

The Export Import Bank of the United States: Decay or Renewal?

by

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(ABSTRACT)

The Export-Import Bank of the U.S. (Eximbank) is a Federal government agency engaged in the financing of U.S. exports. It is entrusted with maintaining the competitiveness of U.S. exports in various key sectors of the economy. It is a product of F. D. Roosevelt's administration and recently celebrated its fiftieth birthday.

Over the years, Eximbank's missions and activities have changed, both expanding and curtailing its responsibilities. The Bank's reputation in business and government circles has been and continues to be high; however, in recent years, the Bank has been subject to criticism by the Reagan administration which contends that the financial costs of the Bank outweigh its benefits. The Reagan Administration suggested reforms designed to limit the role of the Bank including elimination of the direct loan program.

This thesis traces the development of Eximbank. It reviews literature on Eximbank. It sets forth the history of the Bank and discusses internal and external political and economic structures and processes. It explains some of the functional strengths and weaknesses that affect the Bank's behavior. It discusses four themes that have ordered the Bank's outlook, defined the Bank's priorities and influenced the Bank's performance: the

organizational life cycle, the process of institutionalization, the public corporate orientation and the corporate characteristics; and the organizational-environmental adaptations. Finally, it reflects upon the Bank's ability to reformulate its activities and change its behavior for the politics and economics of the 1980s.

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DEDICATION To and

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CHAPTER 1 - SETTING AND CONTEXT

PROLOGUE

The Reagan Administration poses an important impetus for change in the fifty year history of the Export-Import Bank of the United States, an established government bureaucracy with a reputation for achievement and continuity. Since its founding, during the Depression, the Bank has made a significant contribution to the financing of U.S. exports. Over the years, Eximbank has been responsible for over \$160 billion in U.S. export sales abroad, much of it capital equipment requiring long term deferred payments.¹ However, the Executive Branch proposes elimination of the Bank's direct loan program. Such a major organizational and programmatic change would likely erode an important base of agency identity.

The Executive Branch's proposal for change is cast in light of concerns for the cost of the program and a conservative ideology. While the Reagan Administration acknowledges that the Bank's traditional missions and activities are worthwhile, it has concluded that the Bank's costs outweigh its benefits. On the other hand, U.S. manufacturers, commercial bankers, labor unions, and both Republican and Democratic senators and representatives call for an increase, rather than a decrease, in Eximbank funding.

¹ Export-Import Bank of the U.S., Annual Report, 1983, p. 3.

An article of faith for this group is that the Bank is a special agency with an unique mission, a hardly surprising motive for preservation.

The current controversy, which will be discussed in depth later, is likely to: (1) expose the Bank to scrutiny which will result in a review of its role and a cumulative series of regulation restricting the Bank's ability to do business; (2) force the Bank into territory where it is less assured; and (3) call further attention to a crisis of fundamental proportions-the U.S. trade crisis. Specific changes in the Bank's policies and programs, particularly the direct loan program, remain to be determined although the course has been set to reflect a reduced Eximbank role in the financing of U.S. exports.

INTRODUCTION

On February 12, 1984, the Export Import Bank of the United States completed a half a century as an official export financing agency of the U.S. government.² Looking back at Eximbank, with the benefit of this period of time, the author is impressed by the Bank's tradition of excellence and its current period of decline and uncertainty. From its inception, the Bank was known as a leading bilateral development institution, a most suitable provider of loans to support U.S. export sales

² The Export Import Bank of the United States is known as Exim or Eximbank. Prior to 1968 it was named the Export Import Bank of Washington. Changes in name, it is important to note, reflect previous organizational action and future organizational intentions. In the bureaucratic struggle of Washington, names are of particular importance.

and a prototypical bureaucracy. Its staff has a reputation for technical competence, loyalty, and hard work and its management was considered "enlightened." Yet, the Bank now faces serious problems including debilitating nostalgia for the golden days of capital project lending of the 1950s and 1960s, budgetary decline, passivity, limited managerial options, and a series of functional weaknesses and bureaucratic pathologies which impair its ability to confront changes in the political and economic environments. It is no overstatement to note that the Bank faces an uncertain future which will be characterized by change.

The task of reflecting upon the mission and role of the Export Import Bank of the United States was, by no means, simple. Priorities were ordered and reordered as events and insights gradually altered the author's views. Much like the Bank, the author found herself operating in an environment different than originally anticipated. Nevertheless, four interrelated themes, which provide the basis for this dissertation, emerged from this case study.

The first theme focuses upon the institutional development of the Bank. The Bank has a strong sense of identity, is characterized by hierarchical structure and by levels of authority, and is pervaded by a persistent and persuasive myth which has influenced its behavior from birth to the present. Also contributing to the process of institutionalization are an impressive informal leadership structure and a conscious preference for isolation which have created constraints and opportunities. The double-edge nature of these phenomena on organizational patterns poses several challenging questions. For example, does the Bank need to change its management system and reverse the institutionalization process?

The second theme relates to the life cycle of the Bank. During the 1960s, the Bank reached a stage of maturity where it had become falsely secure in its environment. Exogenous events during the 1970s and 1980s redefined Eximbank's mission and role. The process of achieving and maintaining security was undermined by insulation from external forces and imperviousness to forces for change within. Even after recognizing the need for adjustments, vested interests and avoidance of choices prevented the Bank from responding to events on its own terms. The Bank is now an aging institution with many of the discomforts and infirmities that accompany the aging process. Whether these maladies will prove fatal or whether the graying of the Bank can be accomplished with less pain or perhaps even postponed is a serious concern.

The third theme has to do with corporate traits such as autonomy, flexibility, efficiency, productivity and political neutrality which the Bank was supposed to embody. The continuing objective of the corporate form of federal institution is to maintain the dynamism and the vitality of the private sector and the standards of public interest. Key ideas were to see whether the Bank kept faith to corporate features and to see whether corporate characteristics were and are relevant or irrelevant and productive or counterproductive.

The fourth theme reflects on the ironies, paradoxes, uncertainties, and difficulties which arise as the Bank attempts to implement programs in the complex trade environment which is currently characterized by high appreciation of the dollar, international debt repayment problems, and the presence of export financial subsidies in the international market place.

PREVIEW OF FINDINGS

Theme 1: Institutional Entropy

Viewing the Bank from an institutional perspective involves an examination of the history of the Bank and an awareness of how its external and internal economic and political structures and process affect its policies and programs.

There is no single definition of the term institutionalization. Among the theorists who have formulated operational definitions of institutionalization, Philip Selznick best defines the meaning of the term "to institutionalize" as "to infuse with value beyond the technical requirements of the task at hand."³ This definition offers an inclusive description and sketches the background against which observable characteristics are used as proxies for unobservable characteristics such as expendability, leadership, organizational character, definition of mission and role, myths and norms.

Eximbank is an example of an organization which purchased a high degree of institutionalization at the price of organizational effectiveness. The institutionalization process favored internal forces, emphasized rational technical goals and methods, undermined the Bank's attempts to face external circumstances and new problems imaginatively, and became testimony to the staying power of the concept of institutionalization. Pro-

³ Philip Selznick, Leadership in Administration (New York: Harper and Row, 1957), p. 17.

motion and protection of private sector values, administrative rather than strategic leadership, and adherence to the myth of commercial banking behaviors are glimpses of specific institutional aspects which shifted the desirable balance between internal and external needs toward the former. Given the need of the Bank for adaptation to a complex export environment where change and complexity are rules, not exceptions, the Bank created a situation which resulted in entropy.

Theme 2: The Aging Phase of the Life Cycle

It is possible for an established organization to move from a period of initial enthusiastic exploration of the environment to a search for identity and development of a sense of identity to a well established, relatively stable state with largely predictable behavior patterns, a sense of satisfaction, and internal consistency to a complacent organization characterized by inattentiveness to environmental forces and internal dissonance. If conditions that further weaken the organization persist, it may die. The following stages illustrate the unfolding of the life cycle of an organization over time: genesis, adolescence, maturation, old age and death. In his description of the life cycle of independent regulatory commissions, Marver Bernstein, whose work on the development of the theory of the life cycle of independent commissions is well known, contends that once organizations have passed the initial stage of youthful zeal and excitement, they undergo a process of devitalization which accumulates in a period of decline and deterioration. "Complacency," writes Bernstein, "and inertia appear as inevi-

table developments in the life cycle of an a commission. Although tradition, precedent, and custom can harden its blind routine in all types of social organization, the commission seems to be particularly susceptible to the disease of administrative "arteriosclerosis."⁴

Spengler argued that civilizations are cyclical processes of birth, maturation, and death; Marx argued that the unfolding of organizations is dialectical and material and that each unfolding reality contains elements of destruction; Toynbee characterized history and institutions as a series of environmental challenges and responses; Plato and Aristotle looked at the life of organizations as processes of degradation. All of these world views help to provide a more encompassing picture of the history of civilizations and institutions, but the life cycle theory of the organization, as developed by Bernstein and other organizational theorists, provides the most useful perspective on Eximbank.

The tendency of government agencies to decline and disappear or become absorbed into departments is best exemplified by the alphabetical agencies (AAA, RFC, WPA, CCC) created by President Franklin D. Roosevelt during the 1930s; other agencies, also created during the 1930s, like the Tennessee Valley Authority (TVA) and the Securities Exchange Commission (SEC) have proven resilient to the aging process although there is no way to ensure that they will endure.⁵

⁴ Marver H. Bernstein, Regulating Business by Independent Commission (Princeton, New Jersey: Princeton University Press, 1955), p. 101.

⁵ See Steven M. Neuse, "TVA at Age Fifty-Reflections and Retrospect", Public Administration Review, November, December, 1983, pp. 491-499 and Roberta S. Karnel, Regulation by Prosecution (New York: Simon and Schuster, 1982).

Eximbank now finds itself in the aging phase of the life cycle. It looks to its past for inspiration, is determined not to upset the present, and is unable to plan for the future.

But, why has the Bank arrived at the aging stage? This dissertation will suggest an answer which is rooted in successive metamorphoses the Bank has been subject to but has not successfully undergone. For example, one of the clearest examples of the Bank's failure to effectively deal with a serious problem is the Bank's response to the issue of mixed credits, a specific type of export subsidization. Mixed credits took a long time to get the Bank's attention and when they finally did, action was not informed in an appropriate and timely way. As a result, the Bank suffered from a loss of credibility among exporters, a loss of confidence by Congress, and internal discontent. The tendency of the Bank to rely on outside sources for definition of priorities and the habit of nonresponse to matters that require prompt attention reflect a particularly acute form of administrative arteriosclerosis.

Theme 3: Corporate Remains

Eximbank is a textbook case of an agency in which corporate characteristics were embodied in its charter or right to exist. The formation of the Bank implied an organization modeled after the private business corporation, an entity in which decisions are made by a board of directors, in which ownership is separated from control, in which individual initiative and responsibility are regulating forces, in which autonomy, self sufficiency, and self renewal are presumed to be important recurring

elements, and in which public interests are promoted through the satisfaction of private interests.

The Bank has been subject to a lesser degree of latitude of action than the private corporation or than the range of choices envisioned by its founders. It is restrained by the Export Import Bank Act of 1945 and subsequent statutes, the power of the Presidency and close supervision by Executive Branch agencies, economic constraints including the massing of capital necessary to more fully develop it, and internal factors such as the culture of the organization. By virtue of the conservative mentality of the Reagan Administration and increased public distrust of government that has taken hold of the nation during the last several years, the Bank is subject to scrutiny and reformist demands by an administration that claims to have a ready structural remedy for the evils of an expansive government and for activities which encroach upon free enterprise. Pressure of the Presidential office and political skill of President Reagan might matter less if the Bank could be shown to be cost effective, but numerous studies indicate that the financial costs of the Bank outweigh its benefits.⁶

It might be retorted that, within the Bank, considerable changes have taken place and that certain corporate characteristics have all but disappeared. However, once created, corporate characteristics played a major role in shaping the behavior of Eximbank employees and the ability of the Bank to conduct business. The status and affiliations of direc-

⁶ In Chapter II, Review of the Literature, several studies which utilize cost-benefit analysis to determine whether the benefits achieved by the Bank justify the costs imposed are reviewed.

tors, task orientation, profit motivation, and retention of corporate accounting mechanisms are traces of the corporate behavior and mentality which are taken for granted by Eximbank employees, exporters, and U.S. commercial bankers and which are investigated in this study.

THEME 4: EXIMBANK'S FAILURE TO BECOME ADAPTIVE RATHER THAN REACTIVE

Eximbank and other U.S. agencies involved in trade matters face complex problems and unrealistic expectations about solving trade related problems. The U.S. trade dilemma has no easy answer. Facing this reality and appreciating what is possible is difficult. Nevertheless, the Bank, in the past, made important contributions to the exporting sector of the U.S. economy. In order to continue to make a contribution, the Bank's outlook and priorities must be reordered to work in the national interest. Congress as expected, has not played out its required role of defining the national interest with respect to trade. The Bank's functions, as set forth in 1935, are still valid; however, the Bank appears to have lost its way trying to achieve them. Attempts by the Bank, Congress, and the Executive Branch to redefine Eximbank's functions during the 1970s and 1980s have led to disorder, dissipation of energy and the loss of opportunities.

It may well be that in order to continue to make a constructive contribution to the American economy the Bank must adapt its values, attitudes, behaviors, programs, and policies to meet changing environmental demands because the Export-Import Bank of the United States has little or no influence over environmental factors. Although certain members of

management and staff of the Bank have the willingness and ability to anticipate change and organizational realignment, they are unable to develop viable mechanisms to provide for balanced change and to correct basic inefficiencies. This is the missing link between analysis and implementation. The dimming of the Bank has been hastened by its failure to find better ways to adjust to the environment, by the tendency of management and staff to view Eximbank from a partial perspective (as a closed system) and by the difficulty of making appropriate decisions, taking appropriate actions and monitoring actions.

Adherence to outmoded goals, formal structures and values that are insensitive to external factors is a dangerous game in which the consequences of failure could be enormous. Survival of the Bank may be at stake. Currently, the need for reform has been bluntly pointed out by the Reagan Administration, but will the Bank be able to respond in an effective way within a short period of time? Will the Bank tune in to the Reagan Administration's impending demands and screen out the stimuli of exporters, Congress, commercial bankers, and foreign nations? Is the Bank wedded to the status quo and does it lack the willingness to orient its behavior toward long-term objectives rather than short-term gains?

John W. Gardner writes:

People can shape their institutions to suit their purposes, provided they are clear as to what those purposes are and provided they are not too gravely affected with the diseases of which institutions die--among them complacency, myopia, an unwillingness to choose,

and an unwillingness on the part of individuals who lend themselves to any common purpose.⁷

After exploring the contours of the Bank, readers can make their own choices concerning efforts of the Bank to improve its chances for survival. The existing uncertainty about how the Bank fits into the international trade context will ultimately be resolved by politics, the American way. Ironically parts of the dilemma facing Eximbank are based on politics that, on the one hand, require the Bank to pursue policies necessary to maintain self-sufficiency and, on the other hand, require the Bank to pursue policies to make U.S. exporters competitive. These two requirements are in conflict with one another. At the least, the conception of self-sufficiency acts as a brake on public policies directed toward the goal of matching or surpassing foreign trade subsidies.

