

Cato scholar inspired the Ex-Im shutdown

Challenging Ex-Im's Corporate Welfare

Last summer the Export-Import Bank shut down for the first time in its 81-year history. Congress departed for its summer recess without reauthorizing the bank, leaving its authority to expire at midnight on June 30. Just a few years earlier, the idea of upending Ex-Im like this would have been unthinkable—its regular reauthorizations had coasted through Congress after Congress for decades unchallenged. What changed? According to those most familiar with the battle, it all began with a paper from Cato's Sallie James.

In 2011 James published her first in-depth critique of the bank, "Time to X Out the Ex-Im Bank." She called out the bank for picking winners and losers in the U.S. economy and redistributing resources to the chosen few. If the private sector is unwilling to finance a transaction, she wrote, "it is a signal that taxpayers should not be exposed to the risk, either."

In 2012 she published another paper calling for the end of Ex-Im. By now interest was picking up—the *Washington Post*'s George Will wrote a column about James' work, critiquing the bank for its virtually unconstrained interventions into the market. "As Sallie James says," he wrote, "public choice theory teaches that government favors flow to the politically connected. Favor-dispensing institutions such as the Export-Import Bank are dispensing incentives for private interests to develop lucrative political connections."

Veronique de Rugy, a Cato adjunct scholar whose work has been at the forefront of the Ex-Im debate, recalled James's "remarkable paper" in 2011 as one of the first shots fired in the Ex-Im fight, counting it "essential to explaining why so many people have come out against the Ex-Im Bank today." Andy Roth, vice president of government affairs at the Club for



Cato studies and publications, particularly Sallie James's "Time to X Out the Ex-Im Bank," played a crucial role in inspiring the movement to end Ex-Im.

Growth, cited James' paper as the original inspiration for his group's campaign against Ex-Im. "I really wanted us to pick a fight on the issue because the arguments made by Sallie were so simple and easy to understand," he said. A *Washington Post* article detailed the Club for Growth's reaction when they first began to delve into the details of Ex-Im after reading James' paper. "I'm sitting in my office, and I hear Barney [Keller, then communications director] screaming, 'This is unbelievable,'" Chris Chocola, the former president of the Club for Growth, told the *Post*. As Keller researched deeper and deeper into the bank's transactions, he would periodically exclaim when he found yet another instance of the bank propping up special interests.

Numerous Cato scholars, including James, de Rugy, Dan Ikenson, Ian Vasquez, Aaron Lukas, Steve Slivinski, Chris

Edwards, and Doug Bandow, unleashed a volley of criticism that captured Americans' attention. By December 2012, Bloomberg was describing panicked Ex-Im supporters as "caught off guard" by the sudden groundswell of opposition. Up until now, they wrote, the bank's reauthorization had been "a matter of routine." Business groups were stunned when they finally faced a real challenge. "That there was a fight at all amazed the bank's backers," wrote Bloomberg. Government cronies had grown all too accustomed to getting their way.

Unfortunately the cozy bond between K Street and the government is a difficult one to break—in December of 2015 Congress revived Ex-Im, funding it through 2019. But opposition to the bank is certainly not dead, now that Americans have seen Ex-Im for what it really is: corporate welfare. ■