Review of International Political Economy

ISSN: 0969-2290 (Print) 1466-4526 (Online) Journal homepage: http://www.tandfonline.com/loi/rrip20

When market fundamentalism and industrial policy collide: the Tea Party and the US Export–Import Bank

Kristen Hopewell

To cite this article: Kristen Hopewell (2017) When market fundamentalism and industrial policy collide: the Tea Party and the US Export–Import Bank, Review of International Political Economy, 24:4, 569-598, DOI: 10.1080/09692290.2017.1316297

To link to this article: http://dx.doi.org/10.1080/09692290.2017.1316297

Published online: 26 Apr 2017.

Review of International Political Economy, 2017
Vol. 24, No. 4, 569–598, https://doi.org/10.1080/09692290.2017.1316297

When market fundamentalism and industrial policy collide: the Tea Party and the US Export–Import Bank

Kristen Hopewell

School of Social and Political Science, University of Edinburgh, Edinburgh, United Kingdom of Great Britain and Northern Ireland

ABSTRACT

For most major economies, state-backed export credit is a core element of industrial policy and their strategies to boost exports and economic growth. Surprisingly, however, at a time when its competitors are increasing their use of this policy tool, state-backed export credit has become the subject of a hotly contested political battle in the US. As a result of opposition from the Tea Party, the US Export–Import Bank was forced to halt its lending operations for five months in 2015 and subsequently limited to financing only the smallest transactions. In this article, I show that the disruption of export credit is undermining the competitiveness of key US industrial sectors and encouraging the movement of advanced, high-value-added manufacturing overseas. The case of export credit therefore presents an important puzzle: Why is the US moving in the opposite direction of other states and taking steps that undermine its economic interests? I argue that the internal US attack on export credit is fueled by the prevailing market fundamentalist ideology that has obscured the role of an active state in fostering the US's economic success. This article demonstrates how the rise of a powerful anti-state movement is hindering the ability of the US to conduct effective industrial policy and maintain its economic primacy in the face of growing global competitive pressures.

KEYWORDS

US; industrial policy; developmental state; Tea Party; Export–Import Bank; neoliberalism.

Corresponding author. Email: kristen.hopewell@ed.ac.uk

INTRODUCTION

The rise of new powers, such as China and India, and the implications for US hegemony have become a central preoccupation of international relations scholars and policy-makers alike. Far from new, discussions of the decline of US hegemony have been occurring for decades. As Fred Block and Matthew Keller (2014: 20) argue, although declinists have 'consistently underestimated the political, economic and military resilience of the US', rendering their predictions of the demise of US hegemony premature, this does not mean that American hegemony can or will go on indefinitely. It is therefore worthwhile to examine sources of strength and resilience as well as sources of decay or stagnation. This article contributes to our understanding of contemporary challenges to US hegemony by focusing on export credit – an important but understudied area of economic policy-making that has recently emerged as a major subject of political contestation within the US and of competition among states internationally.

The global political economy of official export credit – the use of loans and other forms of financing by states to boost exports – is being dramatically transformed. As one of the primary tools used by states to enhance the competitiveness of their exports, export credit has taken on renewed strategic importance in the wake of the 2008 global financial crisis, with states focused on expanding exports as a means to bolster economic growth and employment. While states around the world have been increasing their use of export credit, there has been an explosion in the use of export credit by the 'BRICs' (Brazil, Russia, India and China), eroding the efficacy of existing international rules intended to prevent a competitive spiral of state subsidization via export credit.

Amid this trend, the US is a striking outlier, moving in the opposite direction of eliminating or severely circumscribing its use of state-backed export credit. Once an obscure bureaucratic agency, virtually unknown to the general public, the US Export–Import Bank (Exim) recently burst onto the public stage, becoming a highly contentious focus of national political debate. The Tea Party made the Bank a prime target of its campaign to dramatically reduce the size of government and its role in the economy. As a result, Exim was forced to cease all operations for five months in 2015 and subsequently the vast majority of its lending activity (approximately 85%) has been blocked. The future of the Bank remains in doubt, as the Tea Party continues to aggressively press for its elimination.

In this article, I draw on the case of the battle over the Export–Import Bank to argue that the US's ability to respond to growing competitive challenges is being hampered by a powerful domestic anti-state movement. As I will show, by unilaterally constraining its use of export credit, the US is relinquishing an important industrial policy tool. The disruption of export credit is undermining the ability of US firms and industries to compete in critical sectors and encouraging the offshoring of advanced, high-value-added manufacturing and related activities. How then do we explain the Tea Party's attack on the Bank? I argue that the campaign against Exim has been rooted in and fueled by the spread of an ultra-free-market discourse predicated on the denial and erasure of the role of an active state and industrial policy in creating the US's economic success, which is compounded by an overestimation of the US's current power in the global political economy and a failure to recognize the degree to which its economic and political dominance is being undermined by emerging challengers. Drawing on the case of export credit, I argue that the grip of market fundamentalist ideology, combined with the prevalence of inaccurate ideas about how the US achieved its global economic dominance and has maintained it to date, are weakening the US's ability to maintain its economic primacy in the face of rising challengers.

The Tea Party campaign against the Exim Bank generated substantial opposition from American business, including its largest and most powerful corporations and industry associations. Remarkably, however, big business – traditionally one of the most influential actors in US politics and having waged its own massive counter-mobilization effort to defend the Bank – found its power significantly undercut by the ultra-free-market ideology of the Tea Party. Contemporary struggles over export credit thus reveal an important irony: while American business actors were originally among the key proponents responsible for the ascendance and spread of neoliberalism in the US and globally, market fundamentalism is now being turned against business and undermining its economic interests.[1]

NEOLIBERALISM, INDUSTRIAL POLICY AND AMERICAN HEGEMONY

The US has been a major driver of the rise and global spread of neoliberalism as an ideology and policy paradigm, directed at reducing the role of the state in the economy by liberalizing trade and capital flows, privatizing state-owned enterprises, lowering taxes and public spending, and freeing business from government regulation. More than merely an ideology, the Washington Consensus was a strategy aimed at renewing and re-establishing US power after its relative decline in the 1970s (Chorev and Babb 2009). The US pressed other countries to open their markets to its exports, investment and multinationals, while nonetheless maintaining many of its own protectionist policies (Porter 2005). While using its power in global economic governance to curtail the scope for developing countries to engage in industrial policy, the US left itself considerable room to maneuver, developing more complex and sophisticated forms of industrial support targeting high-value sectors and designed to secure its leading position in advanced industries (Weiss 2005). As a prescription for development, neoliberalism proved highly flawed, resulting in deindustrialization and economic stagnation in many developing countries (Bayliss, Fine and van Waeyenberge 2011). Consequently, even within the multilateral institutions that were once its leading champions, such as the IMF and World Bank, there is now growing recognition that neoliberalism was an ineffective strategy for generating durable economic growth (Ostry, Loungani and Furceri 2016).

Instead, the international economic institutions are increasingly signaling a rejection of market fundamentalism and renewed appreciation of the importance of industrial policy (Lazonick 2008; Robinson 2011; Rodrik 2008; Stiglitz, Esteban and Yifu 2013). This shift has been driven by recognition that an active state engaged in industrial policy was critical to the remarkable rise of China and other emerging economies (Ban and Blyth 2013). The global financial crisis also destabilized the neoliberal orthodoxy and brought disillusionment with the promise of unfettered markets, and since the crisis, many states have placed increasing emphasis on industrial policy as a means to boost economic growth and employment. The debate among economists and policy-makers is thus no longer whether industrial policy is desirable but what form it should take (Lin and Chang 2009).

