

Why Would Anyone be Against the Export-Import Bank?

By Veronique de Rugy
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That's the question [asked by the editors](#) over at *Bloomberg View*.

[U.S. exports](#) have been a rare bright spot in an otherwise sluggish economy, increasing by about 20 percent over the last two years and driving about half of all economic growth.

It's curious, then, that some U.S. companies, conservative groups and lawmakers are arguing against reauthorizing the Export-[Import](#) Bank of the [United States](#), whose sole purpose is to help strengthen the economy and create jobs by supporting the nation's exports.

I am more than happy to explain why we should get rid of the Export-Import Bank. First, the Ex-Im Bank is nothing more than [corporate](#) welfare. This is an agency that is in the business of subsidizing private companies with taxpayer dollars. It is unseemly and I will never understand why anyone would think that it is a role of the federal government to help private companies make money, pay their employees, get loans, or produce goods or services at home or abroad. If a company can't stay in business on its own, that is probably because it is trying to sell stuff that consumers don't want to buy. If that's the case, why should consumers then have to buy the goods or the service indirectly through their taxes?

A excellent paper by Cato Institute's trade analyst Sallie James [exposes](#) just how unseemly, inefficient, and irrelevant the Export-Import Bank is. As James explains, the Bank not only picks winners and losers by guaranteeing the loans of private companies, but it also introduces unfair competition for all the U.S. firms that do not benefit from such special treatment. Also, while advocates for the programs claim that the bank takes risk that the private sector is unwilling to take (I wonder why the private sector will, year after year, pass up supposedly great opportunities), the bank's lending activity is almost certainly irrelevant, since so few U.S. exports are supported through Ex-Im Bank activities.

With this paper, James is following in the steps of David Stockman who, over 20 years ago, called for the termination of the Ex-Im Bank. In the book, [*The Triumph of Politics*](#), Stockman does a great job at exposing the export subsidies as a mercantilism illusion based on the strange idea that a country — in this case the United States — can raise its employment and produce wealth by selling its goods for less than they cost to produce. In a way, we can think of the Bank as a charitable organization with an international bent. The truth, he explains, is that “export subsidies subtract from GDP and jobs, not expand them.”

More importantly, the idea that export subsidies will create jobs and increase GDP is yet another example of the single-entry-bookkeeping mentality that has larded the federal budget with so many subsidies and payments to special interests.

One of the biggest special interests, in this case, is Boeing. Yes, the giant manufacturer Boeing. According to the *Washington Examiner*'s Tim Carney, in 2009, 90 percent of the loan guarantees issued by the Bank went to subsidize Boeing. Not surprisingly, as a result, in 2011 Boeing “accounted for 45.6%, or \$40.7 billion, of ExIm’s total exposure in fiscal 2011.” With the help of the federal government guarantees, the company gained contracts from airlines like Air China and Air India.

Good for Boeing. However, not good for Delta or other U.S. companies that have to compete with Air China and its new discounted Boeing planes. The *Wall Street Journal*, for instance, [reported](#) on Saturday that “In a letter to Congress last month, Delta estimated that Ex-Im cost the U.S. airline [industry](#) up to 7,500 jobs and \$684 million a year.”

Moreover, what does it tell you about Boeing and its ability to fly on its own without the help of taxpayers that the Bank has been providing for decades? Enough, already.

I will leave the conclusion to David Stockman, because of his points’ incredible relevance in today’s politics. It is an important [message](#) to Republicans in particular and it applies to all forms of subsidies (oil, gas, wind, small businesses, manufacturers, automobiles, banks, and others). He writes:

I had long insisted, to any liberals who would listen, that the supply-side revolution would be different from the corrupted opportunism of the organized business groups; that it would go after weak claims like Boeing’s, not just weak clients such as food stamp recipients. Given the heave-ho to the well-heeled lobbyists of the big corporations who keep the whole scam alive would be dramatic proof that we meant business, not business-as-usual.

Washington, listen up.