How Nixon's Eximbank Policy Created Jobs For U.S. Industrial Workers

The AFL-CIO's charge that "the Export-Import Bank exports away jobs" is a lie.

President Nixon's campaign for Eximbank funding created millions of skilled manufacturing jobs for U.S. workers in the first half of this decade. These jobs are fast disappearing — precisely because Nixon's Eximbank policy was abandoned in 1975 in favor of the British-inspired protectionist and trade war proposals now being spouted by the U.S. trade union leadership and the liberal wing of the Democratic Party.

During Nixon's 1970-1974 campaign for increased Eximbank financing and exports, the growth of American exported goods zoomed. U.S. manufacturing jobs dependent on exports rose apace. This greatest surge in exports in U.S. history saved the U.S. economy from ruin.

But this fact has been carefully hidden by the likes of the British-allied leadership of the AFL-CIO. In 1974, the AFL-CIO demanded that the Department of Labor not print information on the positive effects of exports on employment unless the department also printed tables showing the "losses of jobs because of imports."

To this day, despite the British operation that has enforced collapsing Eximbank funding and U.S. exports since 1975, nearly one out of four U.S. manufacturing jobs is dependent on exports. Altogether, the export sector is the largest manufacturing employer in the country, surpassing even auto and steel.

The U.S. Labor Party thinks Congress and the White House should revitalize Nixon's Eximbank policy — on a much larger scale. If the USLP's proposal to increase the lending ceiling of the bank from its inadequate $9 billion annually to $200 billion is implemented as rapidly as possible, *more than 8 million high-skill manufacturing jobs can be created in the U.S. over the coming months.*

The principle which made the Eximbank an effective financing instrument for the 1970 to 1974 growth of U.S. exports was Hamiltonian dirigism: using the state apparatus to foster economic growth.

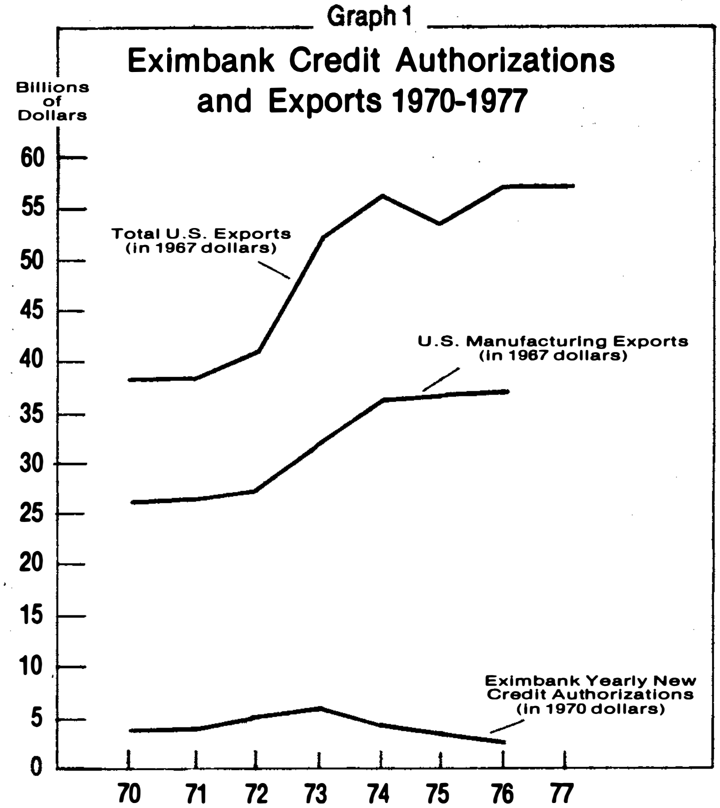
Nixon may not have been fully conscious that this was the principle he was using — and might even deny it today. Nonetheless it is true that the Eximbank provided the key margin of credit — 12 to 15 percent of all export financing — to kick the 1970-74 export growth into gear. Its invigorated operation made effective such theretofore little-used government trade-financing agencies and programs as the Overseas Private Investment Corporation and the Domestic International Sales Corporation. Further, expanded Eximbank funding in the 1970-1974 period generated an atmosphere of confidence in which the U.S. and other nations knew that if loans were hard to come by the Eximbank could clinch a trade deal by providing a U.S. government guarantee — the soundest in all the world — for one-quarter to one-half of the insurance or loans necessary. This imparted to the private banking system the confidence to lend for trade in record amounts.