For many advanced-industrialized states, the resurgence of interest in industrial policy – policies designed to promote the competitiveness of a country's firms and industries (Beath 2002) – has come from concerns about their declining share of global manufacturing amid growing competition from emerging economies. While the share of manufacturing in GDP and employment in developed countries has been falling, manufacturing still occupies a central position in these economies; collectively, they continue to account for the bulk of manufacturing value added, although China and other new competitors have grown considerably in importance over the past two decades (Figure 1). There are also interdependencies between manufacturing and other sectors in high-income economies – with backward and forward linkages to R&D, product design and engineering – such that the distinction between manufacturing and services is increasingly blurred. Although the US and other advanced economies maintain a lead in higher-value-added, medium-high and high-tech manufacturing, these are areas where China and other emerging economies are rapidly gaining ground (OECD 2013). As one OECD report states, 'competition from emerging economies is growing, even in activities and markets that were, until recently, considered the core strengths of OECD countries' (Warwick 2013: 7). Among high-income countries, there are therefore concerns that the loss of core

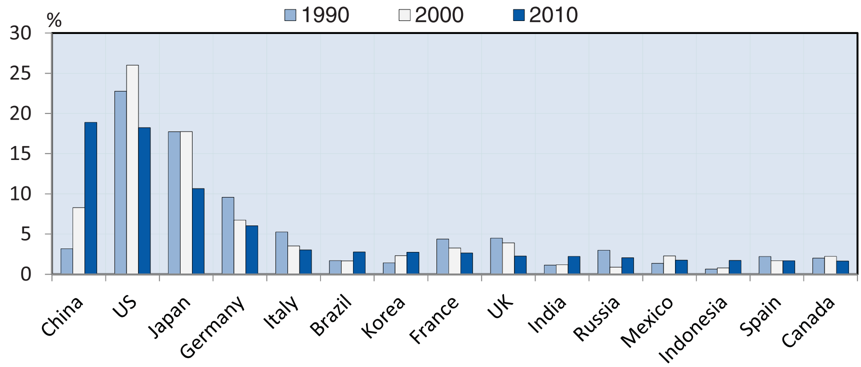

Figure 1. Share of global manufacturing.
Source: OECD.

manufacturing activities may erode adjacent activities in the value chain, leaving these countries struggling to retain high value activities such as innovation, R&D and design (Block and Keller 2014; Pisano and Shih 2012; Warwick 2013).

In a turn away from the neoliberal orthodoxy that has dominated economic thinking since the 1980s, many states are increasingly seeking to use the policy tools at their disposal to actively intervene in markets to promote the competitiveness of their firms and industries and thereby boost exports, employment and growth. Yet amid what has been described as a 'renaissance of industrial policy' (Warwick 2013), the US is hamstringing itself by constraining the use of an important industrial policy tool – export credit. By restricting its own use of export credit, the US is hampering the ability of its firms and industries to compete in key sectors. In the name of free markets, the US is tying its own hands – restraining the scope for the state to intervene in markets to promote US economic interests – not because it is being compelled to by external forces, but because of constraints being imposed by a powerful internal domestic political movement in the thrall of market fundamentalist ideology.

Moreover, this is occurring in the context of an increasingly multipolar world, where the rise of new powers is challenging both American economic and political dominance (Bremmer and Roubini 2011; Hopewell 2016; Patrick 2010). There are major questions about whether – and how – the US will retain its hegemonic position in the international system in the context of the growing power of China and other emerging challengers (Babones 2015; Norrlof 2010). A growing body of scholarship has argued that the US's own domestic policies and management have significant consequences for its ability to maintain its hegemony (Haass 2014;

Kupchan 2012; Nye 2010). This article contributes to this debate by examining the case of export credit – a little analyzed but crucial area of economic policy – where, I will show, the US is taking steps that undermine its economic might.

As the following analysis will demonstrate, the Tea Party's effort to severely restrict or eliminate US export credit undermines the country's competitiveness as a site for advanced manufacturing and related industries. A key question then is why the Tea Party is pursuing an agenda that is against US economic and strategic interests. I argue that two key misperceptions have helped give rise to and fueled the campaign against the Export–Import Bank: an inaccurate conception of the role of the state in the US's industrial development and a false understanding of the sources and extent of US power in the international system.

The Tea Party's campaign against Exim is rooted in a failure to recognize and appreciate the role of an active state and industrial policy in building US economic supremacy – and, by extension, its political dominance. Despite trumpeting the virtues of unfettered markets, the US has always made use of industrial policy and, indeed, this has been critical to its economic success (Block and Keller 2011; Lazonick 2008; Schrank and Whitford 2009; Weiss 2014). Thus, as Block and Keller (2014: 20) argue, 'prevailing accounts of the US as a liberal market economy are deeply misleading'. The US – like all other successful developers – has exemplified the vital role of the state in supporting industrial development (Chang 2002; OECD 2013; Warwick 2013). Yet this reality is systematically erased by the prevailing ideology that obscures the true underpinnings of US economic power. Within American popular discourse, there is a collective 'amnesia' about the contribution of government to America's economic success as a result of a deliberate campaign to delegitimize the role of an active state (Hacker and Pierson 2016). In the words of Fred Block (2011: 4), proponents of market fundamentalism created 'a fictive American past in which the substantial economic role played by government – from the founding – was made to disappear'. Unlike many states, which are more open and explicit about their developmental agendas, the US developmental state has been largely hidden and invisible to mainstream public debate (Block 2008).

This is also tied to a fictitious idea of how America obtained its global economic and political dominance, shaped by what Jeff Faux (2012) calls the US's 'national delusion of exceptionalism' – faith in America's natural, inherent superiority and the belief that, in a fair game with a level playing field, the US will inevitably prevail. This view is widely found throughout American political discourse. According to President Obama in his 2012 State of the Union Address, for example, 'Our workers are the most productive on Earth, and if the playing field is level, I promise you: America will always win'. This stance cuts across the political spectrum, with Obama's statement echoing those of earlier presidents, such as George W. Bush, who similarly proclaimed in his 2006 State of the Union, 'With open markets and a level playing field, no one can outproduce or outcompete the American worker' (Faux 2012). The assumption that the US will always triumph in a world of free markets belies the fact that the US gained its economic supremacy not through free markets and open competition but through an interventionist state actively engaged in fostering its economic development, and the US consolidated its dominant position not through a level playing field but by using its hegemonic position to tilt the rules of the multilateral trading system in its favor (Wilkinson 2011).

The Tea Party's efforts to eliminate US export credit – a product of its broader antipathy towards the state – rest on a lack of recognition that without continued intervention by the state to bolster growth and competitiveness, the US position in the global economy will be weakened. The Tea Party attack on Exim is also shaped by an overestimation of the US's current power in international affairs, manifest in the assumption that either other countries will follow its example by restricting their own use of export credit, or that the US will be able to force them to do so. This can be seen as a form of hegemonic hubris – an excessive confidence in the US's ability to dominate the global economy and its governance, and a failure to recognize the extent to which it is being diminished by contemporary power shifts.

THE BATTLE OVER THE US EXPORT–IMPORT BANK

Export credit is an important case to examine because it represents an instance of US industrial policy – the US's 'hidden' developmental state (Block 2008) – being brought from the shadows into the open and made the subject of intense public debate. In this section, following a brief discussion of the changing global political economy of export credit, I turn to examine the origins and impact of the Tea Party's campaign against the US Export–Import Bank. I make the case that the Tea Party's opposition to Exim is rooted in a misguided faith in free markets and the continued inevitability of US power. The Tea Party's effort to dismantle the Bank – and ultimately other elements of US industrial policy – threatens to undermine US competitiveness in the face of rising challengers. As I show, these effects are already being felt, with the disruption of export credit precipitating a movement of advanced manufacturing overseas. Regardless of the specific fate of the Tea Party, these kinds of ideological and political forces have deep roots and widespread popular support and are therefore expected to remain prominent and continue to shape US politics for some time (Skocpol and Williamson 2012).

The global political economy of export credit

Trade finance is a critical aspect of the global economy: approximately 80%–90% of world trade relies on some form of financing (Akhtar 2015). While most trade financing comes from the private sector, states also play a vital role. Every major economy has an export credit agency (ECA) that provides various forms of financing to facilitate and expand exports, including direct loans to foreign buyers, insurance and loan guarantees, working capital financing, and finance for large-scale infrastructure and industrial projects. Official export credit occupies a crucial niche, filling gaps in, or helping to bolster, the availability of private financing. ECAs are heavily involved, for example, in long-term export financing, including financing for complex, multi-billion dollar sales such as aircraft and infrastructure projects. In such sectors, ECA support can help make transactions more commercially attractive by mitigating risks of financing or by providing another source of funding to diversify risks. As Andrew Moravcsik (1989: 176) states, export credit is 'the financial lubricant that keeps the international trade system going'. Approximately 60 ECAs are in operation globally, providing $300 billion in trade-related finance annually (Akhtar 2015).

