THE DAILY CALLER

Study: Most Manufacturing Industries Are 'Victims' Of Ex-Im Subsidies

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Export-Import Bank subsidies are intended to boost the U.S. economy by facilitating exports, but they also impose costs on domestic firms, according to the Cato Institute.

An analysis by Daniel Ikenson looks at all Ex-Im transactions from 2007 to 2013 and estimates the hidden costs they impose on domestic firms in different industries.

Ikenson ignores both "intra-industry costs" (the costs of Ex-Im subsidies to other firms in the same industry) and opportunity costs ("export growth that would have obtained had Ex-Im's resources been deployed in the private sector"), focusing exclusively on the "downstream costs" imposed on domestic firms whose foreign competitors receive Ex-Im subsidies.

One well-publicized example of downstream costs involves Delta Airlines, which has complained that by financing exports of Boeing aircraft, Ex-Im "is subsidizing Delta's foreign competition by reducing [their] cost of capital."

However, downstream costs are not necessarily limited to a single industry. In the case of intermediate goods, the costs are also passed along to companies in other industries that use those products as inputs.

Ikenson found that "189 out of 236 industries populating all of the 21 broad manufacturing industries can be counted among Ex-Im's victims," while only 47 industries can be considered "winners".

Among the victims, Ikenson says, "Ex-Im policies amount to a net tax of $2.8 billion per year," with costs more than tripling benefits, on average. Conversely, "for the winners, the downstream costs amount to less than one-third of the benefits received," resulting in "a net subsidy of $4.2 billion per year."

Between 2007 and 2013, the total benefits of Ex-Im subsidies to all manufacturing industries amounted to roughly $50 billion, compared to about $40 billion in costs.

Ikenson says the fact that net benefits were positive "does nothing to mitigate the fact that Ex-Im's operations essentially rob Peter to pay Paul," because for every dollar that goes toward subsidizing the "winners," 80 cents in downstream costs are imposed on the victims.

He claims that this makes for “a very inefficient form of industrial policy,” and constitutes “perhaps the most compelling reason to shut down the Bank.”