Today, the U.S. Labor Party's Eximbank proposal would accomplish a revitalization of U.S. high technology trade and enlarge on a project that Nixon Administration insiders say was on the drawing board before Nixon was hatcheted from office. That proposal would utilize the Eximbank's powers to double world trade growth by expanding the Eximbank's lending ceiling and establishing an Eximbank office in Luxembourg, while at the same time tying the bank to a gold-based monetary system. This would knock out London as a world speculative center and would force the huge volume of footloose world dollar credits into productive use.

Nixon's Program

President Nixon's 1970-1974 yearly increases in new Eximbank financing set off a chain-reaction growth process. The steep increases in Eximbank financing led to a boom in U.S. exports of manufactured and high-technology goods, which in turn prompted overall exports to shoot upward. U.S. dependent manufacturing skyrocketed, and the world eagerly gobbled up U.S. high-technology and agricultural exports and demanded more.

Graph 1



Source: Eximbank, U.S. Dept. of Commerce

Total U.S. exports and U.S. exports of manufactured goods surged in the 1971-1974 period, following with a year's lag time the surge in Eximbank financing.

Nixon's Eximbank push was undertaken in collaboration with Eximbank President Harry Kearns, and with Kearns' successor, William Casey. With their backing, Nixon increased the volume of new yearly Eximbank trade credits as fast as he legally could.

The Eximbank financed exports consisting of everything from nuclear reactors for the Philippines, to fertilizer plants for Egypt. In May, 1972, during his trip to Moscow, Nixon opened up expanded East bloc-U.S. trade, to be financed exclusively through the Eximbank. Overall, the Eximbank fueled export growth by increasing its yearly new authorizations of trade credit by a staggering 73 percent between 1970 and 1973 (see Graph 1).

As a result, U.S. manufactured goods exports rose from $27.0 billion in 1971 to $37.0 billion (constant dollars) in 1974. And because U.S. manufactured goods make up a hefty 70 percent of U.S. exports, total U.S. exports jumped by 48 percent in the same period, rising from $38.1 billion in 1971 to $56.1 billion in 1974. High rates of export growth, spurred by financing from similar Export-Import-type banks, occurred in other advanced sector countries at the same time (see Chart 1).