For many countries, state provision of export credit is a core part of their industrial policy and national export strategies. The importance of export credit has only been amplified since the global financial crisis. During the crisis, when the availability of commercial credit contracted dramatically, government-backed export credit played a critical role in filling the gap in trade finance and keeping international trade moving, preventing the financial crisis from spiraling into a worldwide depression (Auboin 2015). The ensuing implementation of new Basel III financial regulations diminished the availability of private lending for certain forms of trade, increasing the need for state-backed export credit (Akhtar 2015). Even the World Bank and the WTO – long-standing champions of free market economics – recognize state-backed export credit as an important industrial policy and development tool, as well as a means to address market failure and a vital source of counter-cyclical lending (World Bank 1993). As one WTO official summarized, 'It simply makes sense for ECAs to play a role in financing trade'.[2]

The US Export–Import Bank was created as part of the New Deal in 1934. In FY2014, Exim authorized over 3700 transactions totaling $20.5 billion, which supported $27.5 billion worth of exports and 164,000 jobs.[3] It is a small government agency, with less than 400 staff, that regularly generates revenue; in 2014, for example, Exim contributed $675 million to the US Treasury. To provide an illustration of how it operates: Exim supports the American aerospace sector by supplying financing to facilitate the sale of Boeing jets to foreign buyers. Given the size of these transactions (a large aircraft can cost $250–500 million), the purchasing airlines usually require loans to make the purchase possible. Exim can step in to provide direct loans when commercial financing is unavailable, or to guarantee (and thereby reduce the cost of) commercial loans. Aerospace is just one example of the industries supported by Exim and its counterparts around the world.

The global landscape of export credit has changed profoundly with the rise of the BRICs. Since 2000, export credit provision by the BRICs has surged from less than 3% to 40% of the world total.[4] The vast majority has come from China, which constitutes 90% of the export credit activity of the BRIC countries and is now the world's largest export credit provider. In 2014, China supplied $58 billion in medium and long-term export credit support – far more than the $12 billion provided by the US and, indeed, more than *all* the G7 rich countries *combined* – and an additional $43 billion in overseas investment financing to promote its exports (Figure 2).[5]

China is aggressively using export credit to foster industrial upgrading and the global expansion of its firms. Export credit has been the driving force, for example, behind the much-reported expansion of China's activities in Africa, Latin America and elsewhere; while often mistakenly described as aid, most of China's foreign lending is in fact export credit – loans tied to the export of Chinese goods (Bräutigam 2009). Export credit is a central part of China's strategy to escape the 'middle-income trap' by transitioning from exporting consumer to capital goods. Although smaller in scale, the other emerging economies are using export financing strategically in key sectors to significant effect (such as Brazil in construction, Russia in nuclear energy,

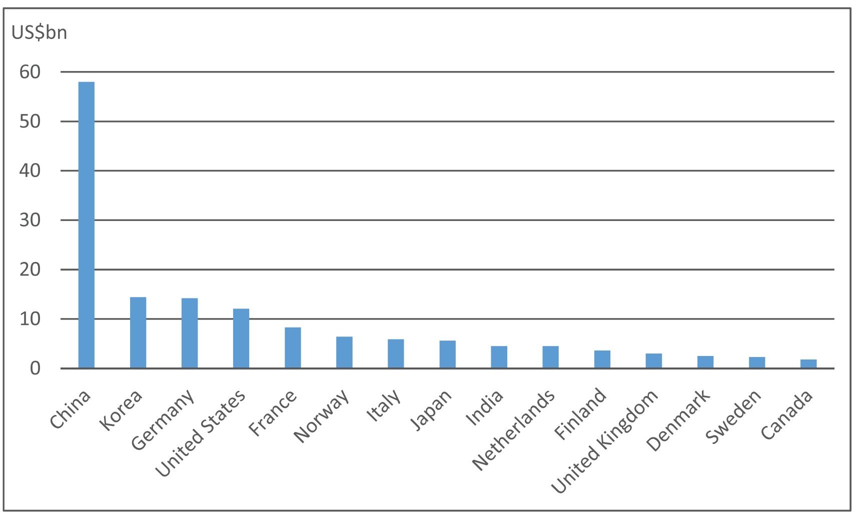

Figure 2. New medium- and long-term official export credit volumes, 2014.
Source: Exim Competitiveness Report, 2015.

and India in transportation and energy). The dramatic expansion in the use of official export credit by China and the other BRICs poses a serious competitive challenge to the US and other traditional powers.

The rise of the Tea Party

The Tea Party has emerged as a potent force in US politics, transforming the American political landscape. It is made up of a combination of forces – grassroots activists, advocacy organizations backed by ideologically motivated wealthy donors, and influential right-wing media outlets. The Tea Party burst onto the scene in early 2009, prompted by the election of President Obama and Democratic majorities in the House and Senate (Ashbee 2011; Maxwell and Parent 2012). The movement was propelled by fears on the right that Obama and the Democrats would reshape US policies, by tightening regulations, raising taxes, and expanding social programs, as well as anger at the bank bailouts and stimulus package triggered by the financial crisis (Skocpol and Williamson 2012; Van Dyke and Meyer 2016). The emergence of the Tea Party was thus, in part, a response to the more assertive and visible use of industrial policy by the US (Schrank and Whitford 2009). It is estimated that close to a quarter of the US population supports the movement or evaluates it positively (Barreto et al. 2011).

Among the leading funders of the Tea Party are billionaires David and Charles Koch – tied as the fifth wealthiest individuals in the US – who have been highly active in financing ultra-free-market political campaigns (Mayer 2016). The Koch brothers organized a network of wealthy conservative donors, channeling hundreds of millions of dollars to an integrated set of libertarian, anti-government political organizations. As Theda Skocpol and Alexander Hertel-Fernandez document (Skocpol 2016; Skocpol and Hertel-Fernandez 2016), the Koch network has worked to penetrate and capture the Republican Party and pull its agenda to the right on political-economic issues. Americans for Prosperity, the hub of the Koch network, is now thoroughly intertwined with the Republican Party. For candidates seeking support from the Koch network – whose vast financial and staff resources now exceed those of the Republican Party itself – the price is accepting its ultra-free-market policy agenda. The Koch network monitors the activities of Republicans in Congress to ensure that their legislative agendas and votes match its preferred positions. Those who are not sufficiently aligned with its agenda risk being unseated in primary campaigns, as the Koch network backs challengers espousing more extreme free market views. The Koch network has thus played a major role in the extraordinary rise and political influence of the Tea Party and driving Republican candidates and officeholders toward increasingly extreme economic positions.

The Kochs obtained their fortunes from Koch Industries, a large industrial conglomerate with substantial oil and gas operations, and most of the other network participants similarly derived their wealth from businesses. There are some complementarities between the business interests of network participants and the agenda it seeks to advance, such as reducing taxes, loosening government regulations, undermining labor unions, and opposing environmental regulations (including funding climate change denial). Yet, drawing on an extensive study of the Koch network, Hertel-Fernandez and Skocpol (2016) argue against a reductionist interpretation that equates its political objectives solely with the interests of Koch Industries or the company ties of other wealthy donors in the network. Propelled by a deep antipathy towards the state, their political advocacy goes beyond 'mere corporate self-interest', pursuing many causes far beyond the narrow scope of their business interests – and even some that contradict those business interests, such as opposing tax cuts and subsidies for the private sector. While the interests of mainstream business and the Koch network align on certain issues, 'the Koch network promotes a much more sweeping, ideologically inspired free-market agenda' (Hertel-Fernandez and Skocpol 2016).

The Tea Party campaign against Exim

The Tea Party campaign against the Exim Bank began in 2010, when Republicans won control of Congress. Organizations advocating a free market agenda – including Americans for Prosperity, Club for Growth, Heritage Action, Cato Foundation, Mercatus Center, and American Enterprise Institute, many of which were created and/or backed by the Koch network – began mobilizing opposition to Exim and made abolishing the Bank one of their key political goals. This was a top-down initiative, orchestrated by Koch-funded groups, rather than arising from the grassroots; indeed, most Tea Party members had never even heard of Exim before. As one organization representative described: 'We launched a major grassroots education campaign. When we first started, people didn't even know what Exim was. They had no idea what we were talking about. Folks would say: "Huh? What's wrong with FM radio?"'[6] Through this grassroots mobilization led by influential pro-market groups, 'Exim became the *cause célèbre*' of the Tea Party as the movement gained prominence in Washington.[7]

Although the Bank has periodically been subject to criticism from free market conservatives – most recently during the Reagan administration (Baron 1983) – in the past any such opposition had been overcome by the Bank's powerful supporters in industry and Congress and never substantially disrupted its functioning (Becker and McClenahan 2003).[8] This changed with the rise of the Tea Party. Exim is authorized by 'sunset' legislation that requires regular Congressional reauthorization; unless legislation to renew its charter is approved by Congress, the institution expires. For nearly 80 years, Congress routinely reauthorized the Bank's charter, usually with little or no controversy. However, the Tea Party began mobilizing opposition towards Exim in advance of its 2012 reauthorization. Although the Bank was reauthorized by Congress, the Tea Party succeeded in limiting its authorization to two years, rather than the normal five – ensuring that the fight over the Bank's existence continued without pause, while the Tea Party campaign against it gained momentum and grew in strength. Subsequently, when the Bank's authorization expired on 30 June 2015, the Tea Party used its sway in Congress to block reauthorization.

