



Graham in N.H. Touts Ex-Im Bank and (Maybe) His Presidential Hopes

By Jack Kenny

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Sen. Lindsey Graham, a South Carolina Republican and candidate-in-waiting for the 2016 GOP presidential nomination, was in New Hampshire Thursday, discussing his potential White House bid and promoting support for reauthorization of the Export-Import Bank, whose current license expires in June.

Graham, on a two-day swing through the state that holds the first presidential primaries every four years, said he will decide on a presidential run by the end of May. He is the lead sponsor of a bill to keep the bank in business through 2019.

During a visit to a New Hampshire Ball Bearings plant in Laconia, he made a point of distancing himself from other Republicans — including both declared and yet-undeclared presidential candidates — who oppose reauthorization of an institution engaged in what its critics call corporate welfare.

“If you want to defund this bank and allow China and Europe to have an economic advantage over people in the United States, then I think you’ve lost your way as a conservative,” [Graham said](#). “I want you to come up here and tell these people why they need to lose their jobs because of your ideological purity.”

New Hampshire Ball Bearings, whose main plant is in Peterborough, N.H., is one of 36 Granite State businesses that have received assistance from the Ex-Im Bank, the [New Hampshire Union Leader reported](#). The company employs about 1,200 people at its two New Hampshire facilities and another 300 in Chatsworth, California.

Boeing, the giant Chicago-based aeronautics company and frequent recipient of Ex-Im loans, has a plant in North Charleston, South Carolina, that employs 7,667, according to the latest figures on the company’s website.

“I’m not going to unilaterally surrender as a nation and cost good jobs in my state,” Graham declared.

A number of GOP presidential hopefuls have voiced their opposition to reauthorization of the bank, including both declared candidates Senators Rand Paul of Kentucky and Ted Cruz of

Texas. Former Gov. Jeb Bush and Sen. Marco Rubio, both of Florida, and Wisconsin Gov. Scott Walker, while still officially exploring presidential campaigns, have also expressed opposition to the bank.

President Obama, who called the Ex-Im “little more than a fund for corporate welfare” when campaigning for president in 2008, is now urging Congress to approve reauthorization.

The bank promotes U.S. exports by providing credit and loan guarantees to both exporters of U.S. goods and their overseas customers. It was created as the Export-Import Bank of Washington by executive order of President Franklin Roosevelt in February of 1934. According to the State Department Office of the Historian, the purpose of the new bank was to finance U.S. trade with the Soviet Union, after Roosevelt had issued the first U.S. diplomatic recognition of the communist state a year earlier. In July 1934, he created a second Ex-Im Bank to promote trade with all other countries. The two banks were merged a year later and Congress passed legislation giving the unified bank more capital and power. Congress placed the bank under various government agencies before making it a quasi-independent entity, subject to reauthorization by Congress, in 1945. It was officially renamed the Export-Import Bank of the United States in 1968.

It has been reauthorized every few years since 1945, most recently in September 2014, when Congress voted to renew the bank’s license only through June 30 of this year. Over its eight decades of operation, the bank has provided over half a trillion dollars in credit, including \$20.5 billion last year. The U.S. Chamber of Commerce and various business organizations have been lobbying Congress to keep the bank going, arguing that its support of U.S. exports helps American firms penetrate overseas markets and create and sustain jobs at home. Critics have pointed out that it distorts market decisions by selecting which companies get government-guaranteed loans and other financial assistance.

They have also charged that much of that assistance goes to large corporations that don’t need it. The Ex-Im has often been called the “Bank of Boeing,” based on the large volume of its credit guarantees that have gone to the giant aircraft manufacturer and its overseas customers. Two-thirds of the bank’s loan guarantees in 2013 supported Boeing sales to rivals of U.S. airlines, [wrote Doug Bandow](#), a senior fellow at the pro-free market Cato Institute. Delta Airlines blamed the Ex-Im for the demise of its New York-Mumbai service after Air India expanded its flights, using jets it purchased with the aid of the Export-Import Bank.

The bank has helped other overseas firms at the expense of U.S. competitors, Bandow wrote, citing the financing provided an Australian iron mine in purchasing Caterpillar equipment, despite complaints from U.S. miners.

The claim by the Ex-Im and its supporters that the bank benefits small businesses is a matter of definition, said Diane Katz of the Heritage Foundation. Writing earlier this year in the *Wall Street Journal*, Katz described the bank’s definition of “small” as “a stretch,” since it includes firms with as many as 1,500 workers or revenue of up to \$21.5 million annually. “A recent

investigation by a news agency found that the bank improperly categorized hundreds of corporations and conglomerates as small businesses,” Katz wrote.

Despite its quasi-independent status, the bank inevitably substitutes political for economic judgments, often diverting investments into non-productive ventures.

“ExIm is a political creature,” Bandow wrote. “It has avidly joined the much-abused federal ‘affirmative action’ spoils system, channeling money to official minority- and women-owned businesses. The Bank also is promoting politically correct industries, such as renewable energy. One past beneficiary was Solyndra, a White House favorite before the solar company went bankrupt.”

While some firms profit with the bank’s help, many of them would have done so without it, while “others die because ExIm diverts credit from firms without agency backing,” Bandow wrote. “Unfortunately, it is easier to see the benefits of the former than the costs of the latter.”

Because the bank itself is financed by fees and interest payments, it is often advertised as an enterprise that runs at no cost to the taxpayer and in fact, makes money for the government. According to economists Jason Delisle and Christopher Papagianis, the bank’s “profits are almost surely an accounting illusion” because “the government’s official accounting rules effectively force budget analysts to understate the cost of loan programs like those managed by the Ex-Im Bank.”

Among other things, the market risk of the loans is not included in the calculations. Delisle and Papagianis claim Ex-Im’s real cost to the Treasury and, ultimately to taxpayers, is more than \$200 million annually.

The importance of the bank to the nation’s overall foreign trade is also greatly exaggerated, given that it finances less than two percent of all exports.

“The Export-Import Bank’s officials are spending millions of dollars attempting to convince Congress and the public that small businesses would disappear without export subsidies,” wrote Katz. “They assume that the economic activity they subsidize would not occur absent bank financing — an absurd notion, but one prevalent among bureaucrats who cannot fathom that business actually functions without them.”

Often overlooked in debates about programs such as the Export-Import Bank is the plain and simple fact that nothing in the Constitution of the United States authorizes a federal program to finance the ventures, domestic or foreign, of private companies. In short, Boeing doesn’t need our help and businesses large or small should be able to find credit in private markets if their exports show a likelihood of success in their overseas markets. Exporters can generate their own profits without the aid of a government-created agency with its hand on the scales.

After 80 years of corporate welfare, it’s time to let the Export-Import Bank die.