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On Trade, Is McCain right? Is Obama like Hoover?

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By Brad O'Leary, 10/9/2008 9:32:10 AM

The crisis in our economy has generated some hysteria over another Great Depression. Although the United States has weathered other financial crises since 1929, an Obama Presidency has the potential to knock the US economy back in time to the era of Herbert Hoover.

Obama's promises to "end tax breaks for companies who ship jobs overseas and give breaks to companies who create jobs with decent wages here" and his overt disdain for trade agreements, are dangerous. By taking on the failed protectionist policies of the Hoover Administration, Obama's trade war would result in a disastrous outcome for America once again.

Columnist John Fund observed: "There was another time when raw politics was allowed to trump what many in Congress privately admitted was common sense. In the spring of 1930, as the economic downturn set off by the previous year's stock market crash set in, Congress was debating the Smoot-Hawley tariff bill that sought to raise U.S. import barriers to record levels." Fund, noting the opposition of the Act by leading economists at that time, observed "for entirely selfish reasons, both Congress and Hoover went along with the protectionist hysteria. As a result, the Great Depression was probably deepened and extended for years."

Seventy-eight years after the Smoot-Hawley Tariff Act, politics is once again defeating common sense.

During the presidential primary, Barack Obama's populist rhetoric denounced Bill Clinton, Hillary Clinton and big business for destroying U.S. jobs and shifting them overseas as a result of free trade agreements. In doing so, Obama not only destroyed Hillary Clinton, but also the positive, if not great, economic trade message of the Clinton Presidency.

The trade agreements initiated by Clinton and Reagan opened up markets around the world, and in the process, helped developing democratic countries lock in and implement economic and political reforms effectively, spur regional integration and enhance the prospects for investment and economic growth. Those trade agreements were also a boon to America's economy.

Obama tells us that 900,000 jobs were lost to NAFTA, but one study showed exports of goods support 6 million American jobs, exports of services support 5 million jobs and foreign countries moving to the U.S. to be close to consumers employ another 5 million American workers. That's 16 million American jobs that would be affected by Obama's arrogant trade policies.

American exports today are up 50 percent in three years. The U.S. in 2007 was the world's largest exporter with \$1.3 trillion in exports, or about 20 percent of our Gross Domestic Product and, by inference, 20 percent of the nation's jobs. U.S. annual incomes are \$1 trillion higher, or \$9,000 higher per household, due to increased trade liberalization since 1945. If the world's remaining trade barriers were completely eliminated, U.S. incomes could increase by an additional \$500 billion, adding roughly \$4,500 per household.

Reagan and Clinton convinced the world to invest hundreds of billions of dollars in the American economy, because they believed in its ability to create products and open markets. As the largest economy in the world for over one hundred years, we have commanded over 25 percent of the world GNP, and we will do so for the next fifty years, if we have free trade.

Even Al From, the founder of the Democratic Leadership Council accepts this: "History proves that expanding trade and productivity help create growth. We learned the hard way when the Smoot-Hawley

Tariff Act of the Hoover administration helped crush trade and exacerbate the Great Depression. Conversely, we have seen trade drive the economy during the great expansions of the 1960s [Johnson] and the 1990s [Clinton].”

Despite an army of statistics that demonstrates the benefits of free trade, Obama, organized labor and environmentalists continue to argue that their primary concern is raising the wages of foreign labor and argue, incorrectly, that low wages abroad translate into lost jobs at home.

The “Blue Green” Alliance links 15.4 million labor union members with Americans who are part of the international environmentalist movement. The protectionist alliance, which demands new trade agreements incorporate onerous labor and environmental standards, is nothing more than a poison pill for would-be trade agreements. This partnership made for an unbeatable combination that Obama used to secure his primary victory.

Obama and the Blue Green Alliance neglect to mention that people on fixed incomes and low salaries are the chief beneficiaries of free trade. Free trade with poorer countries improves the buying power of middle and lower income consumers. Wealthier consumers seldom shop at Wal-Mart, Target, Sears, and other discount stores where much of the merchandise is manufactured inexpensively and imported to the U.S. from countries such as China, Vietnam and Mexico.

As a result of free trade agreements, the inflation rate for low-income Americans is six points lower than that for the wealthiest Americans. Labor and environmental lobbyists ignore this fact because their salaries would place them among America’s wealthiest. Rather than letting free trade and free markets lift the world out of poverty, Obama sponsored the Global Poverty Act in the US Senate. This bill would allocate seven tenths of a percent of the GNP (\$845 BILLION) to be spent on foreign aid, trade and debt relief.

That means millions of dollars for the farmer in Kenya, the coffee bean grower in Columbia and the poor living in countries like Korea and Peru, but nothing in return for American companies or consumers. Only five percent of the jobs created by this scam would be American jobs.

Obama fails to understand that everyone benefits from free trade, and we can only negotiate from strength with a president who will be firm in negotiations, not someone who must seek approval from partners who gave him money and votes to win the Democratic presidential nomination and the general election next month. The largest economy in the world for over 100 years will continue its domination as long as free trade continues to be a priority for our nation. If we destroy our free trade legacy by adopting the protectionist agenda of Obama and Hoover, we are in for a truly frightening economic period.

Brad O’Leary serves as President of ATI-News, Chairman of the Board of PM Direct and is the former President of the American Association of Political Consultants. From 1993 to 1997, Brad hosted a talk show program on NBC Westwood One that boasted two million listeners a day. He was also a cover story and feature writer for USA Today Weekend Magazine with 100 million weekly readers. O’Leary is also the executive producer or producer of 11 television series and 27 television specials, including award-winning shows on President Ronald Reagan and Pope John Paul II. O’Leary is the author of 11 books, including Presidential Follies, Are You a Conservative or a Liberal?, Triangle of Death and now, The Audacity of Deceit. To interview Brad, call Tricia at 910-270-8966 or email him at <mailto:casting33@aol.com>

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