The Tea Party objects to Exim as a deviation from free markets, arguing that it represents 'crony capitalism' and 'corporate welfare'. The Bank's opponents contend that government support for business and exports is 'unnecessary' and 'inefficient' (Mercatus 2014), and as Senator Marco Rubio puts it, 'the government shouldn't be picking winners and losers' (Everett and Raju 2015). According to Representative Jeb Hensarling, Chair of the House Financial Services Committee, which has jurisdiction over the Bank, and one of its most powerful opponents in Congress:

> The best way to level the playing field for American exporters and manufacturers is not with taxpayer subsidies, guarantees and politically driven lending, but instead with more opportunity… A pro-growth agenda — including fundamental tax reform, American energy independence, cutting burdensome red tape and reducing abusive lawsuits — will do more to help our exporters, manufacturers and small businesses than the Export-Import Bank ever could.[9]

Critics complain that the Bank interferes with the market and forces US taxpayers to assume the risks of foreign loans that should be the responsibility of the private sector. They further protest that Exim uses American taxpayers' money, in the words of Representative Hensarling, 'to help foreign corporations, including businesses that are owned by the governments of China, Russia, Saudi Arabia and the United Arab Emirates'. The Tea Party contends that American economic success is rooted in free markets: as one representative stated, 'I don't think we've ever benefited in any market by taking a protectionist stance. We protect our markets by building better products'.[10] And, in the absence of Exim, the Tea Party maintains that 'the free market will step in'.[11] Those seeking to eliminate the Bank express confidence in the competitiveness of US industry: to quote Republican Study Committee Chair Bill Flores, 'we know American businesses are capable of competing in a free and open market, without government interfering' (Cirilli 2015).

The campaign against Exim is not just about the Bank itself, but about legitimating the Tea Party's broader campaign to restrict the role of government. In the words of Senator Ted Cruz:

> If we're to have credibility on reforming government across the board, if we are to have credibility on reforming welfare, to get off of dependency and get back on our own feet, we need to demonstrate as a first step that we can wean giant corporations of that same dependency of the federal government. (Everett and Raju 2015)

Exim was chosen strategically to show that the Tea Party is going after *all* forms of welfare, not just those targeting the poor and middle class. As a representative of Heritage Action stated, 'If you're going to be successful in reforming entitlements, you don't have moral credibility if you don't take on corporate welfare – and you can't do better than Exim' (Mascaro 2015). The campaign against Exim is explicitly intended to build a new 'free market populism' on the right (Carney 2011).

The Tea Party's credibility as a popular, grassroots movement had been tarnished by its financing by the billionaire Koch brothers. Targeting Exim, however, enabled the Tea Party to deflect such criticism by presenting itself as leading the charge against 'big business'. Similarly, for Republicans, according to Representative Hensarling, 'this is an important fight for our party to have' because 'we have been tagged as the party to some extent of big business' (Bair 2015). Going after public subsidies to big business resonated strongly in the aftermath of the financial crisis, with the Tea Party's campaign against Exim feeding off public outrage at the bailouts of Wall Street banks and the auto industry. The Exim campaign generated flattering headlines for the Tea Party and its supporters in Congress (such as 'Smackdown: Conservatives vs. Big Business' in *Newsweek* and 'Jeb Hensarling Takes a Swing at Corporate Welfare' in *Fortune*), while enabling the Tea Party to turn the tables and paint its opponents (whether Democrats or moderate Republicans) as the handmaidens of big business.

The Tea Party mobilized its considerable political machinery in opposition to Exim, including: organizing educational and political action campaigns directed at their grassroots supporters (which in the case of Americans for Prosperity alone consists of 2.8 million members); holding town hall meetings across the country; using their considerable financial resources for large-scale advertising campaigns, including hostile TV ads against Republicans who had not come out in opposition to the Bank; disseminating 'report cards' evaluating Republican candidates on where they stood on Exim; lobbying members of Congress and their staff in their districts; and directing lobbying on Capitol Hill.[12] As a representative of Americans for Prosperity described: 'This little never-heard-of bank, it became kind of a litmus test for people who wanted to prove their potential free-market bona fides' (Mascaro 2015). The reach and influence of the Tea Party put immense pressure on Republican members of Congress and Presidential candidates to oppose Exim reauthorization.

Billionaires versus big business

Exim has extensive support from the business community. In response to the Tea Party, business actors – including apex industry associations (such as the US Chamber of Commerce and the National Association of Manufacturers (NAM)), sectoral industry associations (e.g. Aerospace, Nuclear, Wind Energy), major corporations, and small and medium-sized businesses (including the National Small Business Association and the Small Business Exporters Association) – united in a massive campaign to defend the Bank. As one representative bluntly stated: 'We've had to wage a full-scale frontal assault'.[13] Given that the Tea Party campaign against Exim has been primarily bankrolled by the Koch brothers and other wealthy donors, one representative of US industry captured the unusual nature of the resulting faceoff as 'billionaires versus big business'.[14] The Bank's supporters argue that it plays a vital role in facilitating US exports and supporting US jobs. They point out that the risk to taxpayers is minimal – the Bank has a default rate of well below 1%, lower than most commercial banks, and a high recovery rate. Since Exim charges interest and fees, it generates revenue for the American government, sending $6.9 billion in profits to the Treasury over the last two decades. Its supporters argue that eliminating Exim will put US firms and industries at a competitive disadvantage and cause US corporations to lose global market share. In short, to quote the US's former lead trade negotiator, Ron Kirk: 'You have all of these interests saying, "Wait, a minute, this is critically important to us"' (Mascaro 2015).

In fact, for many years business actors have been seeking to expand the resources and scope of the Bank to enable the US to better keep pace with its competitors. According to a representative of US industry, 'we'd like the Bank to be put on steroids'.[15] Relative to the magnitude of US exports, Exim's funding authority has sharply declined over the past 40 years, and the US has fallen behind other states in the provision of export credit (Hufbauer, Fickling and Wong 2011). South Korea, for example, now provides more than twice as much support to its exporters, even though the US economy is 10 times larger and exports 3 times more.[16] In addition, the export credit provided by other states is generally more flexible, less restrictive, and less cumbersome and difficult to access, making US financing less competitive. Consequently, prior to the explosion of controversy surrounding reauthorization, many actors – including the Obama Administration and some members of Congress – had called for increasing the Bank's lending ceiling, making its lending policies less restrictive, and expanding coverage to encompass a broader range of exports such as services (Bergsten 2014; Hufbauer, Fickling and Wong 2011). Ultimately, however, the objective of reforming US export credit to 'fight fire with fire' (Bergsten 2014) was eclipsed by the struggle to simply keep the Bank alive in the face of the Tea Party challenge.

For many American policy-makers, officials and business actors, the controversy surrounding Exim came as a shock. According to former US Trade Representative Kirk: 'It caught a lot of people off guard. … I don't think anyone believed it would grow to this extreme' (Mascaro 2015). America's corporate leaders express bewilderment at the storm of opposition to Exim's reauthorization and the extreme difficulties they have faced attempting to secure the continued functioning of the Bank. As one business representative explained:

> The Tea Party has got a whole army working on this. They put out so much misinformation – they pump out this stuff like it's coming out of a firehose. We can't keep up with this – the whole coalition [of business actors supporting Exim] can't keep up with this. People say 'corporations rule America' but look at this. This has been a massive effort: every Fortune 100 company is around the table at NAM or the US Chamber; we've had daily conference calls for a year on this; all kinds of consulting firms on hire, working full time on this; we've had fly-ins bringing hundreds of people in to lobby on Capitol Hill. This whole situation is 'through the looking-glass'! You have all of corporate America and all of the Democrats and a sizeable number of Republicans and the White House – and we *still* can't get it done. Who would dream we couldn't get it with all this backing?[17]

Another echoed this sentiment: 'We're just left saying to ourselves: "what the hell is going on here?" We've been crying our heads off, but we've been almost completely hamstrung politically'.[18] Remarkably, business found its economic interests being overridden by the ultra-free-market ideology of the Tea Party. This was all the more surprising because, as one industry lobbyist stated, 'We're usually the darlings of conservatives and most Republicans – we get fierce championing and support from Republicans'.[19] But even Republicans who have traditionally been allies of business and privately support Exim are hesitant to champion it publically, fearing the political heat from the Tea Party. In the current political climate, a business representative explained, 'No one on Capitol Hill wants to hear from large companies anymore – to represent large companies on Capitol Hill is to put a target on your back'.[20]

The disruption of US export credit

The Exim fight created a deep split among Republicans. Although the majority of Republicans in Congress continued to support the Bank, the Tea Party campaign against Exim gained the support of most congressional Republican leaders, as well as the majority of Republicans on the pivotal House Financial Services Committee, which has responsibility for reauthorization of the Bank in the lower chamber. Exim also became a focal issue in the presidential primaries. As a result of pressure from the Tea Party, virtually every Republican presidential candidate campaigned against the Bank – with candidates devoting entire speeches to this once obscure agency. With its significant political clout, the Tea Party succeeded in preventing reauthorization of the Bank's statutory charter, forcing it to shutdown and cease issuing new loans as of July 2015. Approximately 200 transactions worth more than $9 billion were stopped in the pipeline. With the House Financial Services Committee blocking a vote on the floor of the House, the Bank remained shutdown for five months. Only in December, through a rare procedural maneuver, were its advocates able to get a bill to the floor, where it passed, providing a four year reauthorization for the Bank (to 2019).

