Does The Export-Import Bank Cut The Deficit?

By Peter Fricke
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The Export-Import Bank reported turning its fiscal 2014 profits over to the U.S. Treasury on Thursday, but opponents counter that those profits are illusory.

In a press release, Ex-Im "announced it has transferred $675 million in deficit-reducing receipts to the U.S. Treasury's General Fund for fiscal year 2014." Ex-Im derives its profits from fees and interest on loans, loan guarantees, and insurance that it provides to U.S. exporters, a practice it describes as "financing the export of American goods and services when the private sector is unable or unwilling to do so."

According to the press release, the transfer demonstrates that, "Ex-Im Bank is a self-sustaining federal agency, meaning it covers its own congressionally-determined appropriation." Over the last two decades, Ex-Im claims to have remitted more than $7 billion in surplus profits.

The bank's opponents, however, have raised two main objections to those claims, saying they are based on faulty accounting practices and do not account for the domestic companies that are harmed by the financing Ex-Im provides to their competitors.

Earlier this year, in a column for The Washington Examiner, Tim Carney highlighted a Congressional Budget Office report asserting that, "if Ex-Im used proper accounting methods, it would be budgeted as a $2 billion cost to the taxpayers per decade."

Ex-Im uses accounting standards laid out in the 1990 Federal Credit Reform Act (FCRA), but Carney cites the CBO and "other accounting experts" who argue that, "FCRA's rules omit a crucial part of the cost of a loan guarantee: something economists call 'market risk.'"

Carney pointed out that, "private banks include market risk in the price of loans and guarantees they issue," and echoes the CBO's suggestion that Ex-Im should follow their lead by adopting "fair-value accounting" to avoid over-exposing itself to "the risk of a big economic blowup."

According to the CBO report Carney referred to, "Ex-Im Bank's six largest programs would generate budgetary savings of $14 billion under FCRA accounting but cost $2 billion on a fair-value basis."

One statistic not captured by either of those accounting methods, according to the Cato Institute, is the lost tax revenue from domestic companies that have foreign or domestic competitors that benefit from Ex-Im subsidies.

Cato scholar Daniel Ikenson claims that, "for nearly every Ex-Im financing authorization that might advance the fortunes of a single U.S. company, there is at least one U.S. industry whose firms are put at a competitive disadvantage because supply is being diverted, market power is being shifted, and the cost of capital is being lowered for their foreign competition."

Delta Airlines, for one, has complained vociferously that the bank's massive support for Boeing aircraft exports places Delta at a disadvantage by reducing the capital costs of its foreign rivals. Delta estimates that, "the bank's loan guarantees have resulted in up to 7,500 lost U.S. carrier jobs and up to $684 million of lost income for U.S. airline employees annually."

A subsequent Cato study, also by Ikenson, claims that over the last seven years, U.S. exporters "incurred a net cost of $2.8 billion per year," as a result of "subsidies provided for the benefit of one exporter [that] put competing firms at an artificial disadvantage." (

Notably, based on the top corporate tax rate of 35 percent, those costs translate to about $980 million in lost tax revenue— roughly half again as much as Ex-Im returned to the Treasury this year.