October 31, 2001

Mr. Chairman, the Financial Services committee should reject HR 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- rather, the majority of Eximbank funding benefits large, politically powerful corporations.

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!

The case for Eximbank is further weakened considering that small businesses receive only 12-15% of Eximbank funds; the vast majority of Eximbank funds benefit large corporations. These corporations can certainly 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 exports 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. Chairman, 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, Yemen, and even the Sudan benefit from taxpayer-subsidized trade courtesy of the Eximbank!

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 them to benefit powerful special interests. It is for these reasons that I urge my colleagues to reject HR 2871, the Export-Import Bank Reauthorization Act.