After eight decades, the future of the Export-Import Bank is today uncertain. Its charter expires in late September and needs to be renewed by Congress if it is to live on. It shouldn’t. It’s time to pull the plug on the bank.

Ex-Im is the very definition of corporate welfare - it helps foreign buyers to purchase U.S. goods by offering favorable financing for those deals. In 2012, a staggering 82.7 percent of its loan guarantees went to Boeing, as my AEI colleague Timothy P. Carney reported. The government shouldn’t take money out of your paycheck to assist Boeing’s customers.

Not everyone agrees. Some members of the foreign-policy community worry about what will happen when nations buy their airplanes and other hardware from other countries. But surely there are better, more direct ways for the government to accomplish its foreign-policy goals than through an open-ended export-credit agency.

Some argue that the bank creates jobs by gaining more customers for export-based American firms. The case for this claim is weak. The trade deficit and export-based jobs are determined by the savings and investment behavior of American households, firms and the government, and not by trade policy in general, or export subsidies specifically.

How does this work? In the textbook model, when the government subsidizes exports the demand for dollars increases - arising from the need to finance dollar-denominated purchases, bond purchases due to higher interest rates, or other macroeconomic effects - pushing up their price. As the price of dollars increases, exports fall and imports increase. When all is said and done, your export subsidy hasn’t increased employment or really had much of an effect at all on the trade deficit.
Others argue that the Ex-Im Bank is necessary to counteract the trade practices of other countries. This, too, is wrong. An economy as large and diverse as the United States should not artificially promote exports to "level the playing field" with other nations. The trade practices of other nations do not provide a justification for corporate welfare at home. And if we’re going to level the field, then we should be identifying individual, quantifiable actions of foreign governments and counteracting them specifically, on a case-by-case basis, rather than keeping in place an agency with open-ended powers.

There are better reasons than these to support the Ex-Im Bank. In a low-demand economy like ours, it probably is the case that the Ex-Im Bank can support employment. So in an ideal world we would keep the Ex-Im Bank until the labor market recovered, and then wind it down. But we don’t live in an ideal world. The employment effects of winding down the bank are very small, the political moment is now, and we need to seize it.

The bank does help some small, niche firms get off the ground and stay in business. But if these businesses can't survive without the promise of government funding then they haven’t passed the market test, and it's not in the economy’s long-term interest for the government to continue to prop them up. This is the cold reality of capitalism that non-government-favored businesses face every day.

And the bank does help the large, Fortune 500 businesses that it ... well, that it helps. But it is helping those businesses with tax dollars - i.e., with other people’s money. I am not against subsidies per se, but the government needs to have a very good reason to take money away from hardworking Americans in order to subsidize something.

The earned income tax credit (EITC) is a federal subsidy that passes the test. It supplements the earnings of low-income, working households. It has lifted millions of Americans out of poverty and it incentivizes work. In the United States today, poverty and non-employment are serious social and economic problems, and it is appropriate for the government to use tax dollars and public policy to mitigate those problems. The argument that export-heavy businesses that benefit from the Ex-Im Bank are similarly worthy is not compelling.

Look, the fate of the Ex-Im Bank is not really that important at the end of the day. It’s a small cost to taxpayers, and there are much bigger government boondoggles that merit more attention. But Ex-Im exists in a political context, which is that conservatives are increasingly comfortable saying the following: Taxpayer-financed corporate welfare and crony capitalism are bad. Growing comfort with that phrase is a good thing. My hope is that the Battle of Ex-Im will be the first in a long war that will unwind other instances of corporate welfare and crony capitalism. For its symbolic importance alone, the bank should not be reauthorized.

Its time has come.

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