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The Export-Import Bank — 'Boeing's bank' creates winners and losers

There is a reason critics have called the Export-Import Bank "Boeing's bank," writes George F. Will. America's biggest exporter is by far the biggest beneficiary of the bank's activities.

By George Will
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WASHINGTON — Sallie James was born in Australia on July 4, 1976, which suggests that Providence planned what happened 30 years later: She moved to Washington, D.C. She studies trade policy at the libertarian Cato Institute and her report "Time to X Out the Ex-Im Bank" illustrates how corporate welfare metastasizes as government tries to rectify the inevitable inequities of its constantly multiplying favoritisms. And while picking American winners, the Export-Import Bank creates American losers.

The bank, whose current re-authorization expires May 31, and which two months before that might hit the $100 billion cap on its loan exposure, subsidizes myriad export transactions with guaranteed loans to make U.S. exports cheaper. Mission creep is a metabolic urge of government agencies, but there may be mission gallop at the bank as it tries to correct the collateral damage it does to some U.S. companies, and as it is pushed to further politicize credit markets by mirroring the market-distorting policies of foreign governments.

The bank's website says it helps "to level the playing field for U.S. exporters by matching the financing that other governments provide to their exporters." But a leveler's work is never done.

There is a reason critics have called Ex-Im "Boeing's bank." America's biggest exporter is by far the biggest beneficiary of the bank's activities. But when the bank's interventions in financing help Boeing sell planes to China, India and other nations, it enhances the ability of those nations' airlines to compete — often using discounted excess capacity — with U.S. international carriers.

The bank is only lightly constrained by the law that supposedly leashes it. The bank is required to consider "any serious adverse effect" on U.S. companies before supporting foreign purchasers in order to help other U.S. companies. But Richard B. Hirst, general counsel of Delta Air Lines, charges that the bank exempts 99.8 percent of its transactions from this requirement.

Hirst says that from 2005 to 2010, the bank "financed or guaranteed the financing for purchases of 634 Boeing aircraft" and in 2011 it "authorized over $11.4 billion in financing for foreign airlines to purchase Boeing aircraft." Because airlines are capital intensive, subsidized loans give foreign carriers a competitive advantage over U.S. international carriers. Hirst says that if Delta had been eligible for similar subsidies, "it could have saved approximately $100 million a year in financing costs," and could have used that money to hire more workers "or even purchase additional aircraft from Boeing."

To which Washington's likely response will be: Fine, let's expand the bank's mandate. Speaking last month at a Boeing plant in Everett, Wash., President Obama pledged "to give American companies a fair shot by matching the unfair export financing that their competitors receive from other countries." This looks like a promise to compound market distortions by further politicizing credit markets, while enunciating no limiting principle.

Obama is directing the bank to offer United Airlines a subsidy to match any subsidy Canada offers to persuade United to choose the Montreal-made Bombardier as United chooses between it, Boeing and Airbus. So American taxpayers will subsidize United to subsidize Boeing, which is already being subsidized in ways injurious to Delta and others.

There is an understandable urge to counter the subsidies that foreign governments give to companies competing with U.S. companies. The result, however, is an increasingly mercantilist world. And as Hirst's argument indicates, it is difficult to prove that the net effect is to increase employment rather than just redistribute employment to different — and, inevitably, politically astute — companies and sectors.

As Sallie James says, public choice theory teaches that government favors flow to the politically connected. And favor-dispensing institutions such as the Export-Import Bank are dispensing incentives for private interests to develop lucrative political connections.

What next? Look for proposals to authorize the bank to subsidize U.S. manufacturers competing with foreign *imports* that have price advantages because of government subsidies. And so it goes, subsidies begetting counter-subsidies, as U.S. trade policy is increasingly set by foreign governments.

Politicians, however, enjoy being drawn into largesse sweepstakes, which pretty much define the political profession today. So expect the bank to survive and even thrive, with its cap raised from $100 billion to $140 billion. Congress' normal reaction to wayward institutions is to extend their lives, expand their mandates and increase their money. In Washington, the penalty for slipping the leash of law is a longer leash and a larger purse.

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