

Congressman Ron Paul U.S. House of Representatives May 1, 2002

Statement Opposing Export-Import Bank Corporate Welfare

Mr. Chairman, we are here today to reauthorize the Export-Import Bank, but it has nothing to do with a bank, do not mislead anybody. This has to do with an agency of the government that allocates credit to special interests and to the benefit of foreign entities. So it is not a bank in that sense. To me it is immoral in the fact that it takes from some who cannot defend themselves to give to the rich who get the benefits. And I just do not see that as being a very good function and a very good program for the U.S. Congress. Besides, I would like to see where somebody gives me the constitutional authority for doing what we do here and we have been doing, of course, for a long time.

But I do not want to talk about the immorality of this so-called bank or the unconstitutionality of it. I want to talk just a second or two about the economics of it. It is really bad economics. It is pointed out that it helps a company here or there, but what is never talked about what you do not see. This is credit allocation.

In order to take billions of dollars and give it to one single company, it is taken out of the pool of funds available. And nobody talks about that. There is an expense. Why would not a bank loan when it is guaranteed by the government? Because it is guaranteed. So if you are a smaller investor or a marginal investor, there is no way that you are going to get the loan. For that investor to get the loan, the interest rates have to be higher. So it is a form of credit allocation, and it is also a form of protectionism. We do a lot of talk around here about free trade. Of course, there is a lot of tariff activity going on as well, but this is a form of protectionism. Because some argue, well, this company has to compete and another government subsidizes their company so, therefore, we have to compete. So it is competitive subsidization of special interest corporations in order to do this.

Now, it seems strange that we here in the Congress are willing to give the beneficiary China the most number of dollars. They qualify for nearly \$6 billion worth of credits. And that just does not seem like the reasonable thing for us to do. So I strongly urge a no vote on this bill.

Mr. Chairman, Congress should reject H.R. 2871, the Export-Import Reauthorization Act, for economic, constitutional, and moral reasons. The Export-Import Bank (Eximbank) takes money from American taxpayers to subsidize exports by American companies. Of course, it is not just any company that receives Eximbank support; the majority of Eximbank funding benefit large, politically powerful corporations.

Enron provides a perfect example of how Eximbank provides politically-powerful corporations competitive advantages they could not obtain in the free market. According to journalist Robert Novak, Enron has received over \$640 million in taxpayer-funded "assistance" from Eximbank. This taxpayer-provided largesse no doubt helped postpone Enron's inevitable day of reckoning.

Eximbank's use of taxpayer funds to support Enron is outrageous, but hardly surprising. The vast majority of Eximbank funds benefit Enron-like outfits that must rely on political connections and government subsidies to survive and/or multinational corporations who can afford to support their own exports without relying on the American taxpayer.

It is not only bad economics to force working Americans, small business, and entrepreneurs to subsidize the export of the large corporations: it is also immoral. In fact, this redistribution from the poor and middle class to the wealthy is the most indefensible aspect of the welfare state, yet it is the most accepted form of welfare. Mr. Speaker, it never ceases to amaze me how members who criticize welfare for the poor on moral and constitutional grounds see no problem with the even more objectionable programs that provide welfare for the rich.

The moral case against Eximbank is strengthened when one considers that the government which benefits most from Eximbank funds is communist China. In fact, Eximbank actually underwrites joint ventures with firms owned by the Chinese government! Whatever one's position on trading with China, I would hope all of us would agree that it is wrong to force taxpayers to subsidize in any way this brutal regime. Unfortunately, China is not an isolated case: Colombia and Sudan benefit from taxpayer-subsidized trade, courtesy of the Eximbank!

At a time when the Federal budget is going back into deficit and Congress is once again preparing to raid the Social Security and Medicare trust funds, does it really make sense to use taxpayer funds to benefit future Enrons, Fortune 500 companies, and communist China?

Proponents of continued American support for the Eximbank claim that the bank creates jobs and promotes economic growth. However, this claim rests on a version of what the great economist Henry Hazlitt called, the "broken window" fallacy. When a hoodlum throws a rock through a store window, it can be said he has contributed to the economy, as the store owner will have to spend money having the window fixed. The benefits to those who repaired the window are visible for all to see, therefore it is easy to see the broken window as economically beneficial. However, the "benefits" of the broken window are revealed as an illusion when one takes into account what is not seen: the businesses and workers who would have benefited had the store owner not spent money repairing a window, but rather had been free to spend his money as he chose. Similarly, the beneficiaries of Eximbank are visible to all. What is not seen is the products that would have been built, the businesses that would have been started, and the jobs that would have been created had the funds used for the Eximbank been left in the hands of consumers.

Some supporters of this bill equate supporting Eximbank with supporting "free trade," and claim that opponents are "protectionists" and "isolationists." Mr. Chairman, this is nonsense, Eximbank has nothing to do with free trade. True free trade involves the peaceful, voluntary exchange of goods across borders, not forcing taxpayers to subsidize the exports of politically powerful companies. Eximbank is not free trade, but rather managed trade, where winners and losers are determined by how well they please government bureaucrats instead of how well they please consumers.

Expenditures on the Eximbank distort the market by diverting resources from the private sector, where they could be put to the use most highly valued by individual consumers, into the public sector, where their use will be determined by bureaucrats and politically powerful special interests. By distorting the market and preventing resources from achieving their highest valued use, Eximbank actually costs Americans jobs and reduces America's standard of living!

Finally, Mr. Chairman, I would like to remind my colleagues that there is simply no constitutional justification for the expenditure of funds on programs such as Eximbank. In fact, the drafters of the Constitution would be horrified to think the Federal Government was taking hard-earned money from the American people in order to benefit the politically powerful.

In conclusion, Mr. Chairman, Eximbank distorts the market by allowing government bureaucrats to make economic decisions in place of individual consumers. Eximbank also violates basic principles of morality, by forcing working Americans to subsidize the trade of wealthy companies that could easily afford to subsidize their own trade, as well as subsidizing brutal governments like Red China and the Sudan. Eximbank also violates the limitations on congressional power to

take the property of individual citizens and use it to benefit powerful special interests. It is for these reasons that I urge my colleagues to reject H.R. 2871, the Export-Import Bank Reauthorization Act.