Even though Exim has now been reauthorized, the Tea Party has vowed to continue fighting the Bank, using its influence in Congress to tie Exim up in continual battles for its reauthorization and restrict its authority to such an extent that it can effectively no longer function. As one industry representative summed up, 'they will continue to do everything they can to gut the Bank'.[21] Although the Bank reopened in December 2015, its operations remain sharply constrained a year later. All transactions over $10 million require the approval of its Board of Directors; however, with three seats empty on its five-member Board, it lacks the necessary quorum. Board members are nominated by the US president and must be confirmed by the Senate Banking Committee. The Committee Chair, Richard Shelby, an Exim opponent, blocked any nominations to its Board by refusing to hold confirmation hearings. Until a new member of the board is confirmed by the Senate, Exim can only approve small export deals, not large orders for goods like aircraft, satellites, and major manufacturing equipment. This has a significant impact on the workings of the Bank, since large deals constitute 80%–90% of its loans. It leaves major exporters like Boeing, General

Electric and Caterpillar without access to official export credit in the US. The Tea Party and its allies have thus used inaction on nominations as a way to dramatically limit the operations of the Bank.

In reauthorizing the Bank, Congress made concessions to its critics, including reducing Exim's overall lending cap to $135 billion from $140 billion and increasing the percentage dedicated to small businesses to 25% from 20%. Such rules further restrict the Bank's scope of operations, at a time when many other countries' ECAs are already far less restrictive. For example, while Exim's rules dictate that it cannot finance a percentage of a loan greater than the total percentage of US content in any given product, other ECAs, such as in Japan and Europe, are not similarly limited. Canada's ECA can provide financing for any transaction regardless of the percentage of domestic content, provided it is in Canada's national interest. Furthermore, many of these other ECAs are actively working to make their provision of export credit more flexible and therefore easier to access and more competitive.

The Tea Party is highly satisfied with the results of its campaign against the Bank: as one representative stated, 'This is the most successful campaign we've ever had'.[22] The Tea Party and its allies in Congress have vowed that the battle over Exim will continue. According to one Tea Party leader,

> Now we have a bank that's been wounded, and we plan on fighting Exim until it's done. I don't think you'll ever see us stop. Exim is an emblem of what we're about. So you're going to be hearing about Exim for a long time. It can't crawl back into the shadows, that's for sure.[23]

Many expect the Bank may not survive when its new charter expires in 2019, or that due to continued efforts to limit its scope and operations, it may become too encumbered to function effectively. This prolonged uncertainty about the ability of US exporters to provide ECA-backed financing is itself highly damaging – it creates a disincentive to invest in US production facilities and, especially for long-term projects and investments, as one industry representative stated, it 'could be fatal to US competitiveness'.[24] For over five years, the battle over the future of Exim has consumed an enormous amount of time, energy and resources – of the Bank's staff, American policy-makers and political leaders, and the country's major business actors – and the conflict shows no signs of abating.

Why Exim?

A natural question is why the Tea Party decided to target Exim, rather than other aspects of US industrial policy. A number of factors made Exim a particularly attractive target. The Bank had historically been subject to scrutiny from free market conservatives seeking to reduce the scope of government. It was on the radar of many in Washington, with higher visibility than many smaller and more obscure industrial policy programs. Exim is a standalone government corporation, with its own independent authorization process, in contrast to many industrial policy programs that are subsumed within other federal agencies. It even has its own large building, occupying an entire city block with its name prominently displayed in front, located just a block from the White House. Exim is thus one of the least 'hidden' parts of the 'hidden developmental state', rendering it more vulnerable to attacks from free market conservatives. Exim is considerably larger than other industrial policy programs: when shutdown, Exim was providing over \$20bn in financing annually, dwarfing the budgets of programs like the Defense Advanced Research Projects Agency (DARPA) (\$3bn) or the Small Business Innovation Research (SBIR) program (\$2.5bn). And many of these other US industrial policy programs have a security rationale, making them politically more difficult to target (Weiss 2014).

Furthermore, Exim made a compelling target because its financing benefits some of the largest companies in the US, in contrast to many industrial policy programs that target start-ups, small businesses or university-based research: the fact that the Bank supports 'big business' made it easier to frame as a particularly egregious instance of 'corporate welfare'. Targeting Exim was similarly attractive because it finances exports, unlike many US industrial policy programs that are geared towards technological innovation and R&D. The types of arguments thus available to the Tea Party in attacking Exim – that it was a wasteful misuse of taxpayer funds benefitting large corporations and their foreign customers – resonated strongly with the American public. And as a 'sunset' agency, all that was needed to shutdown the Bank was to block its reauthorization.

Moreover, for the Tea Party, its campaign against Exim is only the start. To quote one representative, 'When we looked for what kinds of elephants we wanted to hunt, Exim was one of them. But Exim was never the beginning and end for us – it's proof of concept'.[25] The Tea Party has indicated that it intends to target other federal agencies that play a similar role in supporting American businesses and exports. Among their next targets include the Overseas Private Investment Corporation (OPIC), which supplies funding for overseas infrastructure projects; the Small Business Administration, which provides lending for small businesses; and federal subsidies and other forms of support for renewable energy. As the Cato Institute (2015b) put it, 'Hundreds more special interest subsidies to go'. In effect, within its broader platform of reducing taxes and government regulation, a key objective of the Tea Party is to identify, target, and eliminate other areas of the US's 'hidden' developmental state.

IMPLICATIONS FOR US ADVANCED MANUFACTURING

The Tea Party's continuing offensive against the Export–Import Bank has potentially significant implications for the US's position in the global economy. US spending on export credit is already dwarfed by China and eliminating Exim would make the US the only major economy in the world without an ECA. Eliminating Exim, or constraining its room to maneuver, threatens to seriously impede the ability of US firms to compete in key sectors. While the Bank only supports a relatively small percentage of US exports (about 2%), its financing is concentrated in capital equipment and services (so-called 'big-ticket' exports): aircraft, satellites, transportation equipment, large agricultural equipment, product-manufacturing machinery, oil and gas, mining, power plants, and major infrastructure projects. In these sectors, exports represent a significant proportion of output, and Exim supports a far larger proportion of exports. These capital goods sectors – technology-intensive and high-value-added – are a cornerstone of the advanced manufacturing activity that remains in the US, along with associated engineering, R&D and other high-value services. These are also precisely the sectors that China is moving into as it seeks to develop more advanced industries and foster the global expansion of its firms (Kennedy 2015). More than half of Exim's financing, for example, goes to infrastructure projects, primarily in emerging economies, an area where China is an increasingly prominent global player. China's goal is to become a major competitor to the US and other rich countries in advanced manufacturing within the next decade, and its strategy of using export credit to foster industrial development is proving remarkably successful: as one official stated, 'in almost every capital goods sector, China is going from a bit player to being one of the biggest'.[26]

The Tea Party is heavily critical of the fact that Exim supports 'big business'. But many of the large companies Exim supports (such as Boeing, General Electric, and Caterpillar) are among the US's largest exporters. Companies such as these sit at the top of large supply chains, purchasing inputs from a vast web of suppliers, with upstream and downstream linkages that are vital to the overall strength of the US economy. While Boeing, for example, directly provides 152,000 jobs in the US, it also supports a supply chain of over 14,000 other US companies employing 1.5 million people.[27] It is precisely these chains of advanced, high value-added manufacturing that have enabled the US to maintain its status as the world's second largest manufacturer, despite losing ground to China and other competitors (Nolan 2012). The Tea Party contends that companies should seek private financing, rather than relying on a government agency; however, private financing is more costly than the lower rates offered by ECAs and in emerging markets bidders are often required to supply ECA financing. Consequently, eliminating Exim financing increases the incentive for many of the largest US firms to shift their sourcing and production to foreign countries where they can secure ECA support, with consequent losses to the US manufacturing base and employment.