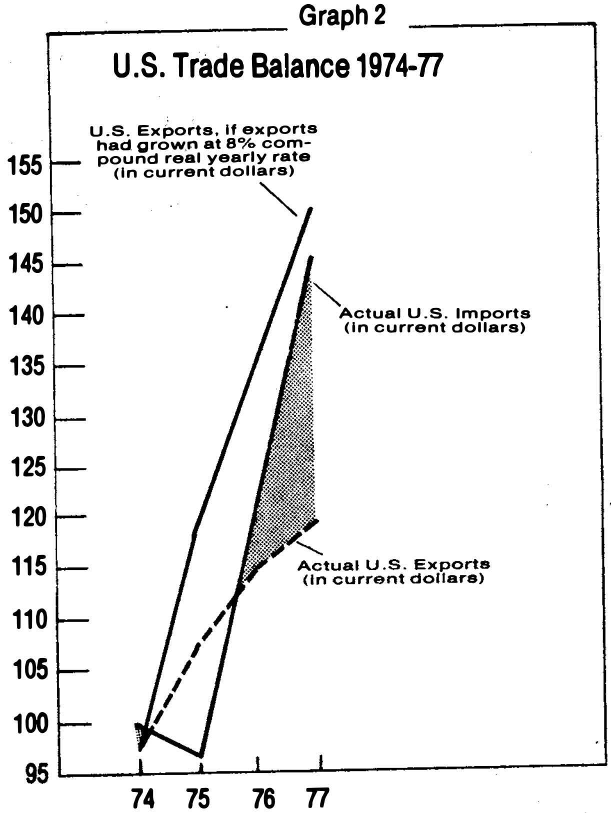
Sabotage From London

In 1974, when U.S. exports were booming, the British launched their ferocious drive to cripple and deindustrialize the U.S. economy. A first objective, to halt high-technology export growth, was achieved virtually immediately: between 1975 and 1978, U.S. export levels stagnated.

How was this City of London sabotage accomplished? Beginning in 1974, the British forced Eximbank's new yearly credit authorizations for trade to fall, snapping the export-growth chain reaction process. All would have been chaos but for the rearguard action fought by U.S. industrialists. Using outstanding, as well as whatever new, Eximbank financing they could muster, and utilizing also short-term, often expensive and risky loans from the commercial banks, U.S. industry prevented the British from forcing U.S. exports into a nosedive.

But the limited effort of U.S. industry could not avert disaster indefinitely. In 1977, the U.S. ran a staggering trade deficit. It can be demonstrated that stagnant U.S. export levels were the cause of the deficit, and not the rising price tag of imported oil, as Schlesinger's Department of Energy printouts claim. Consider this: Between 1971 and 1974, U.S. exports grew at greater than *a 12 percent compound* constant dollar rate annually. Had U.S. exports between 1974 and 1977 grown at an 8 percent

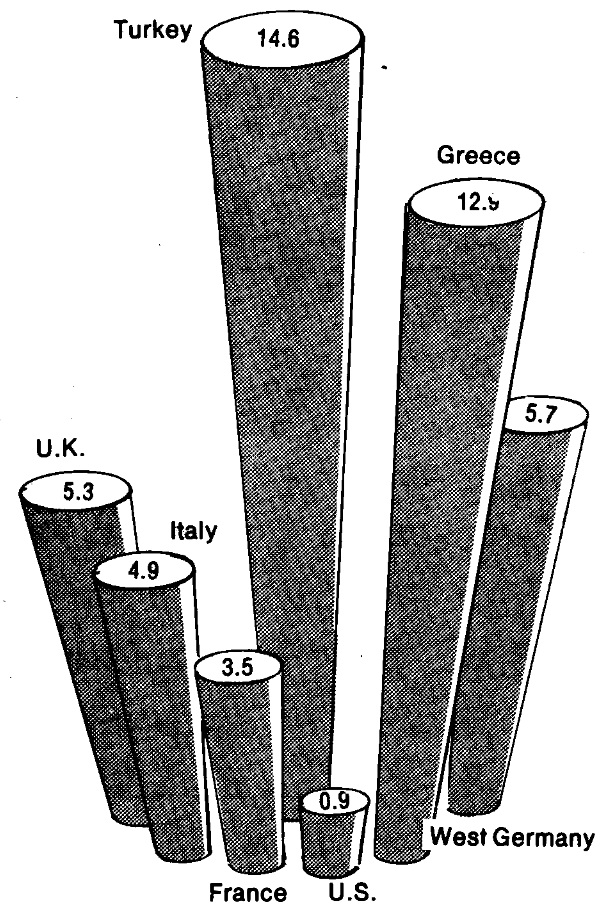
Graph 2



Source: U.S. Dept. of Commerce

In 1976 and 1977, the U.S. would have run a trade surplus, instead of a massive deficit, if U.S. exports had been growing at an 8 percent real rate of growth. Instead, 1977 saw a trade deficit of $26.5 billion, shown as the shaded area on the graph.