This thesis tells the story of Eximbank in light of its past responses to environmental demands for change, of the potential for change, and of the processes by which organizations change. Chapter I presents an overview of the main themes of this study. Chapter II reviews relevant literature on the Bank and examines pertinent organizational literature which helps distill findings. Chapter III sets forth the general framework for conducting this investigation. Chapter IV chronicles the history of the Bank over a fifty year period. Particular attention is paid to the Bank's role and shifts in direction in a political-economic environment characterized by continuous and substantive change in the domestic

⁷ John W. Gardner, No Easy Victories (New York: Harper and Row Publishers, 1968) p. 41.

economy and increasingly in the world market. It also describes Eximbank's programs and functions. Chapters V, VI, VII, and VIII present findings related to both external and internal political and economic structure and process. Finally, in Chapter IX, reflections and remarks are presented to persons interested in international finance, organizations, management, and public policy. An immediate objective is to help to understand the role of Eximbank in the world economy in the years ahead. A broader objective is to build upon a holistic framework for understanding, managing and evaluating the dynamics of change to meet new demands emanating from the environment.

It is hoped that this study and studies of Eximbank which lie outside the terms of reference of this thesis will be inputs into the debate surrounding the Bank, will focus attention on the interfaces between institutions and their environments and will create a better understanding of what constitutes the policies and practice of a relatively unexamined agency in our system of government.

CHAPTER II - REVIEW OF THE LITERATURE

INTRODUCTION

The main purposes of reviewing literature on Eximbank are:

- to learn about and understand the Bank;
- to discover what kinds of problems have arisen in generating knowledge about the Bank;
- to know how researchers addressed these problems in their research;
- to discover how successful researchers have been in overcoming problems;
- to reveal sources of data; and
- to evaluate research efforts by comparing them with related research efforts by others.

The first three sections of this chapter cover the principal studies on the Bank. They review historical publications on the Bank, present a variety of works that explore the costs and benefits of Eximbank programs, and summarize two recent books, Subsidizing Success: The Export-Import Bank in the U.S. Economy⁸ by Richard S. Fineberg and The Export-Import Bank at Work⁹ by Jay Jordan Hillman, which cut across arrays of data on the Bank; Fineberg and Hillman's books are important in understanding origins, context, processes, impacts of the Bank and in raising current

⁸ Richard S. Fineberg, Subsidizing Success: The Export-Import Bank in the U.S. Economy (New York, Cambridge University Press, 1982).

⁹ Jay Jordan Hillman, The Export-Import Bank at Work (Wesport, Connecticut: Quorum Books, 1982).

issues affecting the Bank. The fourth section establishes the need for the present study. The final three sections present brief reviews of institutional, corporate, and organizational literature used to (1) grapple with characteristics of the Bank, (2) emphasize conceptual underpinnings, (3) analyze interrelations, and (4) assist the researcher to learn about a number of "trees" which in turn help to see the "forest".

THE HISTORICAL PERSPECTIVE OF EXIMBANK

Understanding the historical antecedents of the Export-Import Bank of the U.S. can help improve our understanding of current and future events. Unfortunately, there is no comprehensive all embracing history of Eximbank. Many works from different vantage points comprise historic explorations on the Bank. The point is not that there is an absence of historic literature on Eximbank, but that the literature is largely scattered and lacks synthesis. Together these works help to establish context of this research effort, reinforce the notion that the Bank and its environment are intertwined, and explain certain outlooks and attitudes peculiar to the Bank.

Hawthorne Arey's History of Operations and Policies of the Export-Import Bank of Washington¹⁰ traces the history of the Bank from 1934 to 1953 in terms of main events. The purpose for which Arey applies history

¹⁰ Hawthorne Arey, History of Operations and Policies of the Export-Import Bank of Washington (Washington, D.C.: The Export Import Bank of the U.S., 1953).

is not defined; whether Arey was writing out of curiosity or enjoyment or a request as part of a specific project is unclear.

Arey does not criticize the Bank or discredit any of its programs. As a Bank employee, Arey had probably developed a keen appreciation of the Bank. Yet, Arey does his best to write the history of the Bank as a dispassionate observer without manifesting overt protective instincts. The bias to be found in Arey's work is not in what is written but in what was not written. The main problem raised by Arey's work is his extreme care to avoid exposing conflicting views, organizational conflict, and varying approaches to problems...for the sake of accurate "objective" reporting.

Arey's history is, nevertheless, the principal history of the Bank and the most reliable reference for any matter of fact from 1934 to 1953. It is, therefore, of crucial value in informing researchers about the first twenty years of the Bank.

Earl Mazo's, The Export-Import Bank of the U.S. 1934-1974,¹¹ builds on the work of Arey. Mazo's work was requested during Henry Kearns' chairmanship of the Bank (1969 to June 1973). In addition to examining events, Mazo charted the Bank's relationship with Congress and its presidents. In this connection, Mazo's contribution extends beyond a basic expository function or mere chronical of events.

The main problems with Mazo's work are absence of an explanation of how the research was undertaken and how the findings were interpreted and

¹¹ Earl Mazo, The Export-Import Bank of the U.S. (Washington, D.C.: Unpublished Manuscript, 1975).

willingness to frame his research in a manner which takes all facets of the Bank for granted and does not confer significance upon any of them.

George Holliday's concise History of the Export Import Bank of the U.S.¹² also relies heavily on Arey's history of the Bank; however, it emphasizes legislative refinements to the Export Import Bank Act of 1945 and carefully integrates key events into a legislative schema. Holliday, at the time of publication, worked as a research assistant in the Economics Division of the Congressional Research Service. His work takes stock of an important external force influencing the operation of the Bank: Congress. It has an applied quality which differs from the perspectives of the authors previously discussed and implies that studying Eximbank's interactions with its environment may expand horizons of knowledge. Although the work accents events Arey and Mazo explored, it compliments Arey and Mazo's efforts as a summary account of the Bank's workings and opens up the door to a political economy approach to viewing Eximbank.

Olin S. Pugh's The Export-Import Bank of Washington¹³ broadly portrays the history of the Bank from two perspectives: (1) expansion of the levels of exports; and (2) long term considerations of foreign policy. Pugh first describes the role of Eximbank in regard to foreign relations and international economic developments, thus providing a different frame of reference. In 1955, the Hoover Commission Task Force recommended that

¹² George Holliday, History of the Export-Import Bank of the U.S. (Washington, D.C.: The Library of Congress, 1975).

¹³ Olin S. Pugh, The Export-Import Bank of Washington (Columbia, South Carolina: University of South Carolina Press, 1957).

the Bank be liquidated. Pugh thus ends the book speculating about the Bank's future prospects. Pugh notes the Bank's public and political acceptance and speculates that the Bank will continue to be one of the more significant funding agencies of the world.

Finally, the Legislative History of the Export-Import Bank of Washington¹⁴ was commissioned by Homer E. Capehart, Chairman of the Committee on Banking and Currency of the U.S. Senate in 1954. Authors were not cited. The report is a valuable guide to the various changes and modifications in the Bank resulting from legislative direction. It is an accomplishment that, unfortunately, has not been updated.

These historical writings provides a glimpse into events and personalities which set the Bank on its particular course, resulted in a realistic appreciation of the prevailing state of the Bank and were a guide to understanding the challenges confronting Eximbank.

EVALUATIONS OF EXIMBANK

Several studies which attempt to evaluate Eximbank by quantifying the costs (subsidies) and benefits (often referred to in terms of "additionality") have been undertaken by government agencies, academics, and the staff of the Bank. All of these studies reflect a common inability for finding a coherent approach to calculating benefits.

¹⁴ Homer E. Capehart, Legislative History of the Export-Import Bank of Washington, Washington, D.C.: U.S. Senate, 1954.

Roger E. Shields and R. Craig Sonksen's Government Financial Institutions In Support of U.S. Exports,¹⁵ published by The Center for Strategic and International Studies of Georgetown University in 1982, reviews the alternative arguments for and against Eximbank but fails to conclude whether, on the whole, Bank financing has proved an efficient and effective means of export credit. The authors, in spite of their failure to adequately address the quantification of costs and benefits, speculate that Exim's export assistance should continue at the same level with no major alterations. Shields and Sonksen do, however, provide general insight into a major issue: Do the benefits achieved by Eximbank justify the costs imposed?

Underlying the issue of costs and benefits are several methodological problems with the analytical technique of cost benefit analysis and its use with regard to the Bank. Kenneth J. Meier, for example, points out several problems with respect to cost-benefit analysis including (1) cost-benefit analysis compares inputs to outputs, but ignores the process involved; (2) cost-benefit analysis has an inherent short-term bias preferring immediate benefits to future benefits; (3) cost-benefit analysis is unconcerned about how income is distributed in society; and (4) cost-benefit analysis prefers policies that minimize the role of government.¹⁶ Meier's observations concerning cost benefit analysis are

¹⁵ Roger E. Shields and R. Craig Sonksen, Government Financial Institutions in Support of U.S. Exports (Washington, D.C.: Georgetown University, 1982).

¹⁶ Kenneth J. Meier, "Political Economy and Cost-Benefit Analysis: Problems of Bias" in Alan Stone and Edward J. Harpham's The Political

not confined to Shield's and Sonksen's work; they are pertinent to the vast majority of evaluative studies on Eximbank.

In March, 1981, The Congressional Budget Office published "The Benefits and Costs of the Export-Import Bank Loan Subsidy Program"¹⁷ at the request of the Subcommittee on International Trade, Investment, and Monetary Policy of the House Committee on Banking and Urban Affairs. The report discusses cost, employment benefits, exchange rate, export benefits, foreign policy, and distribution of costs/benefits.

"Costs" are assumed to be a one time transition cost. Costs of Eximbank subsidies are assumed to be permanent, and benefits are considered to not match costs. CBO'S paper includes discussions on why balance of trade and employment issues should not be used as rationales for Eximbank programs, foreign aid objectives and the use of Eximbank in conjunction with foreign policy, distribution of costs/benefits, etc.

The interpretation of the result of CBO'S report is by no means simple; in a 1982 memorandum the policy analysis staff of the Bank responded to CBO's report by questioning CBO's fundamental assumption that the "cost" of not exporting the most efficient export is only a one-time transition cost. CBO asserts that higher productivity can generate exports, but that higher exports cannot increase productivity; yet, in the same study, CBO admits that losing exports to foreign subsidies could put U.S. resources into less efficient use. If CBO's assumption is incorrect, the Bank's

Economy of Public Policy (Beverly Hills: Sage Publications, 1982) pp. 143-162.

¹⁷ The Benefits and Costs of the Export-Import Bank Loan Subsidy Program (Washington, D.C.: Congressional Budget Office, 1981).

staff points out that the CBO conclusion is also erroneous. The Bank contends that Eximbank actions neutralize foreign buyers, that none of the subsidy goes to foreign buyers, and that there is a potential increase in the efficiency of U.S. employment of resources.¹⁸

John H. Boyd, in an article entitled "Eximbank Lending: A Federal Program that Costs Too Much",¹⁹ published in the Quarterly Review of the Federal Reserve Bank of Minneapolis, concludes that the economy wide costs of Eximbank's direct lending program outweigh the economy wide benefits by amounts greater than in previous studies. Boyd improves upon the technical ability to measure direct costs/benefits by building a new model of the proper discount rate, but he does not add to the identification and measurement of indirect costs/benefits (e.g. higher employment, higher exports). With regard to loss of production stemming from export competition, Boyd argues that the U.S. should directly subsidize domestic consumption of goods rather than share the subsidy with foreign imports. Because subsidies artificially increase demand, neutralizing a distortion becomes, in fact, distortion. Eximbank lending, Boyd believes crowds out private financial firms that can not compete with its subsidized terms and thus interferes with private market efficiency rather than enhances it. Boyd's contribution lies in the development of an outstanding ana-

¹⁸ Export-Import Bank of the U.S., Policy Analysis Memorandum: Comments on Congressional Budget Office: "The Benefits and Costs of the Export Import Bank Loan Subsidy Program," April 2, 1981.

¹⁹ John H. Boyd, "Eximbank Lending: A Federal Program That Costs Too Much", Quarterly Review of the Federal Reserve Bank of Minneapolis (Minneapolis, Minnesota: Federal Reserve Bank of Minneapolis, Winter, 1982) pp. 1-17.

lytical method to calculate net direct costs by eliminating extraneous factors.

"Export Credit Subsidies and U.S. Exports: An Analysis of the U.S. Eximbank",²⁰ a 1972 report prepared by Douglas R. Bohi, a professor of economics at Southern Illinois University, maintains that Eximbank programs are subsidies, provide no stimulus to U.S. exports, and therefore, should not be expanded. Howard S. Piquet, a consulting economist to the Bank, prepared a lengthy reply questioning Bohi's basic assumptions, refuting Bohi's assertions, and pointing out methodological weaknesses of his mathematical presentation based on regression analysis.²¹ Piquet's reply, however, appears to have lost its relevance simply because Piquet characterizes Eximbank as a bank, not as a subsidizing agency, a characterization challenged by the course of events since 1971.

David P. Baron's The Export-Import Bank: An Economic Analysis²² is critical analysis of government assisted export finance. It utilizes the partial equilibrium approach built around micro economic analysis of the theory of the firm. Baron devotes a large part of the book to determining that the "cost" of an Eximbank subsidy is the 5 year Eurodollar rate as the opportunity cost plus a commitment fee of .05% and developing a social test of concessionary export financing. Baron concludes that there is a

²⁰ Douglas R. Bohi, "Export Credit Subsidies and U.S. Exports: An Analysis of the U.S. Eximbank", (November 19, 1971), pp. 1-40.

²¹ Howard S. Piquet, "Export Credit Subsidies and U.S. Exports: An Analysis of U.S. Eximbank" by Douglas R. Bohi - A Reply" (Washington, D.C.: National Planning Association, 1972).

²² David P. Baron, The Export-Import Bank: An Economic Analysis (New York: Academic Press, 1983).

justification for self-sustaining government supported export insurance and guarantee programs, but that there is no justification for the loan programs of Eximbank unless such programs are justified in the short run to encourage other nations to sign an international trade agreement eliminating export subsidies.

