Export–Import Bank

Eliminate the Export–Import Bank

RECOMMENDATION

The Export–Import Bank (Ex–Im) provides loans and loan guarantees as well as capital and credit insurance to "facilitate" U.S. exports. The financing is backed by the "full faith and credit" of the U.S. government, which means that taxpayers are on the hook for losses that bank reserves fail to cover.

Lawmakers should repeal the bank charter and focus on reducing tax and regulatory barriers to exports. For example, the flood of Dodd–Frank regulations is constraining private-sector credit, while the costs of Obamacare weigh heavily on U.S. firms.

RATIONALE

The Export–Import Bank primarily benefits multinational corporations—primarily Boeing, the world's largest aerospace company (with a market capitalization exceeding $108 billion). Proponents claim that such taxpayer bankrolling creates jobs and fills "gaps" in private financing.[1] In fact, the bank is a conduit for corporate welfare beset by unreliable risk management, inefficiency, and cronyism.

There is no shortage of private export financing: U.S. exports totaled $2.2 trillion in fiscal year 2016, with Ex–Im supporting just 0.22 percent ($5 billion).[2]

Bank officials and advocates emphasize that Ex–Im financing creates jobs. In fact, the bank does not count actual jobs related to its projects but simply extrapolates numbers based on national data. This formula does not distinguish among full-time, part-time, and seasonal jobs. It also assumes that average employment trends apply to Ex–Im clients (who may not be typical).

In some cases, Ex–Im financing even puts U.S. workers at a disadvantage by providing overseas competitors, including governments, with billions of dollars in discounted financing.

Ex–Im proponents also claim that small business is the bank's "core mission." That simply is not the case. In most years, just 20 percent or less of total financing has gone to small businesses. Even that number is artificially inflated by the bank's expansive definition of "small," which includes firms with as many as 1,500 workers, as well as companies with revenues of up to $21.5 million annually.

In the event that a small business cannot access private capital, it can seek to export through wholesalers or associate its business operations with larger firms or with global supply chains.

Ex–Im benefits just 2 percent of exports. And, to claim that the entire 2 percent would vanish without Ex–Im subsidies is preposterous. Finance costs are only one among a variety of factors that affect a purchaser's choice of supplier. Availability, reliability, and stability all play significant parts in purchase decisions. There should be no question that U.S. firms are capable of competing successfully without corporate welfare.

Export subsidies create economic distortions that harm the U.S. economy and consumers more than they help. As noted by the Congressional Research Service, "Ex–Im Bank's credit and insurance programs…draw from the capital and labor resources within the economy that would be available for other uses, such as alternative exports and employment."[3]

ADDITIONAL READING

- Diane Katz, "U.S. Export–Import Bank: Corporate Welfare on the Backs of Taxpayers," Heritage Foundation *Issue Brief* No. 4198, April 11, 2014.

ENDNOTES

1. Export–Import Bank of the United States, "About Us," http://www.exim.gov/about (accessed May 25, 2017).
2. U.S. Department of Commerce, International Trade Administration, "December 2016 Export Statistics," *U.S. Export Fact Sheet*, February 7, 2017, https://ibc-static.broad.msu.edu/sites/DEC/images/resources/1159b5b1-8a59-47a1-b988-4bb1836c9904us-exports-factsheet.pdf (accessed May 25, 2017).
3. Shayerah Ilias Akhtar et al., "Export–Import Bank Reauthorization: Frequently Asked Questions," Congressional Research Service, April 13, 2016, http://fas.org/sgp/crs/misc/R43671.pdf (accessed May 25, 2017).