Percentage of Each Nation's World Exports Sent to East Bloc in 1971



Only someone corrupted by a graduate degree from Wharton School of Economics, or blinded by British Intelligence lies, could not see in 1971 the immense export potential available to expanding U.S.-East Bloc trade.

compound real rate of growth, only 1977 U.S. exports still would have outstripped U.S. imports. The U.S. would have run a $6.2 billion trade *surplus* instead of the staggering actual $26.5 billion deficit (see Graph 2).

The Eximbank and Jobs

In 1971, U.S. goods produced for export accounted for a modest 14.1 percent of total U.S. production. This ratio lept to 23.2 percent in 1974, a startling 65 percent leap in just three years. With the British-induced stagnation from 1975 to 1978 in U.S. exports, this growth ended, but the pattern of growth indicates the staggering impact of Nixon's increased Eximbank financing on the economy. Nearly one quarter of the factories making steel, machine tools, aerospace products, etc. are open because of exports. The pattern of 1971-1974 growth in U.S. manufacturing jobs dependent on exports is the same.

Available estimates show that between 0.9 million and 1.7 million U.S. manufacturing jobs were added because of exports between 1971 and 1974; that today there are between 2.4 and 4.4 million manufacturing jobs dependent on exports; and that the portion of manufacturing jobs that exist because of exports is between 12.6 percent and 23.0 percent of all American jobs. Even C. Fred Bergsten, the Brookings Institution hatchetman who is now Assistant Secretary of the Treasury for International Affairs, has recently been forced to admit that "one of every five jobs in this country produces for export to other countries."

Moreover, the high-technology industrial backbone of the U.S. economy is the most heavily dependent for its prosperity on exports. The percentage of export-dependent jobs in high-technology sectors can be estimated as follows: Industrial Machinery, and machine tools, 20 percent; Chemicals and related products, 15 percent; Electrical equipment, 15 percent; Instruments and related products, 18 percent; Primary Metals, (steel, finished copper products), 15 percent.

What the USLP's Eximbank Proposal Can Do

The Eximbank financing proposed by the USLP will have a profound effect on manufacturing job creation in the U.S. Estimates provided by the Eximbank, and corroborated by information from the Department of Labor and the Department of Commerce, show that tens of thousands of manufacturing jobs are created by each $1 billion worth of U.S. exports sold on the world market. In the following high-technology industries, the figures run like this: crops and agricultural products, 62,092 manufacturing jobs created; electronic equipment, 56,230 jobs created; chemical products, 18,278 jobs created; iron and steel products, 36,849 jobs created; farm machinery, 34,795 jobs created.

If the USLP proposal to raise Eximbank funding by $190 billion annually were passed by Congress, 6.6 million high-paying skilled manufacturing jobs would be created in the U.S. due to a $190 billion increase in manufactured exports for world development. Another 0.5 to 1.0 million manufacturing jobs would be created in the U.S. in new feeder industries (such as in the nuclear field), or in expanding existing plant and equipment to meet the increased production capacity requirements caused by the increase in exports. Finally, perhaps another 0.5 million jobs would be created overseas for American engineers, scientists, and construction workers to build and man new development projects.

The total high-paying, skilled, capital-intensive jobs for Americans created by the USLP Eximbank proposal would be between 8.1 to 8.6 million over the next one to three years. The USLP proposal would also create on the order of 4 to 8 million manufacturing jobs in the countries receiving U.S. exports.

—Richard Freeman

Chart #1 Ratio of Exports to Total Production of Goods

	United States	France	W. Germany	Japan	Italy
1971	14.1	36.9	41.0	26.5	44.6
1972	14.3	37.8	42.3	24.9	47.6
1973	17.7	40.3	45.7	22.4	44.3
1974	23.2	50.3	55.3	30.4	53.9
1975	24.1	47.2	52.9	N.A.	55.0
1976	22.8	N.A.	55.4	N.A.	58.4

Source: U.S. Dept. of Commerce, International Economic Indicators, Dec. 1977

Production of goods for export peaked for the industrialized nations between 1971 and 1974. The USLP Eximbank proposal would allow countries to expand exports in cooperation, not in competition, with each other.