James C. Cruse, Vice President for Policy Analysis at Eximbank and Susan E. Whitsitt, a policy analyst at Eximbank, in a 1982 unpublished paper entitled "Eximbank's Direct Loan Program: A Cost-Benefit Analysis,"²³ put forth an economic argument for a government subsidized export credit program in terms of neutralization of foreign government subsidies and productivity type benefits to U.S. firms. They assumed that Eximbank's direct loan program allocates resources from low productivity industries toward high productivity industries and concluded that the macroeconomic benefits from not eliminating the Bank's direct loan activities exceeds the cost by several billion dollars to as much as between \$5-10 billion. Thus, the economic benefit of Eximbank's direct loan program is the maintenance of maximum productivity. Cruse and Whitsitt's salient assumptions of productivity gains have been questioned, and it has been argued that fiscal or tax policies (direct production subsidies) are more efficient means of achieving productivity gains than export financing subsidization. Their reappraisal of costs and benefits, at the very time when the Bank is facing unprecedented problems, however, has

²³ James C. Cruse and Susan E. Whitsitt, "Eximbank in the 1980s: A Conceptual View of the Past and Potential Role of the Direct Credit Program." Unpublished personal paper (Washington, D.C., Export-Import Bank of the U.S., 1981).

led to the recognition that a new focus on cost-benefit analyses, outside traditional terms of reference, needs to be developed.

Jack L. Harvey's article, "How Useful are Export Promotion Programs",²⁴ published in Business Conditions, questions Eximbank's contribution to the national welfare and points to inconsistencies in its programs that warrant reevaluation. For example, Eximbank's charter makes the Bank responsible for providing credit at below market rates and at the same time, directs the Bank not to compete with commercial banks. Although Harvey calls for a thorough examination of prevailing conditions, he stops short of investigating programs, placing them in perspective with one another and articulating a framework for new programs.

The 1981 testimony of the late Wilson E. Schmidt²⁵ before the Subcommittee on International Trade, Investment and Monetary Policy of the Committee on Banking, Finance, and Urban Affairs of the House of Representatives, examines Eximbank on the basis of "inexperience" of U.S. Bankers, "infancy" of U.S. exporters, balance of trade, employment, foreign aid, additionality, and trade negotiations: arguments traditionally presented by the Bank's supporters.

In 1981, The Budd Company and Westinghouse Electric Corporation commissioned Wharton Econometric Forecasting Associates Inc. to perform a

²⁴ Jack L. Harvey, "How Useful are Export Promotion Programs?", Business Conditions (December, 1975), pp. 9-15.

²⁵ Wilson E. Schmidt, Testimony on Export-Import Bank of the U.S. before the Subcommittee on International Trade, Investment and Monetary Policy of the Committee on Banking, Finance, and Urban Affairs, House of Representatives, 97th U.S. Congress, 1st Session, March 12, 1981, pp. 110-115.

cost-benefit analysis of Eximbank credit support. "Net Impact of the Government on Export-Import Bank Financing"²⁶ uses Wharton's basic econometric model of the U.S. economy to calculate costs/benefits of Eximbank credit support for the Buenos Aires subway contract. The result of the study is that Eximbank activity yields a net economic benefit to the U.S. government in 1981 dollars. This net gain includes the cost of Exim's borrowings at higher interest rates than charged by Eximbank on its loans. Wharton's methodology has been technically battered and attacked with regard to generation of cost value (it measures only present financial cost to Eximbank of future subsidy payments rather than discounted present value) and improper treatment of debt turnover; it has been criticized conceptually with regard to the generation of indirect benefits for unspecified amount of time. A vice president of Westinghouse expressed dissatisfaction with Wharton's methods for studying the issue and pointed out examples of both parochialism and reductionism which he claimed characterized the study.

"Agenda for Progress: Examining Federal Spending",²⁷ published by the Heritage Foundation, considers the costs of Eximbank in relation to federal budgetary savings and costs of borrowing from the private sector. The section on Eximbank was written by E. Dwight Phaup, an associate professor of economics at Union College. Phaup concludes that there are

²⁶ "Net Impact of the Government on Export-Import Financing" (Philadelphia, Pennsylvania: Wharton Econometric Forecasting Associates Inc., 1981).

²⁷ Dwight Phaup, "Export-Import Bank of the U.S, Agenda For Progress: Examining Federal Spending", (Washington, D.C., Heritage Foundation, 1980), pp. 58-61.

no long run benefits produced by subsidizing exports. Therefore, Eximbank should be eliminated or completely privatized. The full implications of Phaup's conclusion are not explored; however, Phaup's view became the operating assumption of the Heritage Foundation's 1980 recommendation to eliminate Eximbank.

"Export-Import Bank: Selected Issues",²⁸ a report published by the economics division of the Congressional Research Service in 1981, examines the following issues: pros and cons of credit subsidies, the impact of Eximbank on U.S. export, efforts to negotiate guidelines on export credit and the competitiveness of U.S. businesses, a proposal to involve insurance companies and pension funds in export finance, and the budgetary status of the Bank, from 1968-1980. The topics were related to the debate surrounding the Bank in the beginning of the Reagan administration and were written by five specialists.

"The U.S. Export-Import Bank: Criterion in the Direct Loan Program"²⁹ by James J. Emery and Michael C. Oppenheimer, was prepared for the Department of State and The Office of the U.S. Trade Representative in 1982. This study examines criteria used by the U.S. Export-Import Bank to select projects for direct loan support and to analyze the implications for the U.S. trade policy. With conflicting demands on its resources and criticism aimed at the Bank for concentrating its lending in a few industries,

²⁸ "Export-Import Bank Selected Issues" (Washington, D.C.: Congressional Research Service, 1981).

²⁹ James J. Emery and Michael C. Oppenheimer, "The U.S. Export-Import Bank: Criterion in the Direct Loan Program (Washington, D.C.: U.S. Department of State, 1982).

the authors conclude that the Bank will need to adopt new criteria and define the types of cases it will support. Possible sets of alternative criteria and the future impact of changing conditions on export credit policy are addressed. The study also discusses international efforts to reduce the distortions of subsidized credit, discusses the pattern of Eximbank lending and access to finance, and presents an overview of the history, economic rationales and policy making at Eximbank. Emery and Oppenheimer's study extends the previous analyses in two directions: a fair amount of internal policy making is included in the study and the information is related to the wider trade policy environment.

Government Support for Exports: A Second Best Alternative,³⁰ by Penelope Hartland Thusbery and Morris H. Crawford of the Center for Strategic and International Studies, Georgetown University, examines U.S. government export promotion policies. The authors discuss the effects of foreign government support for exports and address the question of "proper" policy toward maximization of productivity in an economy characterized by market interference. The study, published in 1982, concludes that the U.S. would best be served by a world wide elimination of subsidies; in view of the unrealism of this solution the second best alternative consists of export subsidies sufficient enough to permit U.S. exporters to meet foreign competition. The study goes beyond the question of the impact of U.S. subsidies to describe and to analyze foreign subsidies and their patterns of interactions of the trade process.

³⁰ Penelop Hartland Thusbery and Morris H. Crawford, Government Support for Exports: A Second Best Alternative (Washington, D.C., Georgetown University, 1982).

In 1983, Heywood Fleisig, an employee of the World Bank, and Catherine Hill, a consultant to the World Bank, made a notable contribution to exploring the costs and benefits of official direct export credit subsidy programs with a paper entitled "The Benefits and Costs of Official Export Credit Programs."³¹ In particular, the paper analyzes problems in calculating subsidies and shows how market factors determine the subsidies' effects on export prices and volumes and, therefore, the division of the subsidies between borrowers and lenders. The paper also discusses social costs and benefits that result from subsidies and ensuing changes in export prices and volumes. While Fleisig and Hill's effort does not focus exclusively on Eximbank, its attempt to further develop and refine the notion of costs and benefits of subsidy programs is significant. The authors add more vigorous procedures to be used in calculating costs and benefits from the standpoint of both content and research design. The paper recognizes the deficiencies of cost-benefit analysis, reinforces the concept of costs and benefits, and calls for the improvement of quality research efforts in this area.

Cost benefit perspectives on the Bank illustrate the economic content of the current debate on the future of Eximbank. What is noteworthy is researchers' current fascination with cost-benefit analysis as a means to evaluate the Bank and the shortcomings of efforts to utilize it. Also interesting is the Reagan administration's reliance on cost-benefit analysis to assess programs in light of the Federal budgetary deficit and

³¹ Heywood Fleisig and Catherine Hill, "The Benefits and Costs of Official Export Credit Programs" (Washington, D.C., The World Bank, 1983).

the use of cost-benefit analysis within the bureaucratic context of the federal government.³²

Finally, there is the question of whether the cost-benefit technique is an appropriate approach for evaluating the Bank, and for raising important new questions or for reformulating old ones about it. To the extent that the approach is inappropriate to the problems at hand, the answers are correspondingly inadequate.

Although cost-benefit analysis technique has serious limitations, some of which were described above and some of which will be described in the following chapters of this dissertation, evaluation studies on Eximbank:

- caused the researcher to reflect upon present and future behaviors and activities of the Bank; the relationship between an analytical approach and the problems the Bank faces, and the worth of the Bank, particularly at its current state of development;
- pointed out the changing nature of the economic structures and processes of Eximbank;
- made clear the limitations of the use of symbolic abstractions, principally in applications of the cost-benefit technique,
- set the stage for comparing and classifying variables;
- inspired the author to utilize multiple research methods and venture out beyond traditional procedures; and
- reinforced the notion that qualitative and quantitative methodologies are not mutually exclusive.

³² Michael J. Malbin, in Unelected Representatives: Congressional Staffs and the Future of Representative Democracy, published by Basic Books, New York, 1981, discusses Congressional interest in policy analysis in view of the 1977-1978 debate of natural gas pricing; Malbin focuses on a study done by David Stockman (then, the Republican Representative from Michigan) favoring deregulation and a counter study also undertaken by Stockman. Stockman's assumptions, perceptions of political realities, and framing of questions to limit political choices are also examined.

RECENT PERSPECTIVES ON EXIMBANK

Two recently published books, The Export-Import Bank at Work³³ by Jordan Jay Hillman and Subsidizing Success: The Export Import Bank in the U.S. Economy³⁴ by Richard S. Fineberg, deepened the researcher's understanding of Eximbank substantially and revealed pathways to explore. Hillman and Fineberg pointed out that the Bank is many things: an embodiment of power, useful functions, a reflection of our politics and economics and a means for obtaining purposes. They also sought out connections between people and institutions, where literature on the Bank is at its weakest. At the same time, they posed questions of order and effectiveness and presented some novel themes.

Six out of eight chapters of The Export-Import Bank at Work trace the history of the Bank in view of decision making. Hillman's history is based, to a large extent, on congressional hearings and legislative acts. Hillman explicitly recognizes the public corporate aspects of the Bank and uses these aspects as important points of departure for discussing decisions made in the context of public interest and efficiency, corporate concepts. Hillman contends that there are legitimate ways, on a case by case basis, to blend welfare and commercial considerations and evaluates how Eximbank's decision making structure succeeds in this critical area.

³³ See Jay Jordan Hillman, The Export-Import Bank at Work, for a range of material on Eximbank.

³⁴ See Richard S. Fineberg, Subsidizing Success: The Export Import Bank in the U.S. Economy, for a good discussion of Eximbank and an interesting extension to the history of Eximbank.

He concludes that Eximbank frequently assumes that what is good for the exporting community is good for the American public. In making this assumption the Bank places emphasis on benefits accrued from the completion of transactions while not placing sufficient emphasis on costs. Eximbank, Hillman points out, is influenced by individual administrations, resulting in a lack of uniformity and inconsistency in the formulation and implementation of policy objectives. Eximbank transactions often do not reflect need or receive adequate scrutiny. As a result, many cases receive greater support than necessary.

To improve the situation, Hillman suggests several legislative reforms aimed at improving the Bank's allocation of resources and at removing the Bank from constituent economic and political pressures.

Subsidizing Success by Richard S. Fineberg does an excellent job of describing the history of the Bank. It attempts to determine the costs and benefits of the Bank, but encounters difficulties in quantifying benefits. The book was essentially written as Fineberg's doctoral dissertation from the economics department of Stanford University; research was conducted during a research fellowship at the Brookings Institution and while the author was on leave from the U.S. Treasury Department.

Fineberg attempts to convince the reader that the track record of the institution is sufficiently compelling to demonstrate the subsidization of success. In his attempt to define the term success, Fineberg provides a fresh outlook so that readers can see connecting threads or particular features of the Bank. Thus, at the level of management, Fineberg is concerned with patterns of leadership or events that have increased Eximbank's productivity. Another focus is on professional services and

skills and ways in which they impact on tasks and technologies over time. In other words, Fineberg advances the traditional cost benefit analysis by injecting wider concerns into the background of complicating political and economic factors.

In view of Exim's past actions, Fineberg suggests the following key recommendations for the future:

- Eximbank should reduce lending to developed countries
- Eximbank should provide less support to trans national corporations
- Eximbank should assume more risk
- The Foreign Credit Insurance Association (FCIA) and Eximbank should focus on exports rather than profits
- Eximbank should examine the developmental aspect of loans.

Some of Fineberg's recommendations do not reflect the present day realities of the Bank. They first emerged as a part of Fineberg's doctoral dissertation submitted to the Economics Department of Stanford University and were not updated prior to publication. During the past ten years, the Bank has undergone changes, and various forces underlying the change process have disappeared and been replaced with other forces.

Not withstanding, Hillman and Fineberg's books yielded a great deal of useful information and illuminated certain factors which played principal parts in this study. The authors showed the effects of (1) the characteristics of individuals, organizations, and society at certain points in time (2) the ability of Eximbank to respond to legislative and presidential directives and (3) the prevailing circumstances and timing

of key events. Both works also identified and delineated problems, established the validity of data, and acted as research controls.

THE NEED FOR A RECONCEPTUALIZATION OF EXIMBANK

This project grew out of the idea that Eximbank is: (1) a relevant actor in the dynamic system of foreign trade; and (2) an important allocator of society's limited resources. During the past fifty years international trade has undergone continuous and deep changes and resources have become more scarce.

The review of publications on Eximbank revealed that the majority of works on the Bank: (1) were written for purposes other than research; (2) often did not include physical access to and reactivity of sources; (3) provided incomplete accounts of events and processes; and (4) emphasized general or specialized interests. Most important, certain important aspects of the Bank were not discussed in the literature. For example, the relationship of Eximbank to the commercial banking community, a significant player in Eximbank's external environment, has not been adequately taken into account. Knowledge, experience, and intuition from and about the Bank's staff have never constituted important inputs to examinations of the Bank. Ways in which power is legitimized and distributed within the Bank have not been discussed. And the question of whether the Bank is sensitive to forces dictating change has not been explicitly examined.

This study will address these issues in an attempt to develop a realistic picture of Eximbank. The aim of this study is to bring a keener understanding to the Export Import Bank of the U.S. by seeking to describe

what the Bank is like and why. Varied perspectives were used to shed light on the complexity of the Bank and the environment in which it operates. The study, it is hoped, will (1) fill gaps in the literature by utilizing these perspectives from which the readers can view dimensions of the Bank not previously dealt with; and (2) help readers decide whether the Bank will be doomed to obsolescence and finally to failure or whether the Bank will be able to meet the challenge of the times.

