



## Does the U.S. Chamber of Commerce Equal Crony Capitalism?

Written by Thomas R. Eddlem  
August 11, 2014

Conventional political wisdom says that Republicans are not supposed to reject awards from the U.S. Chamber of Commerce. But Representative Kerry Bentivolio (R-Mich.) told the *Detroit News* July 24 that he was returning a “Spirit of Enterprise” award received earlier in the year. “The Chamber of Commerce is beholden to special interests and has long since forgotten the main street businesses that struggle everyday to make payroll and keep their company afloat,” Bentivolio (*The New American’s* “Freedom Index” cumulative score: 80 percent) wrote to the *Detroit News*. “It is with great pride that I reject their award, and call on them to stand on the side of America, instead of on the side of China and corporate interests seeking to exploit people for profit. I am with main street, not Wall Street.” Bentivolio’s remarks referred to the Chamber’s support for lowered trade barriers to low-wage labor in communist China and the support for the U.S. Export-Import Bank’s taxpayer subsidy of \$1.8 billion in trade to China thus far this year.

Despite giving Bentivolio an award for backing the Chamber of Commerce on key issues 77 percent of the time in 2013, the Chamber backed the Tea Party congressman’s opponent in the August 5 GOP primary. The opponent, Dave Trott, won.

Bentivolio’s rejection of the Chamber could conceivably be dismissed as sour grapes. It shouldn’t be.

The spat in Eastern Michigan’s 11th Congressional District has been played out in Republican congressional primaries all year, from Mississippi to Georgia, and California to Western Michigan. The Chamber of Commerce unveiled a \$50 million election warchest to elect crony capitalists in both parties at the beginning of the year, and much of that money has been directed at defeating Tea Party congressmen — congressmen elected largely in reaction against the massive \$700 billion TARP corporate bailout of banks in 2008. The Chamber of Commerce’s fervent support for tax subsidies for corporations has forced an open war between the Tea Party and the Chamber within the Republican Party. “If you notice, they call it the Spirit of Enterprise award, not the Spirit of Free Enterprise Award,” Bentivolio’s Chief of Staff Rob Wasinger told the online Daily

Caller via e-mail July 24. "Crony capitalism is alive and well at the Chamber of Commerce."

With this year's primary season nearly over, the controversy will spill over to Capitol Hill with the expected congressional vote on renewal of the charter of the U.S. Export-Import Bank (Ex-Im Bank) this September.

### **Origin of the Chambers of Commerce**

Local chambers of commerce began in Boston in the 1820s, but really took off across the nation as they successfully organized to repeal America's first income tax, levied from 1862-72 to finance the war between the states. The national U.S. Chamber of Commerce was organized in 1912 at the suggestion of then-President William Howard Taft to temper the political power of labor unions.

Today, "key" congressional votes according to the U.S. Chamber's voter guides include voting in favor of anti-privacy bills such as the Cyber Intelligence Sharing and Protection Act (CISPA), unconstitutional gimmicks such as the No Budget, No Pay Act of 2013, giant budget spending bills such as the Fiscal 2014 budget resolution (\$700 billion deficit), and bills with both good and bad in them, such as the Innovation Act, a patent reform bill. CISPA was written by House Intelligence Committee Chairman Mike Rogers (R-Mich.), and the bill would essentially hand all private Internet information over to federal officials without a warrant. The No Budget, No Pay Act of 2013 was a feel-good reaction to the budget crisis last year, but it blatantly violated the terms of the 27th Amendment to the U.S. Constitution banning that "varying the compensation for the services of the Senators and Representatives, shall take effect, until an election of Representatives shall have intervened."

The Chamber of Commerce has a broad range of policy recommendations that call for bigger and more expensive government when it suits its corporate benefactors. Those policies include advocacy for more government subsidies for corporate giants on alternative energies, such as the ill-fated Solyndra, Abound Solar, and A123 Systems. The Chamber's *Energy Works for US* policy manual states:

The federal government should support a broad R&D portfolio on both the supply and demand sides, including energy efficiency, new energy sources, and advanced fuel and power delivery options.

Congress should continue to fund the ARPA-E program's efforts to support high-risk, exploratory research on innovative energy technologies that have great potential for breakthroughs.