State-backed export credit is particularly important in facilitating sales to emerging markets, where less-developed banking and capital markets limit the availability of private financing. Emerging markets now account for the majority of global economic growth, and China, in particular, is making aggressive use of export credit in these markets as a platform to expand its global presence and market share (Bräutigam 2009). A director of Acrow Corporation, an engineering company that makes prefabricated bridges exported to emerging economies, where customers cannot readily access private financing for large infrastructure projects without ECA backing and its European and Chinese competitors are supported by their own ECAs, described eliminating Exim as follows: ‘For us to pull another arrow out of our quiver, it’s irrational, it’s terrifying and it’s inappropriate when one considers the reality of the global marketplace’ (Weisman 2015).

In certain sectors, it is impossible to export without the backing of an ECA. This is the case, for example, in the market for building and operating nuclear power plants. As an industry representative explained,

> We simply cannot make a bid without ECA backing. It is often a tender requirement. That doesn’t mean you are automatically kicked out of a tender competition for non-compliance, but they could. And, if it’s a nuclear reactor, you *will* be kicked out, because you will never find a commercial bank that will finance building a nuclear plant for 18 years.[28]

Due to their capital reserve requirements, commercial banks simply will not extend multi-billion dollar loans for such long periods: ‘Exim will do 18 years. Commercial banks can’t even come close’. The result, he continued, is ‘for our industry, there’s no question about it: if we lose Exim, we’re out of it. Exim keeps us in the game. We can compete based on our other advantages, but not without this’. For such companies, in the absence of Exim financing, their only option is to relocate production abroad to gain access to foreign ECA support. According to one industry representative,

> A multinational like Westinghouse or GE will look out for itself and continue to compete. If it can't get ECA support here, it will source the content from somewhere else. So we'll see a shifting of content out of the US. Westinghouse might continue to win tender but without US content and US jobs.[29]

With rapidly growing demand for energy in emerging economies, the market for nuclear equipment and services will potentially reach $750 billion over the next decade (CSIS 2013). While the US was once the dominant supplier of commercial nuclear energy technology, its market share is shrinking. Russia is now the world's largest supplier and has made further expanding its exports a strategic priority. Beyond its economic implications, Russia's growing dominance in this market is identified as a significant security risk (CSIS 2013). After Russia, China now has the world's second largest nuclear energy industry, and as a key target of its industrial upgrading and 'go global' strategy, it is beginning a push to export its nuclear energy technology. As a US industry representative stated, soon 'China will be a formidable competitor. They're not there yet, but they'll get there. By 2030, they will be the biggest nuclear energy power'. Without export credit support, the US is locking itself out of the global market and ceding the field to its competitors.

Exim plays a similarly important role in supporting the US aerospace sector. Boeing is the US's largest exporter and the largest recipient of Exim financing, with the Bank typically supporting about 10%–15% of Boeing's aircraft sales. As of 2014, Exim was supplying $32 billion in financing to support the export of Boeing's wide-body jets to buyers in 34 different countries (GAO 2014). Not only does Boeing face intense competition from its European rival Airbus, as well as from Canada's Bombardier and Brazil's Embraer as they move into producing larger aircraft – all of which receive substantial ECA support – but China is also aggressively seeking to penetrate this sector. Aerospace is a priority area of China's industrial upgrading plans. Its aviation companies enjoy substantial state credit support from China's ECAs, and similar support was an essential factor in the emergence of Airbus as Boeing's main rival. China has already developed its first regional and single-aisle jets and is working towards the development of a wide-body aircraft. Although China's technology is currently less advanced, it is improving rapidly. The state intends to fuel the expansion and upgrading of the Chinese aerospace industry first through sales to the domestic market – which is growing at extraordinary rates, with Chinese airlines expected to purchase 6000 aircraft worth nearly $900 billion over the next 20 years (Mitchell 2014) – followed by other emerging economies, and ultimately more mature markets. By eliminating its use of export credit, the US is thus relinquishing an important tool for maintaining its competitive position in the aircraft sector.

The disruption of export credit has already caused the US to lose exports and employment, with foreign buyers turning to other suppliers that can offer ECA financing. For example, prior to its shutdown, Exim was supporting about 60% of sales by US satellite companies. Given the high cost of satellites, export credit financing is a key factor in choosing between US and other suppliers and often even a pass-or-fail criteria for satellite deals. Without access to Exim financing, US firms lost three preexisting satellite orders to competitors in Canada and France able to provide ECA financing, causing the loss of hundreds of US jobs, and they are locked out of competitions for new contracts where ECA support is an explicit bidding requirement (Calmes 2015). Power projects are another sector that is heavily reliant on ECA support. Without access to government-backed export credit, Westinghouse is threatened with losing a $20 billion deal to build nuclear reactors in India (Inside U.S. Trade 2016). Smaller firms are equally affected. As a result of the Exim shutdown, a green energy company, FirmGreen, for example, lost a $57 million contract for a Waste-to-Energy project in the Philippines to a Korean competitor, and due to continued restrictions on Exim lending, risks losing over $250 million in projects in Brazil.[30] Combustion Associates, which makes energy-efficient power stations, is in danger of losing sales totaling nearly $150 million in Nigeria to ECA-backed competitors in Europe, China and Korea (CNBC 2015).

American multinationals are already relocating production to countries where they can secure ECA support. General Electric, for example, one of the largest users of Exim financing, was bidding on over $11 billion worth of projects requiring ECA support when the Bank was shutdown. These are projects, primarily in emerging markets, where bids will not be considered without the backing of an ECA. GE is therefore striking agreements with foreign ECAs willing to finance its exports and shifting manufacturing from the US to those countries. This has included moving: production of underwater oil and gas equipment to Britain, along with 1000 jobs; production of gas-powered engines and 350 jobs to Canada; aircraft engine production to Canada; turboprop aircraft engine manufacturing and 1000 jobs to the Czech Republic; and 500 jobs producing generators and aeroderivative turbines to France, Hungary and China (Calmes 2016). GE's motives are simple: 'We're doing this because if we don't, we can't submit a valid tender' (Lawder 2015). For their part, countries on the receiving end of this investment freely acknowledge that they are benefiting from the disruption of the US Export–Import Bank: as one official stated, 'frankly, it's been great for us'.[31] Constraints on export credit are thus contributing to diminishing the industrial base in the US while strengthening that of its rivals.

While large multinationals are able to change their production strategies and relocate manufacturing production overseas in order to access ECA support, smaller US firms – and, of course, US workers – simply do not have that option. By limiting export credit, the US is directly undermining its own exports and jobs, at a time when they are already under threat from emerging competitors (Chin and Gallagher 2015). As one US industry representative stated, 'Eliminating Exim will do in the last part of the US manufacturing sector, increasingly hollowing out the US export base. The consequences may take many years to appear, but that's what's coming'.[32]

The immediate effects of the Exim shutdown and prolonged restrictions on its lending have been moderated somewhat by favorable financial conditions – high global liquidity and low interest rates – which have made it easier for US companies to access alternative sources of financing. However, amid tighter financial conditions, the absence of Exim financing will have far more severe implications for US firms. Furthermore, on a systemic level, state-backed export credit performs a vital counter-cyclical function, helping to buffer trade from disruptions in financial markets and minimize the effects of credit contractions on the real economy. During the global financial crisis, the volume of Exim lending *quadrupled*, as the Bank stepped in to offset the gap in commercial credit and prevent a more devastating plunge in US exports; at the height of the crisis, for example, the US's largest exporter, Boeing, relied on Exim for nearly 40% of its exports. Without a functional ECA, the US is both relinquishing an important industrial policy tool and undermining its ability to respond to future financial crises.