ORGANIZATIONAL LITERATURE

The following review of the organizational literature does not purport to give a balanced view of the existing state of knowledge on organizations. The emphasis is on four perspectives which helped interpret and assess problems and opportunities faced by Eximbank. This section of the chapter will open with a sketch of major works central to an institutional analysis of Eximbank. Corporate literature, essential to understanding Eximbank's corporate characteristics, then becomes the center of attention. Research on the life cycle theory of organizations is considered next as a means of explaining why organizations act in particular ways at particular times. Finally, organizational-environmental literature is brought into focus. It also brings the reader into other realms of organizational adaption, organizational politics, organizational structure, and organizational climate.

Institutional literature focuses on features such as ideology, values, socialization processes, and leadership patterns of organizations. It was valuable in conveying a sense of direction and purpose to this study.

It has grown rapidly during the past several decades. Following Talcott Parsons, J. D. Thompson, in Organizations in Action³⁵ (1967) deals with the subject of institutionalization in terms of leadership and the ways in which leadership chooses to deal with the external environment. Thompson's work brought order and rationality to the institutional factors within the Bank and contributed to an analysis of organizational-environmental relationships by identifying the concept of "organizational domain." P. Selznick, in Leadership in Administration,³⁶ broadened institutional dimensions of organizations by focusing on organizational leadership in both external and internal environments of organizations. Selznick's definition of institutionalize . . . "to infuse with value beyond the technical requirements at hand" represents the dominant perspective of the institutional school of thought and had a direct impact on this study. Books such as Selznick's The TVA and Grassroots,³⁷ G. Wamsley's Selective Service in a Changing America,³⁸ C. H. Pritchett's The Tennessee Valley Authority: A Study in Public Administration,³⁹ and

³⁵ James D. Thompson, Organizations in Action (New York: McGraw Hill, 1967).

³⁶ Philip Selznick, Leadership in Administration (New York: Harper and Row, 1957).

³⁷ Philip Selznick, The TVA and Grassroots (Berkeley: California: University of California Press, 1949).

³⁸ Gary L. Wamsley, Selective Service and a Changing America (Columbus, Ohio: Chas. E. Merrill Co., 1969).

³⁹ C. H. Pritchett, The Tennessee Valley Authority: A Study in Public Administration (Chapel Hill: University of North Carolina Press, 1943).

H. Kaufman's The Forest Ranger - A Study in Administrative Behavior,⁴⁰ contain institutional elements which helped explain the rationales for those who work within these organizations. Although the works listed above focus on organizations peripheral to the Bank, they contain a wealth of information that assisted the researcher in designing this study and in contributing to improvements in the quality of the findings.

H. Seidman's Politics, Position, and Power⁴¹ deserves mention. It provides valuable insights into government institutions, their need to adapt to their environment, and their psychology. Seidman also discusses factors that lead to disillusionment with government institutions and the undermining of institutional values by processes and politics. A. Down's Inside Bureaucracy⁴² approaches the bureaucracy as a major subsystem of the American political system and describes political relationships ultimately in terms of value. It was instrumental to the development of thinking during the research process and sharpened the construct of institutionalism.

Finally, institution building literature and models or theories of change, development and modernization were closely examined because applications and analyses from this literature provide information of interrelations of institutions and external forces influencing internal

⁴⁰ Herbert Kaufman, The Forest Ranger: A Study in Administrative Behavior (Baltimore: Johns Hopkins Press, 1960).

⁴¹ Harold Seidman, Politics, Position and Power (New York: Oxford University Press, 1970).

⁴² Anthony Downs, Inside Bureaucracy (Boston, Little, Brown and Company, 1967).

operations of Eximbank. S. Eisenstadt's Essays on Comparative Institutions,⁴³ for example, integrates several conceptual frameworks for institutional building including M. Weber's selection published under the title "Max Weber: On Charisma and Institution Building". Weber's discussion of institutional exchange, bureaucratization, leadership, and communication are basic problems of institution building and maintenance and show up at several points in the institution building literature. M. Esman's and Blaise's Institution Building Research - The Guiding Concepts⁴⁴ presents five clusters of discrete variables important to the study of institutionalization:

1. Leadership
2. Doctrine
3. Program
4. Resources
5. Internal Structure

These variables simply became one set of the researcher's roadmarks on the institutional map of the Bank. They helped the researcher look for certain institutional facts that the researcher wanted to explore and drew the facts together.

⁴³ S.N. Eisenstadt, Essays on Comparative Institutions (New York: John Wiley and Sons, Inc., 1965).

⁴⁴ Milton J. Esman and Hans C. Blaise, "Institution Building Research-The Guiding Concepts" (Pittsburgh, Pennsylvania: University of Pittsburgh, 1966).

Harold Seidman, in Politics, Position, and Power, states that if we are to discover meaningful solutions to organizational problems that now confront us, we must start with a realistic assumption of how the system operates.⁴⁵ Corporate literature served as part of much needed work in the area of understanding how a relatively unscrutinized element of the Federal system operates: The Export Import Bank of U.S..

Corporate concepts constitute a vital, but not yet well studied, part of Eximbank. The creation and proliferation of public corporations in the early part of the 20th century, including Eximbank, was reviewed in light of W. Wilson's themes of administrative competence and of politics/administration dichotomy. H. Van Dorn, J. Doig, L. Musolf, A. Walsh, H. Seidman and other scholars related these influential themes to the establishment of public corporations/authorities and shed much light on characteristics of public corporations. Premises upon which the Bank was established were identified, examined, and placed in today's context in light of books such as L. D. White's Introduction to the Study of Public Administration⁴⁶ and P. Waldo's The Administrative State⁴⁷ and R.

⁴⁵ See Harold Seidman, Politics, Position and Power for an explanation of how the system operates as well as an outline of the boundaries of the system. Seidman's overall articulation of the system and of the institutional structure of it enable him to deal with the subject in terms of technical, managerial, and conceptual viewpoints.

⁴⁶ Leonard D. White, Introduction to the Study of Public Administration (New York: Macmillan Co., 1939).

⁴⁷ Dwight Waldo, The Administrative State (New York: Ronald Press Co., 1948).

Dahl's Who Governs?⁴⁸ W. Willoughby's The Reorganization of the Administrative Branch of the National Government,⁴⁹ H. Siedman's "The Government Corporation: Organization and Controls"⁵⁰ and H. Seidman's "The Theory of the Autonomous Government Corporation: A Critical Appraisal".⁵¹ Guided by a concern for and a keen perception of the public interest, these reasoned works analyze public authorities against foils such as corruption, accountability, and legal and academic rationales that shape corporations. For example, M.E. Dimock's "Government Corporations: A Focus of Policy and Administration"⁵² explored the controversies surrounding government corporations with regard to legal and financial aspects as well as organizational and internal management arrangements. More recently, Jameson W. Doig, in an article entitled "If I See A Murderous Fellow Sharpening a Knife Cleverly... The Wilson Dichotomy and the Public Authority Tradition,"⁵³ (1) reinterpreted Woodrow Wilson's

⁴⁸ Ronald Dahl, Who Governs?, (New Haven, Connecticut: Yale University Press, 1961).

⁴⁹ W. F. Willoughby, The Reorganization of the Administrative Branch of the National Government (Baltimore: Johns Hopkins Press, 1923).

⁵⁰ Harold Seidman, "The Government Corporation: Organization and Controls," Public Administration Review 14 (Summer, 1954) pp. 183-192.

⁵¹ Harold Seidman, "The Theory of the Autonomous Government Corporation: A Critical Appraisal," Public Administration Review 12 (Spring, 1952) pp. 89-96.

⁵² Marshall F. Dimock, "Government Corporations: A Focus of Policy and Administration." Part I. American Political Science Review 43 (October, 1949) pp. 899-921.

⁵³ Jameson W. Doig, "If I See a Murderous Fellow Sharpening a Knife Cleverly... The Wilson Dichotomy and the Public Authority Tradition", Public Administration Review, V. 40 (March/April 1980) pp. 124-130.

"politics/administration dichotomy; (2) outlined the concept of policy entrepreneur in view of this dichotomy; and (3) reviewed implications of the evolution of the public corporation. A review of the corporate literature provided a rich perspective and new slants on the Bank and added focal points to numerous research topics.

The concept of the life cycle of an organization became one of the main elements of this study. M. Bernstein's Regulating Business by Independent Commission⁵⁴ provided precise descriptions of the phases of life cycles of commissions and contributed to the study of policies and programs, personality factors, and organizational relationships. The life cycle perspective cast new light on the total situation of the Bank, previously susceptible only to piecemeal analysis.

It made it possible to view organizations as dynamic entities that experienced both mortality and survival. To a large extent, organizational evolution, it illustrated, is driven by its own dynamics as well as the stream of events in its external environment just as mankind is carried along by biological evolutionary events and physical forces determining the universe.

Bernstein's work was supplemented by studies by J. Kimberly, R. Miles, D. Whitten, W. Ouchi, A. Van de Ven, H. Kaufman and A. Niv who attempt to capture the dynamic quality of organizations through the biological metaphor of the life cycle and its stages generally consisting of birth, childhood/adolescence, maturation, old age and death. The Organization

⁵⁴ Marvin H. Bernstein, Regulating Business by Independent Commission (Princeton, New Jersey: Princeton University Press, 1955).

Life Cycle,⁵⁵ a book consisting of the contributions of organizational scholars listed above, had a strong influence on this study. It released energies of the author bringing results that hitherto would have been masked and helped gain a hold on the reality of the Bank or find points of leverage for viewing it. For example the history of the Bank was enhanced by shifting away from a chronological arrangement into periods of time to a division based on phases of the life cycle. Anthony Down's Inside Bureaucracy⁵⁶ also deals with the birth, growth, and decline of bureaus. Downs points out that size is the number one determinant of survival of organizations, rather than type of function, external support, and competition between two or more organizations.

Literature on organizational environments also provided telling insights and propositions. R. Miles' Macro Organizational Behavior provided some of the key conceptual categories employed in this study. Miles views organizations in terms of internal and external structures and processes. Internal structures and processes include informal/formal structures, roles, rules, and procedures, organizational culture, authority, tasks and technologies, socio-technical systems, conflict and politics. External structures and processes include general environments comprised of technological, legal, political, economic, demographic, cultural, and ecological conditions and specific environments constituted

⁵⁵ John R. Kimberly, Robert H. Miles, and Associates, The Organization Life Cycle (San Francisco: Jossey-Bass, 1981).

⁵⁶ Anthony Downs, Inside Bureaucracy (Boston: Little, Brown and Company, 1967).

of organizations or of individuals within which the organization directly interacts.

J. D. Thompson's Organizations in Action,⁵⁷ H. Aldrich's Organizations and Environments⁵⁸ G. L. Wamsley and M. Zald's The Political Economy of Public Organizations⁵⁹ and T. J. Lowi's The End of Liberalism: Ideology, Policy and the Crisis of Public Authority⁶⁰ enhanced the researcher's understanding of principal dimensions of organizational environments and the impact of environments on organizations and vice versa.

Constraints and contingencies posed by organizational environments for the Bank and its members were enriched by the theoretical contributions of A.L. Stinchcombe's, "Social Structure and Organizations";⁶¹ T. Burns and G. M. Stalker's The Management of Innovation; ⁶² and P. R. Lawrence and J. W. Lorsch's Organization and Environment: Managing Differentiation and Integration.⁶³

⁵⁷ James D. Thompson, Organizations in Action (New York: McGraw Hill, 1967).

⁵⁸ Howard E. Aldrich, Organizations and Environments (Englewood Cliffs, New Jersey: Prentice-Hall Inc., 1979).

⁵⁹ Gary L. Wamsley and Mayer E. Zald, The Political Economy of Public Organizations (Columbus, Ohio: Chas. E. Merrill, 1969).

⁶⁰ Theodore J. Lowi, The End of Liberalism: Ideology, Policy and the Crisis of Public Authority (New York: W.W. Norton, 1969).

⁶¹ Arthur L. Stinchcombe, "Social Structure and Organizations", in James C. March(ed.) Handbook of Organizations (Chicago: Rand-McNally) pp. 142-193.

⁶² T. Burns and G. Stalker, The Management of Innovation (Great Britain: Tavistock Publications Inc., 1966).

⁶³ Paul R. Lawrence and Jay W. Lorsch, Organization and Environment:

Processes through which organizational environment relationships take place were brought to light by learning about concepts such as Karl E. Weick's "enacted environment." Human actors, according to Weick, enact environments, not simply react to them. Weick's notion of enacted environments is developed in his 1969 book, the Social Psychology of Organizing.⁶⁴ N. W. Chamberlain's Enterprise and Environment: The Firm in Time and Place⁶⁵ and J. Child's "Managerial and Organizational Factors Associated with Company Performance - Part II. A Contingency Analysis"⁶⁶ helped understanding of the concept of strategic choices to influence both internal and external structures and processes of organizations. Varieties of organizational strategic choices for dealing with the environment were described by J. D. Thompson in Organizations in Action,⁶⁷ P. Selznick in The TVA and Grass Roots⁶⁸ R. Miles, C. Snow, and J. Pfeffer

Managing Differentiation and Integration (Homewood, Illinois: Irwin, 1967).

⁶⁴ Karl E. Weick. The Social Psychology of Organizing (Reading, Massachusetts: Addison-Wesley, 1969).

⁶⁵ Neil W. Chamberlain, Enterprise and Environment: The Firm in Time and Place (New York: McGraw Hill, 1969).

⁶⁶ John Child, "Managerial and Organizational Factors Associated with Company Performance. Part II. A Contingency Analysis" Journal of Management Studies (February, 1975), pp. 12-27.

⁶⁷ James D. Thompson, Organizations in Action, 1967.

⁶⁸ Philip Selznick, The TVA and Grass Roots, 1949.

in "Organizational Environment: Concepts and Issues"⁶⁹ and J. R. Galbraith in Designing Complex Organizations.⁷⁰

A balanced view of organizational structure and its diverse components was provided by diverse organizational theorists. T. Burns and G. M. Stalker's The Management of Innovation,⁷¹ J. W. Lorsch's Contingency Theory and Organizational Design: A Personal Odyssey,⁷² A. Etzioni's Modern Organizations⁷³ and A Comparative Analysis of Complex Organizations⁷⁴ and D. Katz and R. C. Kahn's The Social Psychology of Organizations⁷⁵ provided insights on informal and formal organizational structures, concepts of differentiation and integration, organizational goals, mechanisms used to reinforce and integrate structured differences within organizations, organizational architecture, and organizational climate. Eximbank's structures were also examined in relation to organ-

⁶⁹ Raymond E. Miles, Charles C. Snow, and Jeffrey Pfeffer, "Organizational Environment: Concepts and Issues", Industrial Relations 13 (1974) pp. 244-264.

⁷⁰ Jay R. Balbraith, Designing Complex Organizations (Reading, Massachusetts: Addison-Wesley, 1973).

⁷¹ T. Burns and G. Stalker, The Management of Innovation, 1961.

