

The Market, the State, and the Export-Import Bank of the United States, 1934–2000. *By William H. Becker and William M. McClenahan Jr.* New York: Cambridge University Press, 2003. xii + 340 pp. Index, notes, appendix, tables. Cloth, \$80.00. ISBN 0-521-81143-0.

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The Export-Import Bank of the United States (Ex-Im), the U.S. government's export credit agency, marked its sixty-fifth anniversary by commissioning a scholarly history of the institution. The authors, members of the Business History Group, successfully bid for the contract. Given full access to Ex-Im's archives and personnel, they produced a thorough history of the bank that makes comprehensive use of these resources, including interviews. They relied on other governmental sources, in particular the State Department's *Foreign Relations of the United States* series and congressional hearings. In doing so, they demonstrate both the value and the limits of writing business history under contract to the entity that is the object of one's study.

William H. Becker and William M. McClenahan strive to show that Ex-Im operated in private-sector-like fashion within a public-sector environment that often forced the bank's officers to compromise their "market" principles. For much of its history, other agencies used Ex-Im as an instrument of U.S. foreign policy, which often conflicted with Ex-Im's basic principles, which were, most critically, avoiding competition with private lenders and financing only projects that offered a reasonable assurance of repayment. Because Ex-Im did not always prevail in its intramural struggles, it sometimes acted against its "market" principles, causing both political and financial problems for itself. Nevertheless, in celebratory fashion, Becker and McClenahan conclude that "out of these conflicts grew an extraordinarily resilient and flexible—indeed at times entrepreneurial—institution" that was able to adjust to the shifting demands of the state and markets. In responding to changes in the international financial system and the often parochial demands of domestic interests, Ex-Im distinguished itself in serving "the financial needs of American exporters *and* the public policy interests of the United States" (pp. 2–3).

The strength of the study lies in its detailed discussion of the work of the bank and its role as both a financial institution and an agency that implemented U.S. foreign policy. Readers will gain a clear sense of the workings of a bank whose strategic decisions were often determined by the policies of the White House and the State and Treasury departments. They will especially benefit from the detailed discussion, covering the latter two-thirds of the book, of the bank's internal responses to the issues it has faced during the past forty years.

Because the study privileges the bank's role as a commercial-bank-like institution and celebrates its "flexibility" within its public-sector environment, however, readers will not gain a full appreciation of the extent to which Ex-Im has operated as a subordinate agency within the U.S. executive branch. For instance, Becker and McClenahan conclude in Chapter One that Ex-Im demonstrated flexibility and established a "businesslike approach" from its creation in 1934 until the outbreak of war in Europe in 1939. Yet, during this period, the State Department severely constrained Ex-Im's ability to extend credit. It prevented Ex-Im either from financing exports to state-run corporations (such as railroads in Brazil) whose governments were in default on private debts contracted during the 1920s or from lending directly to these governments. Eventually the State Department allowed a moderate amount of lending to occur, as part of its response to the national security threat posed by Germany and Japan. Even then, the State Department held Ex-Im lending hostage to satisfactory settlements of debts in default. At the same time, the Treasury Department jealously guarded its turf on matters of foreign economic policy, preventing Ex-Im from making the stabilization loans promoted by the bank's president, Warren Lee Pierson, during a tour of Latin America in 1938. While one may wish to point to Ex-Im's "flexibility" in response to these institutional pressures, it may be more important to recognize that, throughout its history, the bank battled more powerful departments over the scope of its activities, often losing the arguments that determined foreign economic policy generally and the bank's activities in particular.

Privileging Ex-Im's "essential market orientation" and its "bank-like" approach to finance, and touting Ex-Im favorably as a "market-based" public institution relative to its more "statist" counterparts in Japan and Europe (pp. 294–5), detracts from the bank's public role. For instance, Becker and McClenahan discount arguments made in the 1970s

and 1980s by economists and government officials that Ex-Im was engaged in wasteful corporate welfare and therefore was unnecessary. (From 1980 to 1984, five firms—Boeing, McDonnell Douglas, Westinghouse, General Electric, and Lockheed—received 43 percent of Ex-Im’s total direct lending.) Here Becker and McClenahan elide discussion of the trade-distorting effects of Ex-Im’s activities as an export credit agency. Rather, they cite in the bank’s defense Ex-Im’s use of commercial banks as its agents, its assurance of reasonable chance of repayment, and its lack of competition with private lenders.

Becker and McClenahan also cite “market failure” to justify Ex-Im’s existence, stating that “when the private sector failed to meet the needs of export finance, Ex-Im stepped in” (p. 296). Here they adopt a curious notion of market failure. When private lenders declined to fund export sales in the 1990s to risky areas such as Russia, for instance, they demonstrated the “market” working, much as economic theory would predict. Subsidies and guarantees that make trade deals in risky areas possible constitute state action trumping markets. In defending the bank’s “market” role in the financial sector, the authors seem too willing to allow the bank’s internal sources to speak for themselves.

Overall Becker and McClenahan sing the praises of their subject in a manner that at times strikes a false chord. Their perspective on Ex-Im, acting as a market-based institution within a public-sector environment, has resulted in a tension between academic assessment and institutional enthusiasm. To be sure, the book provides an account of Ex-Im’s activities that the bank’s current and former staff, policymakers, and students of public policy and business history will find both informative and a valuable resource for future study. There is more work to do, however, in assessing Ex-Im’s activities within the broad framework of U.S. foreign policy. This would entail analyzing more critically the interests and institutions that shaped the bank’s history and illuminating the impact of export credit agencies like Ex-Im both on international trade and on key sectors of their respective domestic economies.

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