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Export-Import Bank of the United States Picks Winners and Losers in U.S. Economy

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The Export-Import Bank of the United States (Ex-Im Bank) — the official export credit agency of the United States — picks winners in the U.S. economy, redistributing resources from the productive sector to its chosen clients. While it has been self-financing for a number of years, taxpayers remain exposed to tens of billions of dollars of loans and guarantees. The Ex-Im Bank cannot, and does not, significantly affect the net number of jobs in the economy or the trade balance. Only a very small proportion of U.S. exports are supported through Ex-Im Bank activities, says Sallie James, a trade policy analyst at the Cato Institute's Herbert A. Stiefel Center for Trade Policy Studies.

- The Ex-Im Bank claims to correct market failure, but it introduces distortions into the economy and inserts politics into what should be purely commercial decisions.
- By diverting resources from the private sector, the bank's activities produce a less-efficient economy and lower general standard of living than would occur in a free market for export finance.

The bank makes contradictory claims about the nature of its activities.

- While maintaining that it does not displace private-sector activity, the bank argues that it takes a conservative approach to lending and finance.
- But if the bank's transactions were "sure bets," then the private sector would — and should — be expected to step in.
- If, on the other hand, the private sector wouldn't finance a transaction, it is a signal that taxpayers should not be exposed to the risk, either.

The claim that the bank supports U.S. exporters who face unfair competition from subsidized firms abroad is unverifiable, as the bank does not publish figures regarding the extent of this countervailing activity. The bank should be statutorily required to do so, and its activities should be limited only to that activity as an interim step to being wound down altogether, says James.

Source: Sallie James, "Time to X Out the Ex-Im Bank," Cato Institute, July 6, 2011.

For text:

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