⁷² Jay W. Lorsch, "Contingency and Organizational Design: A Personal Odyssey" in R. Kilman, L. Pondy, and D.P. Slevin (eds.) The Management of Organizational Design: Strategies and Implementation, Vol. I (New York: North Holland) pp. 141-165.

⁷³ Amital Etzioni, Modern Organizations (Englewood Cliffs, New Jersey: Prentice-Hall, 1964).

⁷⁴ Amital Etzioni, A Comparative Analysis of Complex Organizations (New York: Free Press, 1975).

⁷⁵ Daniel Katz and Robert L. Kahn, The Social Psychology of Organizations (New York: Wiley and Sons, 1966).

izational technologies and tasks. J. D. Thompson and F. L. Bates; J. Woodward; C. Perron; H. E. Aldrich; D. J. Hickson, and D. S. Pugh, are some of the theorists that helped to interpret linkages between tasks and technologies and organizational structure.

The concept of organizational politics was characterized by G. L. Wamsley and M. N. Zald's The Political Economy of Public Organizations; ⁷⁶ J. G. March and H. A. Simon's Organizations; ⁷⁷ V. H. Vroom and P. W. Yetton's Leadership and Decision Making; ⁷⁸ M. Weber's Theory of Social and Economic Organization; ⁷⁹ J. Pfeffer's Power and Resource Allocation in Organizations; ⁸⁰ A. M. Pettigrew's The Politics of Organizational Decisionmaking ⁸¹ and "Information Control as a Power Resource"; ⁸² E. Schein's Organizational Psychology. ⁸³ These works had a

⁷⁶ Gary L. Wamsley and Mayer N. Zald, The Political Economy of Public Organizations, (1973).

⁷⁷ James G. March and Herbert A. Simon, Organizations (New York, New York: Wiley, 1958).

⁷⁸ Victor H. Vroom and P.W. Yetton, Leadership and Decision-Making (Pittsburgh, Pennsylvania: University of Pittsburgh Press, 1963).

⁷⁹ Max Weber, Theory of Social and Economic Organization (New York: Free Press, 1947).

⁸⁰ Jeffrey Pfeffer, "Power and Resource Allocation in Organizations", in Barry M. Staw and Gerald R. Salanick (eds.), New Directions in Organizational Decision-Making (Chicago: St. Clair Press, 1977) pp. 235-66.

⁸¹ Andrew M. Pettigrew, The Politics of Organizational Decision-Making (London: Tavistock, 1973).

⁸² Andrew M. Pettigrew, "Information Control as a Power Resource", Sociology 6 (1972) pp. 187-204.

⁸³ Edgar H. Schein, Organizational Psychology, 2nd Edition (Englewood Cliffs, New Jersey: Prentice Hall, 1970).

clear import on thinking about organizational politics and the wielding of authority within the Bank.

Diverse findings on organizational effectiveness were pieced together in a book of great value called Organizational Effectiveness: A Behavioral View⁸⁴ by Richard Steer. The book discusses organizational systems, goals, measurement of effectiveness, and effectiveness in relation to external environmental employee, and managerial characteristics. Steer's book stresses many key issues relevant to the Bank and contributed to an understanding of how the Bank pursues organizational effectiveness.

Several books on organizational behavior including A. D. Szilagyi and M. Wallace's Organizational Behavior and Performance⁸⁵ and E. F. Huse's The Modern Manager⁸⁶ were consulted regarding major points of interest such as leadership. The books became checking and comparing aids to insure relevant considerations had been taken into account and weighted approximately during the analytic phase of this study.

Partial and intelligent use of numerous books and articles on governmental organizations and the contexts in which they operate provided valuable assistance in acquiring a better understanding of specific topics such as interest groups and the role of boards of directors. From among these books and articles pertinent concepts were chosen thereby

⁸⁴ Richard M. Steers, Organizational Effectiveness: A Behavioral View (Santa Monica, California: Goodyear Publishing Co., 1977).

⁸⁵ A. D. Szilagyi; and M. Wallace, Organizational Behavior and Performance (Santa Monica, California: Goodyear Publishing Co., 1980).

⁸⁶ Edgar F. Huse, The Modern Manager (St. Paul, Minnesota: West Publishing Co., 1979).

increasing the quality of this paper. They were originally chosen inductively on the basis of familiarity with organizational theorists and their concerns. Later, new concepts were added which were found to be present in the literature to a substantial degree and were considered relevant to the subject matter of this thesis.

SUMMARY

In conclusion, the review of the literature (1) increased the researcher's understanding of the Bank; (2) enriched interpretations concerning the Bank's place and purpose in the Federal government; (3) stimulated critical examination of issues and problems; (4) provided the foundation for a conceptual framework with which to study Eximbank; and (5) sharpened concerns with values and grounds for value decisions. Although the majority of works on Eximbank were thoughtful, instructive and responsible portraits of the Bank, they were confined to typical studies of standardized dimensions of public agencies. As a result, the literature review contributed to a sense of intellectual engagement and commitment to the subject matter of this thesis, and the belief that Eximbank is a proper subject of inquiry for this thesis.

CHAPTER III - METHODOLOGY

This chapter concerns methodology. Part one describes the research methods utilized in this study. Part two discusses the conceptual framework. Part three considers the choice of appropriate variables. Part four discusses the selection of subjects for the interview process. Part five examines the questionnaires and approval procedures. Part six discusses general strategies and tactics of investigative field research. Part seven dwells on data collection, recording, and coding procedures. Part eight is devoted to data analysis. Finally, Part nine discusses the crucial processes of drawing and verifying conclusions.

RESEARCH METHODS

This examination of the Export-Import Bank of the U.S. was accomplished through the use of four complementary research methods. The first method was the collection and analysis of secondary source literature relating to the Bank. Chapter II, Review of the Literature, presented major source material and analyzed its significance.

The second method drew upon the case study tradition. In this tradition, the author conducted an in depth investigation of diverse units (individuals, groups, institutions) and led to an enlarged picture of the Bank. A comprehensive description and grasp of interrelations among various components of the Bank were developed. The case study was particularly useful for pioneering new ground in the area of internal poli-

tics and as a source of hypotheses for further study. Case study data also provided useful anecdotes and examples to illustrate more generalized findings.

Participant observation was the third method that contributed to the general body of knowledge about the Bank. In practice, at times the role of the researcher was revealed and at other times it was concealed. For example, during a staff meeting which the researcher was invited to attend, the researcher was formally introduced and the purposes of observation were briefly explained. In other instances, entree had been gained and the researcher was considered to be an "insider". Attendance at an annual exporters' conference is an example of the latter model.

Finally, a method built on the logic of survey research was used to collect information describing existing phenomena, to identify problems, to explain current conditions and practices, and to explore certain components of the Bank. Operationalization of this method was largely a cognitive perceptual task which yielded useful feedback.

These four methods of social research are qualitative. According to Miles and Huberman, "qualitative data appear in words rather than numbers. They may have been collected in a variety of ways (observation, interviews extracts from documents, tape recordings) and are usually processed somewhat before they are ready for use (via dictation, typing up, editing, or transcription) but they remain words, usually organized into extended text".⁸⁷

⁸⁷ Matthew B. Miles and A. Michael Huberman, Qualitative Data Analysis (Beverly Hills, California: Sage Publications, 1984), p. 21.

The qualitative research methods referred to above were highly differentiated. Some focused on the overall meaning of the subject by utilizing an interpretive mode; others focused on the behavior of individuals within certain settings by utilizing an explanatory mode. Both interpretive and explanatory modes or styles of research, however, involved dealing with first-order and second-order concepts. First-order concepts are the "facts" of an investigation and second-order concepts are the theories an analyst uses to organize and explain "facts". For example, a staff member's statement, "I do not deal seriously with the senior vice presidents because they are political appointees and do not really understand the Bank," is a first-order conception dealing with authority structure. Implicit in this statement are several second-order conceptions relating to (1) role expectations; (2) the difficulty of relationships between career staff and political appointees; and (3) the notion of knowledge with respect to tenure.

Henry Mintzberg discusses first-order concepts as "detective work, the tracking of patterns, consistencies." Second-order concepts according to Mintzberg, are "creative leaps, breaking away from the expected to describe something new."⁸⁸

The method described above generated rich and comprehensive first-order concepts and played an important role in developing second-order concepts. They provided a mix of pre-designed and open ended devices for observing and recording phenomena that corresponded to the demands of the

⁸⁸ Henry Mintzberg, "An Emerging Strategy of Direct Research", in John Van Maanen (ed.), Qualitative Methodology (Beverly Hills, California: Sage Publications, 1984) pp. 108-109.

research questions and permitted reformulations as the study progressed and as the data suggested changes.

CONCEPTUAL FRAMEWORK

The conceptual framework for this study was the political economy framework. A review of the political economy perspective is included in this chapter of the paper because it was the structure or basis of this investigation. As much, it defined the types of subjects to be studied and their relationships with one another. Wamsley and Zald define "political economy" as "the interaction between a political system (a structure of rule) and an economy (a system for producing and exchanging goods and services)."⁸⁹ Any description of public organizations, the authors note, must examine the component systems, the polity and economy, as well as points of intersection."

The framework accomplished several purposes. First, it prioritized what should and should not be studied about the Bank. Second, it clarified relationships among dimensions of the Bank by using public policies as independent variables and organizational structures and processes as intervening variables and outputs of the Bank as dependent variables. Third, although it performed a focusing and heuristic function, it allowed the author to move away from the constraints of narrowly defined ap-

⁸⁹ Gary L. Wamsley and Mayer N. Zald, The Political Economy of Public Organizations (Indiana University Press: Bloomington, Indiana, 1976), p. 17.

proaches such as history, politics and economics and to examine the Bank in a comprehensive way.

The political economy perspective is based on a renewed interest in the broader points of view that informed the research of classic scholars such as John Stuart Mill, Karl Marx and Adam Smith. Beginning in the 1960's and 1970's, scholars such as Gary Wamsley, Mayer Zald, Charles Lindblom, Theda Skacpol, Francis Fox Piven and Richard Cloward became dissatisfied with a fragmented world view that accompanied the separate disciplines of political science, sociology, economics, history and philosophy and with the research orientation of behavioralism. These scholars have played a major role in shaping the boundaries and in determining the scope of the revival of the political economy approach and contributed to much of the thinking that went into this study.

There are several reasons why the political economy perspective was a useful conceptual framework for the study of Eximbank. First, the political economy approach centers on an analysis of the interface between economic processes and political institutions. Second, it is a holistic approach; it seeks to integrate an understanding of ideology, the economy, sociological factors, political elements, etc. into a coherent whole. Third, it incorporates history by attempting to study the present as emerging from historical development. Fourth, it addresses questions of value such as: "What is the nature and purpose of Export-Import Bank in the 1980s"? "How does the Bank contribute to reinforcing the existing structure of political and economic power in our society"? And fifth, it is capable of integrating three particular lines of inquiry that yield insights into fundamental questions about the Bank: the institutional

approach, the organizational approach, and the public corporate approach. For example, the institutional focus contributes to an understanding of both the Bank's internal political and economic structures and processes. The public corporate perspective contributes to an understanding of the political and economic environments of the Bank (i.e., its relationship to Congress and other agencies, its relationship to interest groups, its economic input and output characteristics, etc.). Organizational theory sheds light on both the internal polity and internal economy of the Bank.

Utilization of the political economy approach involved four major steps. The first step involved identification and analyses of the internal political structure and process of the Bank. The second step identified and analyzed the components of the internal economic structure and process of the Bank. The third step focused on identification and analyses of the components of the external political structure and process of the Bank. And the fourth step was concerned with the identification and analyses of the components of the external economic structure and process of the Bank. Table 3.1 on the following page, is an adaption from Wamsley and Zald's The Political Economy of Public Organizations, presents the major components of the political economy framework and notes the potential contributions of the political economy approach to the institutional, organizational, public corporate and life cycle perspectives.

Table 3.1

Major Components of Political Economy
for Eximbank

Institutional, Organizational, and Public
and Life Cycle Corporative Perspectives

P O L I T I C A L	Environment Structure & Process	Internal Structure and Process
	<ul style="list-style-type: none"> *Superordinate and authoritative executive bodies and offices *Superordinate and authoritative legislative bodies and committees *Independent review bodies *Competitors for jurisdiction and functions *Interest groups and political parties pressing *Media *Interested and potentially interested citizenry 	<ul style="list-style-type: none"> *Institutionalized distribution of authority and power *Succession system for executive personnel *Recruitment and socialization system for executive cadre *Constitution - Ethos, myths, norms, and values reflecting institutional purpose *Patterns for aggregation and demands for change by personnel
E C O N O M Y	Environment Structure & Process	Internal Structure and Process
	<ul style="list-style-type: none"> *Input characteristics: labor material, technology, facilitates supply and cost factors *Output characteristics: demand characteristics and channels for registering demand *Industry structure (in and out of government) *Macro-economic effects on supply-demand characteristics 	<ul style="list-style-type: none"> *Allocation rules : accounting and information systems *Task and technology related unit differentiation *Incentive system : pay, promotion tenure, and fringes *Authority structure for task accomplishment *Buffering technological or task core

Source: This table is a modified version of Wamsley and Zald's "Major Components of political Economy for typical Public Organizations." See Gary L. Wamsley and Mayer N. Zald's The Political Economy of Public Organizations, (Bloomington, Indiana: Indiana University Press, 1976), p. 20.

Analyses of these components resulted in a better understanding of Eximbank and in the emergence of research questions, concepts, categories and hypotheses. For example, by analyzing components in the internal political structure and process quadrant the following hypothesis emerged: Eximbank's employees behave more like commercial bankers than public servants. By analyzing components in the internal economic structure and process quadrant the following question arose: Do Eximbank's pay and promotion practices result in employee turnover? And, how do incentives affect the institutionalization process? By analyzing components in the external political structure and process quadrant, categories of institutions that influence Eximbank decisions were generated and prioritized in terms of relative influence. Organizational-environmental relationships were then examined. Finally, by analyzing components of the external economic structure and process quadrant the following hypothesis emerged: Official U.S. long term export financing by Eximbank does not favor purchasers of large ticket items such as aircraft and nuclear power plants; Exim support to these areas reflects the fact that these areas experience foreign product competition supported by official export credit subsidies. This particular hypothesis resulted in an examination of the roles of official foreign organizations which subsidize exports.

For purposes of anchoring the study and clarifying variables, then, the researcher used the political economy approach. It proved adequate for the job because of its composite and overlapping nature, its ability to bring the researcher closer to particular circumstances and events,

and its potential to bring in all kinds of information about the Bank and relationships among political and economic factors.

RESEARCH DESIGN

Research questions varied from controlled structured questions to emergent questions originating in conversations. Generally, initial questions were related to the conceptual framework described in the preceding section of this chapter. For example, the dimension "institutionalized distribution of authority and power" led to a realm of questions about leadership and performance, constraints on leadership, decision making behavior, participation in decision making, leadership training, bases of authority and influence, dysfunctionalities of power, organizational effectiveness and control, etc."