Confronted with the suggestion that eliminating Exim would damage US competitiveness, given that its rivals are providing substantial amounts of export credit to their firms, Tea Party opponents are quick to dismiss such concerns. The following response, provided by the Club for Growth, is typical: 'So what? If other nations engage in corporate welfare, that is no reason for the US to follow suit in the name of a level playing field. We don't need to import other nations' bad policies'.[33] The Tea Party maintains that China only hurts its *own* economy by providing state-backed financing for its exports – based on the assumption that any state intervention inevitably creates inefficiencies that impede economic growth.[34] The Tea Party further claims that if the US stopped its use of export credit, its resulting success would have a 'demonstration effect', encouraging others to do the same.[35]

The Tea Party contends that eliminating Exim would enable the US to 'lead by example' in efforts to eliminate government-backed ECA programs internationally, and that the US can use the existing system of global trade rules and disciplines – which it played a leading role in creating and long dominated – to force other countries to cede their own use of export credit. In reality, however, the US has been trying for years to bring China and other emerging economies under international disciplines but such efforts have been unsuccessful. State-backed export credit is governed by the OECD Arrangement on Officially Supported Export Credits, which was initiated by the US in the 1970s as a means to limit the ability of states to use export credit to subsidize their exports; however, since China and the emerging economies are not members of the OECD, their use of export credit is not constrained by these rules. The BRICs have refused to join the OECD Arrangement, and US-led efforts to negotiate a new set of rules that would encompass the BRICs have made no progress.[36]

Given the centrality of export credit to their development strategies, the emerging economies have little incentive either to join existing governance arrangements or subject themselves to new disciplines that could inhibit their future growth prospects. A representative of the US Chamber of Commerce expressed it thus: ‘Their economies depend on their ECAs. I don’t see a world where they’re suddenly going to say “OK, we don’t need our ECAs”. That’s just not realistic’.[37] The same is true of the US’s other competitors – in the words of one US industry representative, ‘The notion that if we unilaterally disarm, we’d be better off is ridiculous. We’re shooting ourselves in the foot right now. None of our trade competitors are going to pull back. They’re doubling down on support, while we’re sitting here debating whether Exim should exist’.[38] Furthermore, while opponents of Exim contend that the US could challenge China and its other competitors’ use of export credit via the WTO (see, for example, Cato Institute 2015a; Heritage Foundation 2014), WTO officials indicate that, due to the nature of WTO dispute settlement, this would be ‘extraordinarily difficult if not impossible’.[39] The Tea Party’s assertion that the US can simply convince or compel other states to restrain their use of export credit thus reflects an unduly optimistic view of the US’s current power in the global political economy and its ability to shape the behavior of other states.

CONCLUSION

At a time when many states – both developed and developing – are increasingly turning away from the neoliberal orthodoxy, in the US, in contrast, the Tea Party’s campaign against the Export–Import Bank suggests that market fundamentalism is becoming even more deeply entrenched and politically powerful. As this analysis has shown, while its competitors are increasing their use of export credit amid a wider embrace of industrial policy, the US is a conspicuous outlier. Due to the rising power of the Tea Party and other conservative groups, the ability of the US to use export credit to support its firms and exporters has been severely disrupted. By circumscribing, and potentially even eliminating its Export–Import Bank, the US is undermining the competitiveness of important industrial sectors and contributing to the movement of advanced, high-value manufacturing abroad. The case of export credit thus illustrates how domestic political forces – specifically the rise of a powerful anti-state movement – may be hindering the ability of the US to conduct effective industrial policy, respond to emerging challengers, and maintain its economic primacy in the face of growing global competitive pressures. The rise of an ultra-free-market ideological movement is undermining core aspects of the US's own developmental state and shackling the US's capacity to compete effectively with competitors that are active and highly effective users of industrial policy.

Surprisingly, in the face of the Tea Party and the sway of its market fundamentalist ideology, big business has found its power severely hampered. The irony is that major American business actors were originally the leading champions of neoliberalism and key drivers of its ascendance in the US and globally (Blyth 2002). Much of the pro-market agenda embraced by the Tea Party – deregulation, promoting flexible labor markets, reducing taxes, trade liberalization, etc. – was initiated by business as a means to enhance its profitability. Business played a central role in the production and dissemination of free market ideas and, through its considerable political influence, helped to engineer a sea change in ideology and public policy. Yet analysis of the contemporary politics of export credit shows that market fundamentalism – long seen as a pro-business movement (Blyth 2002) – is now actually being used against business and undermining its material interests.

This case departs from traditional theories of state behavior in international political economy, whether realist assumptions that states will act to increase their economic and military power, Marxist conceptions of the state as the 'executive committee of the bourgeoisie', or constructivist accounts that emphasize the role of rational, expert-based ideas and discourses.[40] Instead, the disruption of US export credit illuminates the power of a non-rational political ideology to move the behavior of a powerful state – against its national interests as well as the interests of its business elites.

ACKNOWLEDGMENTS

This research was supported by an Economic and Social Research Council (ESRC) Future Research Leaders grant (ES/N017390/1).

DISCLOSURE STATEMENT

No potential conflict of interest was reported by the author.

FUNDING

Economic and Social Research Council [grant number ES/N017390/1].

NOTES

1. The analysis draws on field research conducted between 2015 and 2016, primarily in Washington, as well as in Paris and Geneva, involving over 35 interviews with representatives of the leading actors in the pro- and anti-Exim campaigns (including Tea Party organizations, business associations, and NGOs); US government officials and negotiators; and OECD, WTO and foreign officials.
2. Interview, July 2016.
3. Annual Report, 2014.
4. Exim Report to Congress on Global Export Credit Competition, 2015.
5. Exim Report to Congress on Global Export Credit Competition, 2015.
6. Interview, July 2015.
7. Interview, July 2015.
8. In the 1980s, when highly subsidized lending led to rising costs, amid record fiscal deficits and the Reagan administration's push to reduce the size of the federal government, the Bank came under pressure to reduce its budget. But, even then, the Bank's congressional champions ultimately succeeded in strengthening and expanding its mandate.
9. Letter from Representative Hensarling to Republican members of Congress, February 2015.
10. Interview, July 2015.
11. Interview, July 2015.
12. Interviews, July 2015.
13. Interview, July 2015.
14. Interview, July 2015.
15. Interview, July 2015.
16. Exim Competitiveness Report, 2015.
17. Interview, July 2015.
18. Interview, July 2015.
19. Interview, July 2015.
20. Interview, July 2015.
21. Interview, July 2015.
22. Interview, July 2015.
23. Interview, July 2015.
24. Interview, July 2015.
25. Interview, July 2015.
26. Interview, July 2016.
27. Company data.
28. Interview, July 2015.
29. Interview, July 2015.
30. Testimony of FirmGreen CEO, House Financial Services Committee, 2014. Santa Clarita Valley Signal, 'Politics as Usual Putting Local Businesses and Jobs at Risk', 7 July 2016.
31. Interview, November 2016.
32. Interview, July 2015.
33. Blog Post, 17 June 2015.

34. Interview, July 2015.
35. Interview, July 2015.
36. Brazil's participation in the Aircraft Sector Understanding is an exception.
37. Interview, July 2015.
38. Interview, July 2015.
39. Interviews, July 2016.
40. I thank an anonymous reviewer for this point.

NOTES ON CONTRIBUTOR

Kristen Hopewell is a senior lecturer in international political economy at the University of Edinburgh. Her research examines US hegemony, emerging powers and trade. She is the author of *Breaking the WTO: How Emerging Powers Disrupted the Neoliberal Project* (Stanford University Press, 2016). Her current project examines the changing global dynamics of export credit in the context of contemporary power shifts.

REFERENCES

Akhtar, S. I. (2015) 'Export–Import Bank: overview and reauthorization issues', *Congressional Research Service*, 25 March.

Ashbee, E. (2011) 'Bewitched the Tea Party movement: ideas, interests and institutions', *Political Quarterly* 82(2): 157–64.

Auboin, M. (2015) 'Improving the availability of trade finance in developing countries', WTO Working Paper ERSD-2015-06.

Babones, S. (2015) 'American hegemony is here to stay', *National Interest* (July/August).

Bair, S. (2015) 'Jeb Hensarling takes a swing at corporate welfare', *Fortune*, 18 May.

Ban, C. and Blyth, M. (2013) 'The BRICs and the Washington consensus', *Review of International Political Economy* 20(2): 241–55.

Baron, D. P. (1983) *The Export–Import Bank: An Economic Analysis*, New York, NY: Academic Press.

Barreto, M. A., Cooper, B. L., Gonzalez, B., Parker, C. S. and Towler, C. (2011) 'The Tea Party in the age of Obama: mainstream conservatism or out-group anxiety?', *Political Power and Social Theory* 22(1): 1–29.

Bayliss, K., Fine, B. and van Waeyenberge, E. (2011) *The Political Economy of Development: World Bank, Neoliberalism, and Development Research*, London: Pluto.

Beath, J. (2002) 'UK industrial policy: old tunes on new instruments?', *Oxford Review of Economic Policy* 18(2): 221–39.