While Breitbart.com has reported that the U.S. government under the Obama administration has wasted as much as \$154 billion taxpayer dollars on "renewable" energy failures, one must wonder if the Chamber of Commerce is really a champion of "free enterprise" when it calls for more "high-risk" federal government energy handouts to companies that have often been Obama administration campaign contributors. The

U.S. Chamber of Commerce is perhaps the primary reason that the U.S. government now spends more than \$100 billion annually on corporate welfare, according to researchers at the Cato Institute.

Not surprisingly, principled Tea Party congressmen who oppose corporate welfare, such as Justin Amash (Freedom Index average for 2013-14: 96 percent), scored lower on the Chamber of Commerce voting index for 2013; Amash, for instance, scored only 58 percent. Amash is in good company, as free market champion and former Representative Ron Paul (R-Texas) occasionally scored lower on Chamber voting records than most Democrats. Amash — who succeeded Dr. Paul as the chairman of the House Liberty Caucus — found that the Chamber had endorsed his primary opponent as well.

Amash's primary opponent Brian Ellis self-financed his own campaign with more than \$1 million, but despite a general record of success in the 2014 primaries, the Chamber's attempt to remove Amash was doomed to fail. Prior to the Michigan primary, Slate's David Weigel explained July 24 that "the business community was having a good year. Until this week, when businessman David Perdue defeated Rep. Jack Kingston in a primary for Georgia's open Senate seat, the U.S. Chamber of Commerce was undefeated in the races it had entered.... But Amash was supposed to be the jewel in the crown, and it doesn't look like he will be." Indeed, he was not.

### **Ex-Im Bank Lobbyist "Push"**

The next battlefield in the war against crony capitalism will likely take place inside the chambers of Congress when the House and Senate vote on a bill to reauthorize the Export-Import Bank (Ex-Im Bank) this fall.

The Ex-Im Bank guarantees payment to U.S. exporters by loaning money at below-market rates or guaranteeing commercial bank loans to foreign-based customers of U.S. companies, or by providing U.S. exporters export credit insurance. If the foreign company fails to pay for the product sold by the U.S. company, the Ex-Im Bank pays the U.S. company with the full faith and credit of the U.S. taxpayer.

The Ex-Im Bank's policy of privatizing the profits of giant exporters and socializing the losses on the backs of the taxpayers has run afoul of congressmen such as Amash and other Tea Party supporters in Congress, who have made killing the bank a key campaign issue. The Chamber of Commerce is pushing back with every lobbyist they can muster. "There's a full inside-the-Beltway, outside-the-Beltway push," Christopher Wenk, senior director of international policy at the U.S. Chamber of Commerce, told the *Wall Street Journal* on July 6. "We're burning up shoe leather." *The Wall Street Journal* noted that politically connected corporations are also lobbying aggressively, explaining the effort was "part of a lobbying push by corporations such as Boeing Co. and General Electric Co., and business groups such as the U.S. Chamber of Commerce and National Association of Manufacturers." It's hardly surprising that those companies would lead the lobbying push, as they are the largest beneficiaries of Ex-Im Bank's subsidies.

The Ex-Im Bank claims that in 2013 the bank helped to “support an estimated \$37.4 billion in U.S. export sales and approximately 205,000 American jobs in communities across the country. For the year, the Bank approved a record 3,413 transactions — or 89 percent — for small businesses.” But the reality is three-quarters of the total dollar level of support — and consequently, risk for taxpayers — is devoted to propping up its 10 largest clients, all of which are commercial giants such as Boeing, Caterpillar, and General Electric. And even the “transaction” figure touted by Ex-Im Bank to stress it is helping “small businesses” is fudged; the bank counts companies employing as many as 1,500 people as “small businesses.”

The Ex-Im Bank has admittedly had a low default rate in recent years, and earned a profit of \$1.1 billion in fiscal 2013 that was given to the U.S. Treasury. But the Ex-Im Bank lost money in the Asian financial crisis of the 1990s and asked Congress for a \$3 billion taxpayer bailout in 1987. “Behind the red ink are loans made in the late 1970’s and early 1980’s when interest rates soared,” the *New York Times* reported back in 1987, unintentionally stressing that the bad loans sometimes take a decade or longer to produce those massive costs for taxpayers. Notably, the \$3 billion taxpayer bailout of the Ex-Im Bank in 1987 happened at a time when the congressionally chartered corporation had a much smaller capitalization limit imposed by Congress.