The dimension "interest groups" resulted in a series of questions about the ways private groups influence bank's policies and procedures, the scope of interest group pressure, the function of interest groups with respect to Eximbank, interest group cooperation and consensus, organization of interest groups, major activities of interest groups, etc.

The dimension "task and technology unit differentiation" raised questions about the extent of task interdependence, uniformity and complexity of tasks, routineness of tasks, integration and coordination of activities, the relationship between organizational size and technology, etc.

The dimension "output characteristics" led to questions about the demand for Eximbank's services, the nature of outputs (e.g., insurance

policies, guaranties, loans), the relationship between output and revenue (profitability), competition from official export agencies of other countries, etc.

These questions and others encapsulated components and the myriad of relationships among them. They focused attention on interesting components and highlighted main relationships. And, they helped to determine data collection techniques and determined what interviewees would be looked at in certain contexts with regard to certain events. In short, they operationalized the conceptual framework.

SELECTION OF SUBJECTS

In Investigative Social Research, Jack Douglas discusses the investigative aspects of qualitative research dealing with a single case and the activities of contrasting, comparing, replicating and classifying findings. Basically these activities are sampling activities involving judgements about which people to interview and observe, what events to focus upon, and what processes to investigate.⁹⁰

Sampling parameters include settings, actors, events, and processes. For this study the following choices concerning the parameters were made:

Sampling

Parameters Choices

Settings:

⁹⁰ Jack D. Douglas, Investigative Social Research (Beverly Hills, California: Sage Publications, 1976) pp.1-229.

1. Export Import Bank of the U.S.
2. Commercial banks including the Chemical Bank, Morgan Guarantee Trust, Citibank, Bankers Trust Company, and the Chase Manhattan Bank.
3. Interest groups including Signal Companies, Labor Industry Coalition for International Trade, International Trade Council, National Foreign Trade Council, Bankers Association for Foreign Trade, The Coalition for Employment through Exports, and the U.S. Chamber of Commerce.
4. Exporters including Westinghouse Electric Corporation, General Electric Company, Boeing Co., Caterpillar Tractor Co., United Technologies Corporation, FMC Corporation.
5. U.S. Departments of State, Commerce, Treasury; Office of Management and Budget; General Accounting Office.
6. U.S. House of Representatives; U.S. Senate.

Actors: Staff and board members of Eximbank; vice Presidents for export finance of commercial banks; directors of export divisions of major firms; career staff of U.S. government agencies and offices who deal with Eximbank on a regular basis; staff members of the Committees on Banking Finance and Urban Affairs of the House of Representatives and the U.S. Senate, representatives of interest groups involved in U.S. trade.

Events: Daily operational activities of the Export-Import Bank of the U.S.; hearings before Congress; special presentations, meetings, and conferences related to U.S. exports; reviews by General Accounting Office and Congressional Budget Office.

Processes: Testifying, discussing, negotiating, reviewing, interpreting laws, managing, implementing, formulating, dividing.

From the above list, several options emerged; however, the setting that was chosen for first field effort was the Export-Import Bank. Contact was made with Mr. James Cruse, the Vice President for Policy Analysis, Eximbank, who provided office space, secondary source materials, and access to staff and board members of the Bank. He was also available for feedback if desired but at no point in time appeared to expect to receive

anything in return for his cooperation. Commercial bankers were the next group of actors sampled. Interest group representatives, exporters, staff members of Congressional committees, and employees of U.S. government agencies with roles and responsibilities central to Eximbank were the last groups of actors interviewed.

Selectivity of settings, actors, and processes was controlled, to the extent possible, by the researcher. Representativeness of the sample was based on conversations with selected interviewees; additions and revisions were suggested by respondents who often asked questions regarding specific actors and events and provided names, addresses, and phone numbers of colleagues.

INSTRUMENTATION

Instrumentation ranged from no prior instrumentation to relatively focused research questions. Within the Bank, conversations were held with Mr. James Cruse who requested copies of questions directed toward senior vice presidents, and vice presidents and staff members of the Bank. Research questions directed toward board members were not requested. Interview guides consisting of open-ended question formats were submitted to Mr. Cruse who keyed the researcher's vocabulary to the vocabulary of the Bank's employees and reviewed each of the questions for clarity, relevance, and content. Questions related to employee morale, employee compensation, and certain activities of management were eliminated so that misinterpretations concerning the objectives of the project would not occur. This review process resulted in insightful comments about the

Bank; it did not, in any manner, place limits on the research methods, processes, or substance of the data collected through interviews. Copies of the questionnaires, biographical information about the researcher, and a description of the proposed project were submitted to the legal counsel, board members, and the chairman of the Bank for approval. Questionnaires were approved without revisions after a period of two months. The administration of questionnaires was characterized by flexibility; in fact, the questions served as a checklist. Conversations often became free-wheeling discussions that took place for hours over several sessions. Interviews with Eximbank staff ranged from one to six hours. Copies of questionnaires appear in Appendix B.

Unstructured interviews were conducted with an Eximbank board member, non-Eximbank employees (e.g., exporters and commercial bankers) and former Eximbank employees. Generally in the beginning of the unstructured interviews factual material was first gathered; opinions, feelings and probing questions followed in order to get close to the specifics of targeted topics. Questions were both exploratory and confirmatory. At the outset of a number of unstructured interviews exploratory questions were asked. Descriptive answers were given near the end of unstructured interviews. In subsequent face to face conversations or in telephone calls confirmatory questions were asked, and answers eliminating uncertainties or inconsistencies were provided. In all cases, the interviewer requested further access to respondents if necessary, and, in all cases, permission was granted to return to explore new leads, address revised questions, confirm pieces of information or flesh out questions.

FIELD PROCEDURES

Vice presidential and senior officials within Eximbank were approached by a written memo from Mr. Cruse telling respondents who the interviewer was, whom she represented, what the goals and objectives of her study were, and why he/she was chosen as a respondent. For scheduling purposes, a sign up sheet was also enclosed.⁹¹ During conversations with senior vice presidents, vice presidents, senior officials and staff members there was a great deal of curiosity about whom the researcher had talked to, about who cooperated, and about who spoke freely.

⁹¹ Approximately twenty vice presidents and senior officials were contacted and about six persons did not respond to Mr. Cruse's memo. In some cases, staff members speculated that certain vice presidents did not choose to talk to the researcher for the following reasons:

1. They were afraid that the researcher was searching for antiorganizational perceptions
2. They felt the survey was not worthwhile.
3. They had nothing to gain from participating in the project
4. They were afraid of being misrepresented
5. They are paranoic and feel threatened.

The researcher suggested contacting those who did not respond to Mr. Cruse's memo, however; she was discouraged from directly contacting vice presidents who declined to participate in the interview process, cautioned not to overemphasize the issue of refusal, and asked to take into account personal predilections of nonparticipants.

Staff members were approached by telephone. The majority of staff members interviewed were personally selected by Mr. James Cruse based on friendly and trusting relationships with him.⁹²

Initial contacts with commercial bankers, exporters, interest group representatives, congressional staffers, and employees from other U.S. governmental agencies grew out of interviews with Mr. James Cruse and Mr. Warren Glick, former general counsel of the Bank. Both Mr. Cruse and Mr. Glick suggested contacts, provided telephone numbers, and allowed the researcher to mention their names.

The majority of interviews were tailored to probe avenues of exploration that yielded information about topics being studied; they were informal and involved elements of humor. The only interviews that involved oppositional or adversary methods of questioning were interviews with congressional staff members. Congressional staff members had been characterized by several Bank employees as having contrasting ideological perspectives concerning the Bank.

Linda Smircich points out that there are two particular interpersonal skills - reflective listening and free floating attention - that are useful for conducting qualitative research. They are keys to understanding others' perspectives. Smircich defined reflective listening as an "energetic effort to receive fully the message being communicated by

⁹² Four staff members were contacted directly by the researcher based on an outsider's recommendation, knowledge of a staff member's participation in special transaction or the building of a personal relationship stemming from a friendly exchange of hellos in hallways. Because interviewees were assured of adherence to the norm of confidentiality, candid honest accounts of events usually followed preliminary questions.

another by verbal and nonverbal means. It involves attending to words and feelings expressed explicitly or implicitly and encouraging the speaker to elaborate. Free floating attention involves tolerating a high degree of ambiguity without short circuiting the interview process at the expense of staying within an understanding the world of people in the setting."⁹³

DATA COLLECTION RECORDING AND CODING PROCEDURES

Basic raw data were recorded on large notepads. Answers to questions were recorded as given. No attempt was made to summarize, paraphrase, or correct responses. Immediately after interviews, summary sheets consisting of the people, events, and situations involved, main issues, and suggestions for new contact or new information were prepared. A coding scheme, consisting of the following codes, was developed and applied to blocks of data:

1. Personalities
2. Environment/external relationships
3. Processes
4. Regularly occurring activities
5. Strategies
6. Problems

⁹³ Linda Smircich, "Studying Organizations as Cultures" in Gareth Morgan's (ed.) Beyond Method (Beverly Hills, California: Sage Publications, 1983) p. 166.

7. Future perspectives
8. Concerns
9. Meanings
10. Events

Coding was essentially utilized for data labeling and data retrieval purposes. Reflective remarks, written in the left-hand margin of the notes, recorded reactions, insights, impressions, and interpretations of events. Notes to cross check or confirm statements were often made in the right-hand margins.

Field notes and interviews were stored in differentiated file folders by settings. Periodically, however, interviews were retrieved from files and main themes, impressions, or particularly interesting statements about the Bank were underlined. Explanations, speculations, and hypotheses were circled to reduce information overload.

DATA ANALYSIS

Attributes of the Bank, within each quadrant of the political economy framework, were analyzed to see whether configurations or composite images emerged. Associated facts and ideas about the history of the Bank were merged with configurations in order to develop a story line or major reference point of the study. Once the major reference point was established, synthesis or formation of a total perspective began to occur. The reference point thus established "relevance." For example, when a phenomena such as the stability of the Bank's internal structures and

processes became apparent many questions were raised. What does "maintenance" of internal structures and processes mean and how does "maintenance" impact on external structures and processes and vice versa? Does it mean internal peace and harmony, which in turn may lead to successful execution of technical roles and responsibilities? Does it mean that the organization is unable to adapt to shifts in the external environment because "maintenance" of internal consistency is considered more important? Does it mean that when changes are made in the internal structures and processes they are insignificant? And how has "maintenance" of the internal structures and purposes contributed to strengthening or weakening the institution?

Analysis involved examining the concept of maintenance of internal structures and processes and many more configurations to arrive at a single reference point. The reference point, roughly conceived was:

The Export Import Bank of the U.S. is operating in an environment markedly different from that in which it was originally designed to operate.⁹⁴ A congressional mandate of 1971 played a key part in changing environment in which the Bank operates and in altering the role of the Bank to fit the new environment. It ordered the Bank "to provide financial support competitive with the government supported rates, terms, and conditions available to competing exporters of other major exporting countries."⁹⁵ Until 1971, the Bank's internal and external political and economic structures and processes resulted in the effective and efficient execution of its diverse roles and responsibilities. Since 1971, however, the Bank has been having a difficult time trying to make the transition from a government sponsored enterprise which behaved like a commercial banking entity to a public agency specifically meeting the needs

⁹⁴ Chapter III, History, Programs, and Functions of Eximbank, traces the evolution of Eximbank.

⁹⁵ 85Stat. 345, PL. 92-126, 92nd Cong., 1st Session, August 17, 1971.

of U.S. exporters. Both internal and external structures and processes are responsible for a great deal of Eximbank's difficulty in making this transition.

This reference point became the researcher's mental window with which to view the Bank. It allowed the researcher to focus on political and economic structures and processes. It also tended to encourage the description of phenomena rather than to provide intervention principles. From this point onward, data configurations were viewed through this window. Propositions reflecting this reference point were checked against relevant data and incorporated as part of the big picture or discarded because they did not resist analysis, offered little in the way of shedding light on subjects of interest to the researcher, or were judged to not warrant serious attention.

A summary sheet was prepared which reflected what was known, what remained unknown, what needed to be confirmed and what needed clarification. It facilitated getting with what the researcher conceived as a principal function: the crystallizing action of data.

Several data displays were drawn in the forms of matrices and figures to facilitate comparisons of data and permit the data to be readily transferred to the final report. Two context charts were drawn. The first mapped the relationships of people within the Bank; it was based on an available organization chart. The second mapped the Bank's linkages to groups outside the Bank. A time ordered matrix to illustrate the development of major programs/activities from 1934-1984 was made. A role ordered matrix of Bank chairmen was built to: (1) determine specific characteristics of chairmen such as institutional leadership, innovation,

control, and (2) trace their effects on the Bank (primary influences, spin offs) and on external organizations. Finally tables of factors working for and against Eximbank were developed.

As conclusions began to form, they were written on a separate piece of paper and compared to field notes. Illustrations of representative examples of conclusions were matched to conclusions.

DRAWING AND VERIFYING CONCLUSIONS

Tactics for generating meaning and verifying conclusions were derived from Miles and Huberman, Qualitative Data Analysis. Very briefly, some of the methods for generating meaning included:

1. Counting. Many of the interviewees expressed a concern with mixed credits. Counting the number of respondents who expressed the theme was a useful way to measure the relevance of "mixed credits." Other variables were counted to confirm insights, see overall trends, and discover unexpected trends.
2. Noting patterns and themes. "Informal leadership" within the Bank was a theme that was constantly reported. Other themes, ranging over a wide spectrum of issues, spun off descriptive and explanatory material.
3. Clustering. Variables were sorted categories: external political, external economic, internal political, and internal economic categories. Within each of these categories subcategories were found and attributes were clustered into subcategories. For example, within the internal political category, categories of leadership, communications, structure, authority, and so on were formed and attributes were sorted accordingly.
4. Metaphors. Metaphors were used to pull together several particulars and make a single generalization. For instance the "prima donna" metaphor pulled together group norms, attitudes and treatment of employees, rituals, and perceptions in one package.
5. Splitting variables. Splitting variables was used as a means of finding detailed coherent descriptions. "Congress" was split into

House of Representatives and Senate which, in turn, were split into legislative committee Congressmen, congressional bureaucracy, laws, testimonies, and so on.

6. Subsuming particulars into the general. If an appropriate referent for particular set of attributes could be found attributes were subsumed into a more general class. For example, phrases describing employees as hardworking, competent, loyal, trustworthy, bright, capable, and honest fall into a class called "professional".
7. Noting relations between variables. Relationships between variables were explored in number of ways. For example if the adoption of an innovation occurred, it was related to personalities of political appointees, congressional directives, initiatives by other agencies, Presidential policies, and so on to see if there were strong clear relationships or weak ambiguous relationships between the adoption of an innovation and the variables mentioned above.
8. Intervening variables. If the Bank receives a policy directive from Congress and policy is not implemented there may be a mediating factor or constraint preventing implementation. For example, in the case of the provision of mixed credits, funding is central intervening variable.