Becker, W. H. and McClenahan, W. M. (2003) *The Market, the State, and the Export–Import Bank of the US*, Cambridge: Cambridge University Press.

Bergsten, F. (2014) 'Fighting fire with fire on exports', *Washington Post*, 14 September.

Block, F. and Keller, M. R. (2011). *State of Innovation: The U.S. Government's Role in Technology Development*, Boulder, CO: Paradigm.

Block, F. (2008) 'Swimming against the current: the rise of a hidden developmental state in the US', *Politics & Society* 36(2): 169–206.

Block, F. (2011) 'Innovation and the invisible hand of government', in F. Block and M. R. Keller (eds) *State of Innovation*, Boulder, CO: Paradigm, pp. 1–26.

Block, F. and Keller, M. R. (2014) 'Can the U.S. sustain its global position? Dynamism and stagnation in the U.S. institutional model', *Political Power and Social Theory* 26: 19–51.
Blyth, M. (2002) *Great Transformations*, Cambridge: Cambridge University Press.
Bräutigam, D. (2009) *The Dragon's Gift*, Oxford: Oxford University Press.
Bremmer, I. and Roubini, N. (2011) 'A G-zero world: the new economic club will produce conflict, not cooperation', *Foreign Affairs* 90(2): 2–7.
Calmes, J. (2015) 'Ex–Im Bank is reopened, but big loans are stalled', *New York Times*, 7 December.
Calmes, J. (2016) 'A single senator stymies the Export–Import Bank', *New York Times*, 27 June.
Carney, T. (2011) 'Time for free-market populism from the GOP', *Washington Examiner*, 10 July.
Cato Institute. (2015a) 'Examining the Export–Import Bank's reauthorization request and the government's role in export financing', *Financial Services Committee Testimony, US House of Representatives*, 3 June.
Cato Institute. (2015b) 'Export–Import Bank closes: kill subsidies to cut federal liabilities, promote economic fairness', *Commentary*, 30 June.
Chang, H.-J. (2002) *Kicking Away the Ladder*, London: Anthem.
Chin, G. and Gallagher, K. (2015) 'Demise of the US Ex–Im Bank would leave the field to China', *Financial Times*, Beyond BRICS Blog, 22 June.
Chorev, N. and Babb, S. (2009) 'The crisis of neoliberalism and the future of international institutions: a comparison of the IMF and the WTO', *Theory and Society* 38(5): 459–84.
Cirilli, K. (2015) 'Republican study committee comes out against Ex–Im', *The Hill*, 21 May.
CNBC. (2015) 'American businesses need the Export–Import Bank.' 27 July.
CSIS. (2013) *Restoring US Leadership in Nuclear Energy*, Washington, DC: Center for Strategic & International Studies.
Everett, B. and Manu, R. (2015) 'Ex–Im Bank expiration 'inevitable' amid 2016 GOP fight', *Politico*, 4 June.
Faux, J. (2012) 'The myth of the level playing field', *American Prospect* 23(3): 47–50.
GAO. (2014) *Information on Export Credit Agency Financing Support for Wide-Body Jets*, Washington, DC: Government Accountability Office. GAO-14-642R.
Haass, R. N. (2014) *Foreign Policy Begins at Home*, New York, NY: Basic Books.
Hacker, J. S. and Pierson, P. (2016) 'Making America great again', *Foreign Affairs* 95(3): 69–90.
Heritage Foundation. (2014) 'Foreign export credit subsidies: kill them, don't copy them', Backgrounder No.2948.
Hertel-Fernandez, A. and Skocpol, T. (2016) 'Five myths about the Koch brothers - and why it matters to set them straight', accessed at http://billmoyers.com/story/five-myths-about-the-koch-network-and-why-it-matters-to-set-them-straight/.
Hopewell, K. (2016) *Breaking the WTO*, Stanford, CA: Stanford University Press.
Hufbauer, G., Fickling, M. and Wong, W. F. (2011) *Revitalizing the Export-Import Bank*, Washington, DC: Peterson Institute for International Economics.
Inside U.S. Trade. (2016) 'Price of Westinghouse reactors may be too high for India to accept', 32(23).
Kennedy, S. (2015) 'Made in China 2025', Center for Strategic and International Studies, Washington, DC, 1 June.
Kupchan, C. A. (2012) *No One's World*, Oxford: Oxford University Press.

Lawder, D. (2015) 'GE may ship $10 billion in work overseas as U.S. trade bank languishes', *Reuters*, 30 July.

Lazonick, W. (2008) 'Entrepreneurial ventures and the developmental state', UNU-WIDER, Discussion Paper No. 2008/01.

Lin, J. and Chang, H.-J. (2009) 'Should industrial policy in developing countries conform to comparative advantage or defy it?', *Development Policy Review* 27 (5): 483–502.

Mascaro, L. (2015) 'Export–Import Bank's expiration a victory for billionaire Koch brothers', *LA Times*, 2 July.

Maxwell, A. and Parent, T. W. (2012) 'The Obama trigger: presidential approval and Tea Party membership', *Social Science Quarterly* 93(5): 1384–401.

Mayer, J. (2016) *Dark Money*, New York, NY: Doubleday.

Mercatus. (2014) 'The biggest beneficiaries of the Ex–Im Bank', 29 April.

Mitchell, T. (2014) 'China's Comac accelerates passenger aircraft project', *Financial Times*, 11 November.

Moravcsik, A. M. (1989) 'Disciplining trade finance: the OECD export credit arrangement', *International Organization* 43(1): 173–205.

Nolan, P. (2012) *Is China Buying the World?* Cambridge: Polity.

Norrlof, C. (2010) *America's Global Advantage*, Cambridge: Cambridge University Press.

Nye, J. (2010) 'The future of American power: dominance and decline in perspective', *Foreign Affairs* 89(6): 2–13.

OECD. (2013) *Perspectives on Global Development 2013: Industrial Policies in a Changing World*, Paris: OECD.

Ostry, J. D., Loungani, P. and Furceri, D. (2016) 'Neoliberalism: Oversold?', *IMF Finance and Development* 52(2).

Patrick, S. (2010) 'Irresponsible stakeholders? The difficulty of integrating rising powers', *Foreign Affairs* 89(6): 44–55.

Pisano, G. P. and Shih, W. C. (2012) *Producing Prosperity*, Cambridge: Harvard Business Press.

Porter, T. (2005) 'The US in international trade politics: liberal leader or heavy-handed hegemon?', in D. Kelly and W. Grant (eds) *The Politics of International Trade in the Twenty-First Century*, New York, NY: Palgrave, pp. 204–20.

Robinson, J. A. (2011) 'Industrial policy and development: a political economy perspective', in J. Y. Lin and B. Pleskovic (eds) *World Bank Conference on Development Economics*, Washington, DC: World Bank, pp. 61–79.

Rodrik, D. (2008) 'Normalizing industrial policy', World Bank Commission on Growth and Development Working Paper No.3, Washington, DC.

Schrank, A. and Whitford, J. (2009) 'Industrial policy in the US: a neo-Polanyian interpretation', *Politics & Society* 37(4): 521–53.

Skocpol, T. (2016) 'Who owns the GOP?', *Dissent* 63(2): 142–8.

Skocpol, T. and Hertel-Fernandez, A. (2016) 'The Koch network and republican party extremism', *Perspectives on Politics* 14(3): 681–99.

Skocpol, T. and Williamson, V. (2012) *The Tea Party and the Remaking of Republican Conservatism*, New York, NY: Oxford University Press.

Stiglitz, J. E., Esteban, J. and Yifu, J. L. (2013) *The Industrial Policy Revolution I*, New York, NY: Palgrave.

Van Dyke, N. and Meyer, D. S. (eds.). (2016) *Understanding the Tea Party Movement*, New York, NY: Routledge.

Warwick, K. (2013) 'Beyond industrial policy: emerging issues and new trends', *OECD Science, Technology and Industry Policy Papers* No.2.

Weisman, J. (2015) 'Tea Party divided by Export–Import Bank', *New York Times*, 9 March.

Weiss, L. (2005) 'Global governance, national strategies: how industrial states make room to move under the WTO', *Review of International Political Economy* 12(5): 723–49.

Weiss, L. (2014) *America Inc.? Innovation and Enterprise in the National Security State*, Ithaca, NY: Cornell University Press.

Wilkinson, R. (2011) 'Measuring the WTO's performance', *Global Policy* 2(1): 43–52.

World Bank. (1993) *The East Asian Miracle*, Washington, DC: World Bank.