The Ex-Im Bank approves some \$30 billion in new commitments every year and has a \$140 billion statutory cap on total commitments — double what it was in the late 1990s. As introduced, the renewal bill being considered by Congress would raise that cap \$5 billion per year during the span of the reauthorization through 2021, raising the total potential liability of the taxpayers to \$175 billion. The bill — named the “Protecting American Jobs and Exports Act” (H.R. 4950), as introduced in June — had 201 cosponsors in the U.S. House of Representatives, nearly enough for passage.

The Chamber of Commerce and its cronies in Congress claim that the Ex-Im Bank doesn’t cost taxpayers anything, as it has been self-financing in recent years. PolitiFact.com rated that claim as “half true.” A Congressional Budget Office (CBO) study published in May 2014 put the cost of the Ex-Im Bank to taxpayers at \$2 billion per decade because of the increased risk of bad loans in the high-risk markets that Ex-Im Bank finances. That CBO study concluded that “Ex-Im Bank’s six largest programs would generate budgetary savings of \$14 billion under FCRA [Federal Credit Reform Act] accounting but cost \$2 billion on a fair-value basis” over a 10-year period, noting that the accounting methods failed to account for risk to taxpayers for future losses in its report to Congress:

Market risk is the component of financial risk that remains even after investors have diversified their portfolios as much as possible; it arises from shifts in macroeconomic conditions, such as productivity and employment, and from changes in expectations about future macroeconomic conditions. The government is exposed to market risk when the economy is weak because borrowers default on their debt obligations more frequently and recoveries from borrowers are lower.

That risk is based upon backing loans that have no relation to a free market. George Mason University's Mercatus Center researcher Veronique de Rugy noted back in April that Ex-Im Bank doesn't always promote the proper type of international trade based upon market forces: "Take Ethiopian Airlines, for instance [which the Ex-Im bank lent money to]. The airline is owned by the government of Ethiopia, a country where 78 percent of the population lives on an income below \$2 a day, the average life expectancy was 59 years in 2011, and state health expenditures amount to a paltry \$3 per person." Suffice it to say that most of Ethiopia's residents won't be able to afford ticket prices on these expensive state-owned jets.

The Mercatus Center scholar continued: "And how does Ex-Im encourage Ethiopia to spend its meager public funds? Perhaps on education improvements, health services, or critical infrastructure? Don't be silly. They sell them Boeing planes, of course! Bad credit, no credit? No problem!.... Ethiopia has borrowed nearly \$2.3 billion to buy U.S. products (and even more if the guarantee rate on any loans was lower). This amounts to approximately 5 percent of Ethiopia's GDP in 2013. That's an awful lot of money that the Ex-Im Bank felt comfortable encouraging the Ethiopian government to spend, given its modest budget and the many needs of Ethiopian citizens."

The Ex-Im Bank claims it "does not compete with the private sector. Ex-Im Bank fills export financing gaps through its loan, guarantee, and insurance programs when the private sector is unable or unwilling to do so." But the question remains: If the free enterprise markets are unwilling to back such risky projects, should a government-created corporation backed by taxpayer money do so for the private benefit of a handful of giant corporations?

Tea Party congressmen have largely concluded that taxpayers should not be giving welfare handouts to some of America's wealthiest corporations. Zackary Karabell of Slate penned an apologia to the Ex-Im Bank July 11 which he gleaned largely from talking points on the Ex-Im Bank website and was a virtual cry for more crony capitalism. But he noted, "Helping big business used to be staunchly defended by Republicans in Washington and opposed by liberal Democrats. In recent years, the Tea Party has mostly donned the mantle of populist opposition to those cozy alliances." Meanwhile, Democrats have fallen in line behind the Obama administration in support of Ex-Im Bank reauthorization.

The 2014 elections and battle over the Ex-Im Bank have exposed the U.S. Chamber of Commerce as being far from a paragon of free market advocacy, but it's too early to tell whether the crony capitalists or the Tea Party will win this battle inside the Republican Party.