Some of the tactics for testing or confirming findings were:

1. Checking for representatives. Results were discussed with a number of respondents; contrasting cases were looked at to extend the universe of the study and the number of cases were increased to enhance validity.
2. Checking for researcher effects. Interviewing off-site, explaining the study to informants, using unobtrusive data recording techniques or not recording data during all discussions were means of avoiding biases from researcher effects. Interviewing persons peripheral to the focus of the study and keeping research questions in mind were means of avoiding biases from the effects of site or the researcher.
3. Triangulating. Using different sources of evidence, different research methods, and different levels of analysis helped to verify findings. Secondary source materials, observation, interviews with a variety of informants, and diverse modes of evidence became the researcher's mode of operation.
4. Weighing the evidence. Data from certain informants (e.g. those with organizational memories, those with academic interests, and those who enjoyed talking about events and processes) were of higher quality and justified more confidence.

5. Making contrasts/comparisons. Contrasts and comparisons between sets of things (roles, activities, personalities) were used to test a number of conclusions.
6. Checking the meaning of outliers. Checking the strength of a basic finding was accomplished by examining the exception or exceptions. As an illustration, everyone, with the exception of a single interviewee, had positive comments about a specific chairman. This exceptional respondent turned out to have important viewpoints which varied considerably from others. It was later discovered that the chairman prevented this individuals promotion, thus modifying the coherent version of the benevolent leader.
7. Replicating findings. Selected findings were replicated in different settings with different interviewees.
8. Getting feedback from informants. Corroboration from interviewees was a continual process which resulted in more information about the Bank. Beyond these benefits, the process of sharing information and learning was a rewarding and hopefully a mutually enriching experience for both the author and interviewees.

SUMMARY

Quantitative research methods were undertaken to examine conditions, events and situations relating to the Bank's internal and external political and economic structures and processes. For example, the researcher asked about characteristics of the Bank's structure and how structural characteristics affected the tasks of the Bank, about leadership factors and how they affected commitment to jobs. Such questions lend themselves well to being answered with the qualitative methods of inquiry based on principles previously discussed in this chapter.

It should be apparent that the principal methodological challenges were (1) minimizing biases that affect subjective opinion; (2) achieving reliability or consistency; and (3) determining validity or establishing precise meanings. As discussed in the previous section, triangulation

or use of multiple research methods was used to increase reliability, and collection of data over time, weighting of evidence, enlargement of stores of information and comparisons of ideas, inferences, and facts were used to increase validity. Because a great deal of the research involved field research, the author recognized that the elimination of all subjective effects was impossible, and that it was important to understand how subjective elements were related and how they affected findings and conclusions. Jack D. Douglas, in Investigative Social Research, writes: "Rather than looking at research methods as preconceived constraints that automatically eliminate subjective elements, methods now become an inspiration as well as an attempt to show how one can create and use subjective experience, gained from interaction with other people and from introspection, to understand them and oneself."⁹⁶ The implication of Douglas' statement is that qualitative research methods can lead to penetrating and reflective approaches to the study of phenomena including organizations such as Eximbank.

⁹⁶ Jack D. Douglas, Investigative Social Research (Beverly Hills, California: Sage Publications, 1976), p. 25.

CHAPTER IV - HISTORY, PROGRAMS, AND FUNCTIONS OF EXIMBANK

This chapter seeks to bring the history, programs, and functions of Eximbank into perspective, thus increasing our understanding of current affairs of the Bank. The history of Eximbank will be viewed in terms of the organizational life cycle. Life cycle theory assumes that organizations are born, grow, and decline in a cyclic pattern. It provides an overview of the development of the Bank as a constantly changing process which occurs in a systematic manner. It covers a wide range of organizational behaviors, policies, and practices that can be divided into stages. These stages are not fixed to certain time periods and vary from organization to organization. Each of the stages involve interactions with and accommodations to environments and assimilation of new behaviors, policies, and practices. These complimentary processes of interactions and accommodations to environments and of assimilation continually take place.

The programs of the Bank will also be presented in this chapter in a series of tables with a considerable amount of thematic coherence. Although program descriptions are discreet and self contained, they help facilitate our understanding of the Bank's organization, provide the reader with an accumulative sense of understanding about how the individual programs fit into the overall scheme, and stand as a coherent unit while permitting a marked reduction in length of material.

Before beginning this examination of the history and programs of the Bank, the functions of the Bank, which were formulated in 1935, will be

described. Functions are defining characteristics of organizations. They, of course, provide insights in to the origins and destinies of the Bank's behaviors.

The year 1984 was the Export Import Bank's 50th year of existence. In 1934, the American Bankers' Association's (ABA) Advisory Committee to the Export-Import Bank of the U. S. revealed a progressive and unitary plan to achieve cooperation between commercial banks and U.S. government institutions and to appease members of Wall Street who tend to protect interests of their own. This plan, endorsed by commercial bankers, accentuated the following five functions of Eximbank with deceptive ease and made a lasting impression on the Bank's activities:

1. "Help finance transactions of a tenure beyond the length of a commercial bank transaction, up to five years;
2. Join in the extension of credit with commercial banks to handle for a concern of sizeable business where the amount of risk might not be prudent for commercial banks to handle alone or where the concern is unable to obtain commercial banking facilities for the amount required;
3. In approved transactions, assume part of the risk;
4. Assist in solving the problems of doing business with countries where there exists difficulty in obtaining foreign exchange; and
5. Be the focal point of all government activities in assisting in providing the markets for American goods and commodities."⁹⁷

⁹⁷ General Correspondence File of the Export-Import Bank, Reconstruction Finance Corporation, RG234, National Archives (Washington, D.C.). Point two infers that the Bank would extend credits for large projects such as industrial, power, mining, and energy projects; these credits are generally in amounts exceeding millions of dollars and repayment terms generally exceed five years. Point four infers that Eximbank

These functions, with the exception of number five, are still performed in many different ways with many different tools. Although Eximbank has managed to perform some coordinating activities throughout its 50 years, it cannot be properly characterized as a central trade mechanism. It has not ordered diverse trade activities, has not developed trade objectives that are widely shared and understood, and has not become the focal point of U.S. exports.⁹⁸

In spite of the fact that tensions and difficulties, complications and demands, and interventions and involvements have affected the first four functions, they still represent the best descriptions of Eximbank's basic activities and contribute to its distinctive character and stable institutional framework.

Throughout the Bank's history, as this chapter will reveal, the pendulum has swung between performing new functions, as required by the de-

would assist in providing insurance against political and commercial risk.

⁹⁸ Descriptive history of the Bank from 1934-1953 was largely derived from Hawthorne Arey's History, Operations and Policies of the Export-Import Bank of Washington, Washington, D.C.: 1953. Arey, a banker and attorney, held various positions at the Bank and participated in Eximbank activities from 1938-1961. The Export-Import Bank of the U.S., 1934-1974, by Earl Mazo, Washington, D.C.: 1974 is a writer's look at the Bank; it was based on interviews with key staff, and it captured particular events and personalities which added important details to this chapter. Finally, George D. Holliday's History of the Export-Import Bank of the United States, Washington, D.C., 1975, is a concise history of Bank and a coherent frame of reference. Holliday, a researcher at the Congressional Research Service (CRS) at the time of publication, imbued the subject with formality and provided academic discipline. I am also indebted to James Cruse, Vice President for Policy Analysis, Eximbank who introduced me to relevant aspects of Eximbank's history and a wealth of information published by Eximbank and executive agencies (see Appendix A).

mands of external and internal circumstances, and preserving and expanding the five functions listed above. Viewed in this way, the Bank's functions, as defined in 1934, are both a stabilizing force against intrusions which threatened to disrupt the Bank's sense of continuity and identity, and a force limiting the Bank's ability to respond to environmental changes.

HISTORY OF THE BANK

Environmental Influences, Including the Public Corporate Process, on the Creation of Eximbank

This section of the paper deals with the origins of the Bank. It examines economic, political, and social factors that created conditions for the birth of the Bank. An understanding of the environment conducive to the creation of the Bank leads to comprehension of factors constraining and molding the Bank in subsequent stages of the life cycle.

In explaining the emergence of the Export-Import Bank, it is useful to focus upon a specific type of government entity, the public corporation. As used in this study, the public corporation refers to an organization: (1) created by Federal statute; (2) supervised by a board of directors or an administrator appointed by the President (rather than elected officials); (3) wholly owned by the government; (4) having an independent corporate status (including generally the right to sue and be sued, the authority to raise funds from private money markets).

Eximbank was perhaps as much of a response to the economic crisis as to certain values and assumptions about corporations and their role in the U.S. political economy.

The idea of creating corporations to conduct commercial-type revenue producing operations and respond to market conditions can be traced to the 18th century. Among the earliest companies chartered in the United States were banks. The Bank of North America⁹⁹, founded in Philadelphia in 1781 was the first commercial bank. By 1790, each of the four major cities (Philadelphia, New York, Boston, and Baltimore) had state chartered banks.¹⁰⁰ The First and Second U.S. Banks had federal charters. Although Thomas Jefferson's and James Madison's opinions on the constitutionality of a bill for establishing a national bank differed sharply from the opinions of Alexander Hamilton, it is interesting to note that the government subscribed one fifth of the capital and appointed five of the twenty five directors of the Bank of the United States in 1791.¹⁰¹ In 1819, the U.S. Supreme Court, in the landmark case, *McCulloch vs. the State of Maryland*, established, through the doctrine of implied powers, that the creation of Federal government corporations is within the powers

⁹⁹ The Bank of North America was originally chartered by the Continental Congress; it later acquired a state charter.

¹⁰⁰ Herman E. Krooss and Martin R. Blyn, A History of Financial Intermediaries, (New York, New York, Random House, 1971), p. 19.

¹⁰¹ Annmarie Hauck Walsh, The Public's Business: The Politics and Practices of Government Corporations, (Cambridge, Massachusetts, the MIT Press, 1978), p. 16.

of Congress thus opening the constitutional door to the increases in Federal corporate activities.¹⁰²

The proliferation of wholly owned Federal public corporations, however, began in the early part of the twentieth century with the incorporation of the Panama Canal Company under federal statute in 1904 when the Panama Railroad Company was purchased from the French Panama Canal Company. Major federal corporations including the Reconstruction Finance Corporation, the Inland Waterways Corporation, and the Federal Deposit Insurance Corporation were subsequently organized for the purpose of stimulating the economy after the Depression. Cabinet level departments were considered ineffective for restoration of the rapid economic recovery required by New Deal officials. The argument was that Cabinet level departments were too slow to deal with pressing problems; that they lacked specialized knowledge to deal with such matters; that they were tied to precedent; and that they were not free from partisan political considerations.

The rationale for creating public corporations, however, was perhaps best exemplified in President Roosevelt's proposal to create the Tennessee Valley Authority (TVA) in which Roosevelt described the TVA as "a corporation clothed with the power of government, but possessed of the initiative and flexibility of private enterprise."¹⁰³

¹⁰² McCulloch v. The State of Maryland 316 U.S. (1919)5

¹⁰³ Message of April 10, 1933, from Franklin D. Roosevelt, House Document 15, 73rd Congress, 1st Session, quoted in Charles Herman Pritchett, The Tennessee Valley Authority, (Chapel Hill: University of North Carolina Press, 1943), p. 29.

What led Roosevelt to claim that a public corporation possessed attributes of flexibility and initiative? In comparison with regular government departments, why were corporate agencies generally characterized by considerable freedom and flexibility with regard to policies and control and by economy with regard to administration? Closely related to these questions is a host of secondary questions of consequence about government corporations. For example, do government corporations make more rational, competent decisions than other forms of government organizations? Does the structural autonomy of government corporations affect recruitment and socialization of employees? Concern with these questions and other aspects of public corporation is rooted in the notion that the private sector is superior to the public sector in terms of production and decisionmaking and in the Progressive reform movement's concern with the ills of political corruption and the economic evils of business trusts.

Woodrow Wilson, in his 1887 essay, "The Study of Administration," argued that "the field of administration is a field of business. It is removed from the hurry and strife of politics."¹⁰⁴ Wilson's sentiments were shared by Progressive reformists who viewed human nature as rational, perfectible and capable of efficient administration. If government decisions are made on the basis of business like rationality, Progressives asserted, government would become more efficient and effective. Annmarie Hauck Walsh points out that "not only the course of public enterprise

¹⁰⁴ Woodrow Wilson, "The Study of Administration" (1887) in Political Science Quarterly 56 (December, 1941): pp. 481-506.

politics in the United States but also most of the written works discussing government corporations are tightly woven in the fabric of Progressive symbols."¹⁰⁵ Symbols of meaningful actions such as thrift and profit, lack of corruption, and avoidance of party politics are part of the Progressive reform movement that led to the establishment and acceptance of public corporations.

Woodrow Wilson and Frank Goodnow shaped the dichotomy of politics and administration by stating that politics is responsible for establishing ends and that administration provides neutral means to attaining those ends.¹⁰⁶ Today, the politics administration dichotomy is a resilient and adaptable strawman that is repeatedly invoked in academic discussions of government organization and reorganization; however, in the beginning of the 20th century, the dichotomy was a significant goal which set the stage for further bureaucratization of the American economy, facilitated the establishment of public corporations including Eximbank and added a special and complex meaning to the term "bureaucratic responsiveness."

The public corporation was viewed by adherents as unifying the virtues of both private and governmental organizations with the vices of neither. "Government" was perceived as the superior institution to express common social goals, establish policies, and accomplish social purposes. The "corporation" was perceived as the superior institution for efficient use

¹⁰⁵ Annmarie Hauck Walsh, The Public's Business: The Politics and Practices of Government Corporations, (Cambridge, Massachusetts, the MIT Press, 1978), p. 26.

¹⁰⁶ Frank J. Goodnow, Politics and Administration (New York: Macmillan, 1914) and Woodrow Wilson, "The Study of Administration" (1887) in Political Science Quarterly 56 (December, 1941): pp. 481-506.

of resources, keen sensitivity to changes in the environment, and achievement of performance based objectives. Wide acceptance of government corporations was stimulated by public corporations' favorable reputations and visible results: airports, tunnels, bridges. The rising cadre of public administration professionals also advocated the use of the public corporation. These endorsements, in turn, spawned more federal, state, and local corporations responsible for shipbuilding, commodity marketing, and housing.

The first years of the Bank were characterized by an atmosphere of uncertainty and innovation, establishment of credibility, movement from a limited orientation to emerging involvement in a range of areas, and entrepreneurship. Throughout subsequent chapters of this thesis, these and other characteristics of Eximbank will be examined. Their emergence and disappearance and growth and decline will be looked at in an effort to understand the economic and political structures and processes of Eximbank. Some of the characteristics that will be examined arose quickly, others emerged slowly. Some prospered and continued relatively unchanged; others underwent incremental changes. Some disappeared; others became increasingly important. The range of transformations is vast.

