The Daily Dish

The Export-Import Bank Limps Along

DOUGLAS HOLTZ-EAKIN, PATRICK HEFFLINGER | SEPTEMBER 30, 2016

The Government Accountability Office (GAO) announced on Thursday that they found the Obama Administration's practice of directing funds to the Obamacare reinsurance program rather than the U.S. Treasury to be illegal. The reinsurance program was originally designed to collect $10 billion in 2014 and another $2 billion was expected to be deposited into the Treasury. However, the reinsurance program did not collect enough money and the administration decided to prioritize giving what money was collected to the reinsurance program which resulted in the Treasury receiving no money in 2014. The GAO said that rather than deciding to prioritize payments the administration should have made payments proportional to what was brought in.

On Thursday the Federal Communications Commission (FCC) approved updates to the mobile emergency alert system which allow for alerts to be as long as 360 characters, up from 90 characters. The new updates will allow for law enforcement authorities to link maps as well as pictures to more quickly provide pertinent data to those receiving the alerts.

Eakinomics: The Export-Import Bank Limps Along

For the past several years, Congress has wrestled with the decision to reauthorize the Export-Import Bank (Ex-Im). For those who were (perhaps blissfully) unaware of this debate, Ex-Im is an export credit agency (ECA) that provides insurance, direct loans, and loan guarantees to facilitate export transactions. Its recent reauthorizations have been hobbled by the fact that Ex-Im is easily demagogued. Why should the government be helping exporters? Isn't exporters' success the responsibility of the private sector? If international trade was starting from a blank slate, the answer would be yes. Unfortunately, ECAs abound around the world; so, reauthorizing Ex-Im can be one part of a trade strategy that includes American companies competing abroad while pursuing the long-run objective of eliminating ECAs. Ignoring that reality makes it easy to argue that the only rationale for Ex-Im is crony capitalism and the undue political influence of big business.

Critics additionally argued that Ex-Im disproportionately helps large firms, something that could only be the result of politics.
In the end the Ex-Im authorization expired on June 30, 2015, but was finally reauthorized on December 4, 2015, as it became apparent that it was a sensible element of a global competition strategy, served small businesses as well as large, and could be sensibly reformed. Problem solved, right?

Not so fast. As it turns out, Ex-Im's board has only two confirmed board members, one short of a quorum. While the president has nominated two additional board members, the Senate Banking Committee has not moved to confirm either. Without a quorum, Ex-Im can only authorize loans of $10 million and below – which makes up about 15 percent of Ex-Im's total business. As a result, roughly 4,100 loans totaling over $20 billion have been taken off the table. U.S. businesses have been forced to seek funding at ECAs in other countries, and qualifying for those loans often means moving production and jobs out of the United States.

The recently-passed continuing resolution was viewed by some as a vehicle to rectify the situation by changing the rules for a quorum to fewer board members. Unfortunately, the provision got left on the cutting table, and the crippled Ex-Im must continue to limp along.