in the World Trade Organization. The WTO pact, a 25,000-page document undermining trade, dumping, and environmental laws, provided an appeal to an unelected tribunal appointed by the transnationals and their consultants. Sen. Robert Dole from Kansas realized that this would leave U.S. production "in the hands of the philistines." He attempted to replace the appellate panel with a panel of three federal judges, but the transnationals turned him back.

The final blow to the United States workforce came with the admission of China to the WTO. Outsourcing hemorrhaged. Seven hundred-fifty research and development centers sprouted up in China to take advantage of the inexpensive talent pool. Microsoft is doubling its basic lab researchers this year to 800 full-time scientists. Two-and-a-half trillion dollars has been added to the national debt in the last five years. And George W. Bush now estimates a federal budget deficit this year of \$706 billion. Foreigners have been financing a majority of this debt. Now these dollars flow back in as foreigners gobble up the production of the United States. Eighty-six hundred American companies, at a cost of \$1.3 trillion, have been lost to foreign control in the last 10 years.

NAFTA with Mexico was supposed to create 200,000 U.S. jobs. Instead, we lost 400,000. NAFTA was supposed to limit immigration, but subsidized American agriculture put 2 million Mexican farmers out of business – farmers who later headed for the U.S. border. Even the Mexican industrial worker makes less today than before NAFTA. The U.S. trade deficit last year was \$725.8 billion. The United States lost 2.8 million manufacturing jobs in the last five years. The growth of the U.S. labor force has also slowed. Had it continued at its normal rate, unemployment today would be 6.8 percent, instead of 4.8 percent. The Bureau of Labor Statistics reports that our workforce is so depleted that with two-and-a-half times the population, today we work less manufacturing hours than we worked when Japan hit Pearl Harbor. The Defense Department had to wait for Japan to furnish flat-panel displays so that we could attack Saddam Hussein during Desert Storm. Our defenses are down. The middle class disappears. Democracy weakens. The country is going out of business.

To open Jones Manufacturing in the United States, Mr. Jones must provide a minimum wage, Social Security, Medicare, Medicaid, clean air, clean water, a safe working place, safe machinery, plant-closing notice, parental leave, and labor rights; he must also comply with equal pay, age discrimination, disability, and anti-trust laws. Our standard of living is a cost of doing business. Today, Jones can go to China, which provides the factory and labor force for 58 cents an hour and none of the cost of doing business in the United States. If Jones's competition outsources to China, and Jones continues to work his own people, Jones Manufacture will go bankrupt. Our problem is that the United States will go bankrupt unless we move to protect Jones Manufacture — to protect our economy. In trade, we have a comparative disadvantage.

The security of the United States is like a three-legged stool. The first leg, values, is solid. The world knows of the American stance for freedom and human rights. The second, military, is unquestioned. The United States is the world's superpower. **But the third leg — economic — has been fractured since the Cold War. We intentionally gave up our production and market to defeat communism. Instead of repairing the fracture at "the fall of the wall," we responded to the call of "free trade." In the beginning, we were told that free trade was the way to open markets — without tariffs or barriers, the United States would open markets for its vast production, increasing jobs. But when jobs and manufacturing were lost, we were told: "Don't fret, the United States is moving from hard manufacture to a service economy." Filthy smokestacks were for other countries. When service jobs hemorrhaged to India, the transnationals then cried "free trade" for high technology and higher-paying jobs. Then, with a deficit in the balance of high-tech trade with China, the scavengers of our economic strength shout: "Globalization — the world is flat!" "One can produce anything, anywhere. Globalization costs jobs, but the consumer is rewarded with lower prices. The United States must compete with education. We need engineers." But there are no jobs for the educated, or for engineers. China graduates 350,000 engineers a year, and American industry is outsourcing engineering jobs as fast as it can to India. George W. Bush has just returned from India pledging U.S. nuclear power that will accelerate outsourcing to India. Moreover, the Thailand doctor performs the same operation at one-eighth the cost of the American doctor. And high-tech jobs in this country are being filled with H1-B visas.**

Ordinarily, business would be hounding politicians to protect the economy, to protect their production, to protect the workforce that it depends on. But today, business doesn't depend on the workforce in the United States. To protect U.S. production in China and India, the Big Banks, the Business Round Table, the Conference Board, the National Association of Manufacturers, the U.S. Retail Association, the U.S. Federation of Independent Business, the U.S. Chamber of Commerce all shout, "Free trade, globalization!" Free trade is a fraud! Globalization is a fraud! With anything produced anywhere, with the satellite transferring money and technology, with Internet monitoring of global production, a country couldn't "erect a wall" or start a "trade war" if it tried. The Big Bank crowd, the Business Roundtable, and the rest, are a "fifth column" in today's "trade war," while the president and Congress are AWOL.

The government will have to protect the economy. Unfortunately, both the Republican and Democratic parties in Congress are in a race for campaign contributions. The "fifth column" has the money. The money

party, Republican, leads the cheer for "free trade!" and "globalization!" The workingman's party, Democrat, stands quietly by, begging. Legislation goes wanting.

**First, we need to stop financing the elimination of jobs. Tax benefits for offshore production must end. Royalty deductions allowed for offshore activities must be eliminated, and offshore tax havens must be closed down. Next, we need an assistant attorney general to enforce our trade laws and agreements. Currently, enforcement is left to the injured party. It takes corporate America years to jump the legal hurdles. At the end, the president, under his authority for the nation's security, cancels the court order against the trade violation. Rather than waste time and money, corporate America moves offshore. Trade policy is set by a dozen departments and agencies. Policy should be reconstituted in a Department of Trade and Commerce with the secretary acting as a czar. Then trade treaties can be negotiated for the good of the U.S. economy, instead of for the good of the transnational. The department's International Trade Administration, finding a dumping violation, should also determine the penalty. The International Trade Commission should be eliminated. Custom agents charged with drug enforcement and homeland security are hard-pressed to stop trade transshipments. We need 1,000 more Customs agents. We need more funding for research in physical and mathematical sciences and engineering; more funding for the Manufactures Extension Partnership Act and the Advanced Technology Program. The list of materials critical to our national defense should be enforced. H1-B visas should be repealed, and the United States should give notice of withdrawal from the World Trade Organization.**

Finally, competition in world trade today is not for profit, but market share. The closed markets of Japan, South Korea, and China enable exports at cost with the necessary profit being made up in the closed domestic market. A Lexus selling for \$33,000 in the United States sells for \$47,000 in Japan. Corporate America's rush to produce for profit in China is a losing game for the nation. Countries winning market share will come to control the market, which is happening now with automotive production in the United States. This production capacity furnished the tanks and planes for WWII. Akio Morita, founder of Sony Corporation, admonished Third World countries to develop a manufacturing capacity to become a nation-state. He then cautioned: "That world power that loses its manufacturing capacity will cease to be a world power."

The United States must stop so-called free trade agreements merely to protect offshore production — and start trading, opening up closed markets, and rebuilding the country.

*Ernest Hollings represented South Carolina in the U.S. Senate from 1966 until his retirement in 2005, serving as chair of both the Budget and Commerce Committees. He also was a candidate for the Democratic nomination for President of the United States in 1984.*

By Ernest C. Hollings

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