Birth: The Origins of Eximbank

The Export-Import Bank of the U.S. (Eximbank) was established in the District of Columbia on February 2, 1934, by Executive Order No. 6581 of President F.D. Roosevelt under the authority vested in the President by the National Industrial Recovery Act (NIRA) of 1933. The Bank's role,

as defined by Franklin D. Roosevelt's "New Dealers," was pragmatic: to shift expenditures in foreign countries toward goods produced in the U.S., thus maintaining and enlarging foreign markets for U.S. agricultural, industrial, mining, and manufacturing products. The Executive Order establishing the Export-Import Bank made no mention of specific trade policies that the Bank was to support or of clearly defined activities the Bank was to undertake. The purpose of the Bank, broadly stated, was "to aid in financing and to facilitate exports and imports and the exchange of commodities between the United States and other nations or agencies of nationals thereof."¹⁰⁷ An important implication of Roosevelt's Order was that Eximbank supported exports would affect the U.S. economy by stimulating American industry and employment.

The initial impetus for the creation of Eximbank was to provide a trade link to the Soviet Union, officially recognized by the United States in 1933. U.S.-Soviet trade was constrained by a Soviet shortage of convertible currency to pay for imports. Moreover, the vast majority of private financial institutions in the U.S. was unwilling to risk providing credits to Soviet importers. The Soviet shortage of trade credit was set against a backdrop of world wide depression, a substantive U.S. trade surplus and the New Deal. Prior to 1973, the Bank did not enter into trade transactions with the USSR; the issue concerning outstanding Soviet debts to the U.S. government and citizens was the major constraint.

The Reconstruction Finance Corporation (RFC) financed the Export-Import Bank of the U.S. for a total capitalization of 11 million dollars

¹⁰⁷ Executive Order 6581, February 2, 1934.

and established a board consisting of five trustees to oversee the operations of the Bank. Similar government export credit organizations had been formed in Great Britain, Germany, Belgium, Italy, France prior to 1930, and American firms had been forced to compete with European firms offering more advantageous export credit terms. Japan began to provide credits on exports to new markets as early as 1930; the Bank's preoccupation with the Japanese and British export credit systems is noted in its 1937 Annual Report.¹⁰⁸

A month later, a Second Export-Import Bank was established by Presidential Executive Order 6638 to assist Cuba in meeting a large budgetary deficit that resulted in nonpayment of civil servants. Both the First and Second Banks were organized as corporations under the laws of the District of Columbia. The Second Bank also obtained capital through sale of stock to the RFC. A credit of \$4 million was extended to Cuba to finance the purchase and printing of silver into Cuban pesos by the Second Bank in 1934 largely to finance public works. By the close of calendar year 1938, four more credits were extended to Cuba to finance the purchase of silver bullion and the minting of silver totalling over \$9 million. In July, 1934, operations of the Second Bank were extended to cover the world at large with the exception of the Soviet Union due to its outstanding debts. This act was the first of numerous executive and legislative measures which changed the scope and nature of the activities of Eximbank.

¹⁰⁸ Export Import Bank of Washington, Annual Report, 1937, p.4.

In 1935, the two Banks were designated as agencies of the U.S. Government by Public Law 1, 74th Congress and were allowed to operate until June, 1937. The legislation of 1935 also enlarged the scope and type of transactions of the Banks to include:

- credits in support of agricultural commodities for periods greater than 90 days to which commercial banks generally limited loans;
- direct credits to U.S. exporters of capital goods; and
- loans to foreign banks temporarily lacking American dollars.¹⁰⁹

The immediate effect of this expansion was a stronger Bank with a more ambitious agenda.

In April, 1935, following the breakdown of Soviet debt negotiations, the Boards of Trustees of the two Banks (comprised of the same individuals) decided to consolidate the Banks. Commitments and loans of the Second Bank were gradually transferred to the First Bank which possessed funds intended to facilitate trade with the Soviet Union. The Second Export-Import Bank was fully liquidated on June 30, 1936. Dividends were paid from earnings and preferred stock in the amount of \$2,500,000 was retired. The full amount of the Second Bank's original capital, \$250,000 was returned to the U.S. Treasury. By the end of 1935, the Export-Import Bank of Washington had extended credits to 18 countries for a total of \$70 million.¹¹⁰ Commitments included short-term or intermediate credits

¹⁰⁹ 81 Congressional Record 359 (1937).

¹¹⁰ Hearings before the Committee on Banking and Currency, "Study of the Export-Import Bank and the World Bank," 83rd Congress, 2nd Session on S. Res 25, January, February, June, 1954.

for agricultural exports, credits for durable goods, and assumption of foreign exchange risks.

From 1935 to 1939 the Bank, a consequence of the times, began to take shape and acquire form by continuing to participate in diverse foreign financial operations although its main activities involved loans for the purchase of U.S. agricultural commodities, mainly cotton and tobacco, and capital goods such as machinery and road building equipment and credits which provided relief against dollar exchange. In both types of transactions, Eximbank helped contribute to the growth of U.S. exports and helped foreign buyers by authorizing credits with longer maturity dates than those of more restrictive commercial banks. Long term lending disbursements have especially important consequences for exporters and buyers of capital goods since the rate of return on capital of such goods is often a drawn-out process with unforeseeable side effects and foreign competitors generally offer export credit terms with preferential fixed rate financing and long maturities. In 1938, the Bank provided credit lines of up to \$10,000 to small American exporters and importers who were hampered by lack of capital. The operation of these small credit lines was the Bank's first activity focusing specifically on small business.

During the 1930s the Export-Import Bank of Washington engaged in several transactions initiated by other U.S. government agencies. These included loans for flood relief to China in 1931, extended by the Grain Stabilization Corporation in 1931; agricultural credits to China extended by the Reconstruction Finance Corporation for the purchases of wheat and cotton; and credits to Germany extended by the Grain Stabilization Corporation for purchases of wheat. These transactions signified demands by

foreign countries to purchase American goods with official assistance. Gradually, such demands became parts of more general demands by foreign governments to meet a range of development needs. For example, in 1938, the Bank financed the construction of the famous Burma Road between the countries of China and Burma through the Universal Trading Company which was organized as the agent of China in New York State.

Also in 1938, Eximbank authorized a \$5 million loan to the Republic of Haiti to finance U.S. exports of equipment, materials, services and administrative costs to carry out numerous public works projects including ports, roads, and sewer lines in conjunction with an American engineering firm. This credit became known as Exim's first "development loan" and set the stage for other innovations that the Bank was itself to initiate in post World War II decades. It came about as a result of Haiti's discussion of needs with both the U.S. State Department and Eximbank.¹¹¹

In 1939, the Bank established lines of credits in the amount of \$20,000 each in favor of 34 foreign central banks to provide dollars for U.S. imports in periods of dollar shortages and depreciation.

In 1936, 1937, 1938, and 1939, credits to liquidate commercial arrearages in Brazil were extended to the Banco do Brasil. A credit to finance a portion of the Inter-American highway was extended to the Gov-

¹¹¹ The loan to Haiti signified a major change in the functions of Eximbank and the first important involvement of the Department of State in Eximbank affairs. Since 1938, State Department-Eximbank interaction has grown, generally in the context of "national interest." At times, State Department involvement in Eximbank affairs has produced conflict, and, at other times, it has been harmonious. Especiall interesting examples of State Department pressures on Eximbank's transactions are discussed in Richard S. Fineberg's Subsidizing Success: The Export-Import Bank in the U.S. Economy.

ernment of Nicaragua, and a credit to build a highway was extended to Paraguay. As in the case of Haiti, the loans to construct highways were advanced to engineering firms to finance U.S. materials and equipment and part of local costs. Lines of credit to facilitate dollar exchange for U.S. imports were also provided to Nicaragua, Paraguay, and Uruguay in 1939. Congress renewed the Bank's charter for two years in 1937 and for two more years in 1939. Ultimately, the 1939 legislation had more impact on Eximbank because it placed a limit on the amount of Bank loans outstanding at any one time to \$100 million. Indeed, the 1939 ceiling constituted a major transformation in the Congressional-Eximbank relationship. The establishment of fiscal limitations became one of Congress' most important means to maintain control of the Bank. Limits are currently set for direct loan authority, for loan guarantees, and for investment insurance purposes. Prior to this legislation, the Bank's lending was limited only to the extent that the Reconstruction Finance Corporation (RFC) was able or prepared to furnish funds through the purchase of the Bank's stock.

Administrative changes, initiated by President Roosevelt in 1939, made the Bank part of the Federal Loan Agency under Reorganization Plan No. 1 (under the administration of Jesse H. Jones), but they did not alter the operations of the Bank which continued to be reviewed by a Board of Trustees of eleven members, including representatives of the Reconstruction Finance Corporation, State, Treasury, Commerce, and Agricultural Departments, and staff of the Bank. The Bank continued to be managed by its president and representatives of each of the four departments.

Youth: Development and Adjustment

Prior to World War II, the Bank began to formulate a series of programs which eventually became well established parts of the the Bank's mission. It began to take a broader view of its responsibilities and to elaborate upon its self concept as an export financing facilitator and provider of foreign aid. The World War II years, adolescent years of the Bank, represent growth, not only in terms of the amount of transactions and volume of funding, but toward a sense of becoming a mature, stable organization. Further examples of growth and maturation will be drawn upon in Chapters V, VI, VII and VIII of this book.

With the advent of World War II, the Bank experienced a dramatic shift in policy; increased foreign trade transactions gave new scope and dimension to national strategic interests. Long before the formal outbreak of hostilities, the concept of economic warfare had been firmly established and Eximbank was used to enhance the flow of goods having military and strategic significance. Eximbank's lending power was raised to \$200 million of loans outstanding at any one time in 1939, and to \$700 million in 1940 in order to increase and insure stable raw materials transactions with Latin America. Once war erupted in Europe in 1939, Assistant Secretary of State, Adolf A. Berle wrote to President Roosevelt, "It seems to me that in any event we shall have to intensify our South American policy to the limit."¹¹² Generally speaking, the United States, needing

¹¹² Adolf A. Berle to Roosevelt, September 18, 1939, Roosevelt Papers, PSF: Washington, D.C.: Department of State.

Latin-American raw materials, supplied South American nations with economic assistance, primarily Eximbank funds. Loans were made to Finland, Denmark, Sweden, Norway, Iceland, and Hungary, as Germany strengthened its grip on Europe and the U.S. government saw the need for more active official export credit efforts.

During the war, Eximbank's role was transformed from an export financing facilitator and provider of funds for development purposes to an instrument of economic defense. Latin American countries including Panama, Chile, Ecuador, Argentina, Peru, Columbia, Venezuela, the Dominican Republic, and Uruguay received the bulk of loans which were designed to secure sources of vital raw materials including minerals such as iron ore, petroleum, copper, nickle and other ferro-alloys and commodities such as rubber and cotton. Loans to assist in construction and improvement of transportation systems, both rail and highway, became important as part of the effort to increase the delivery of strategic materials to the United States.

The largest credits, totaling \$45 million, were provided to Companhia Siderugica Nacional do Brasil, Brazil's national steel corporation that had entered into the steel business with the assistance of U.S. Steel Corporation. Eximbank's decision to finance the Volta Redonda steel mill in Minas Gerais, Brazil, resulted in Eximbank's active and continuing participation in the financing of industrial activities and in the steel industry in Brazil and; Eximbank still plays an important role in the Brazilian steel industry although other financing agents are many and varied.

Eximbank exerted a similar influence on the iron ore industry in Brazil. Companhia Vale do Rio Doce became the recipient of credit to develop iron ore and to rebuild port and railroad facilities to ship the ore to Great Britain. Companhia Vale do Rio Doce is now the largest iron ore company in the world; at present, it is in a third phase of expansion, in part due to the Bank's export credits.

Other related war credits were authorized for Mexico to refine gasoline for the war effort, to Canada to increase the production of aluminum, to Argentina and Bolivia to contribute to the mining of tungsten, and to Haiti to develop rubber plantations. Three purposes motivated these credits: (1) to safeguard national security; (2) to promote foreign policy objectives; and (3) to prevent excessive drain of crucial raw materials.

Scarcity of shipping space and U.S. goods for export restricted the conduct of non-governmental trade during the war. Although Eximbank's effort in economic warfare undoubtedly had its effect in keeping critical raw materials out of the Axis' hands and developing a stockpile of materials for defense purposes, decisive data concerning these effects are unavailable. Within a little over a decade Eximbank changed from an entity originally envisioned to accomplish two highly specific tasks with the Soviet Union and Cuba to an organization designed to finance private export transactions throughout the world (with the exception of the Soviet Union) to an agency engaged in the allocation of funds for foreign aid and defense purposes.

During World War II, the Bank was placed under the Office of Secretary of Commerce (1942), under the office of Economic Warfare (1943), and under the Foreign Economic Administration (also in 1943). The basic functions,

methods of operation, and personnel of the Bank were not affected by these administrative changes. The Bank's internal form and structure and decisionmaking process also remained intact.

Maturity: Stabilization, Committment, and Growth

The period of 1945-1970 represents the Bank's adulthood. In 1945, Eximbank moved toward a more serious position. With passage of the Export-Import Bank Act of 1945, the Bank adopted certain procedures and policies, found its place in the government bureaucracy, became part of the status quo, and began, with vigor, to strive, gain, and institutionalize a mission broader in scope. The Bank became more concerned with achieving excellence, discovered new means to stimulate trade, and began to encourage private participation in its export trade programs.

In 1945, Eximbank was carefully examined by Congress with respect to the amount of funding; as a result, it experienced a major reorganization through the Export-Import Bank Act of July 31, 1945. Its present legal existence and operating standards are based on this act and on its numerous amendments. The act brought about several major changes. First, it reaffirmed that the major purpose of the bank is to "aid in the financing and to facilitate exports and imports and exchange of commodities between the United States and any foreign country or national thereof."¹¹³ Second, loan authority increased five fold from \$700 million

¹¹³ Export-Import Bank Act of 1945, Sec. 2 (a) (1).

to \$3.5 billion and the Bank was authorized to issue obligations to the Treasury Department not to exceed \$2.5 billion at any one time. Third, the Bank was made an independent agency of the United States government and given indefinite life. Fourth, the Bank was to be managed by a bipartisan Board of Directors composed of the Secretary of State, ex-officio, and four full-time members appointed by the President of the U. s. with the consent of the Senate. One was to be designated as Chairman. Provision for an advisory board was made. Fifth, the Bank remained organized as a banking corporation in the District of Columbia. Sixth, the Bank was given power to guarantee debt obligations in addition to its power to make, discount and rediscount loans.

The 1945 Act also imposed a ceiling on the Export-Import Bank's commitments. Congress and the Office of Management and Budget (OMB) were allowed to set limitations within the statutory ceiling. The United States subscribed to \$1 billion of capital stock of which \$825 million was new capital and \$175 million was derived from cancellation of the Bank's existing stock. Finally the act authorized the Bank to use all of its net earnings from its operations as well as its capital and other moneys allocated by Congress or borrowed.

The 1945 Act, in other words, laid out the operating rules of the Bank and set in motion sets of activities which led to a well ordered organization which reflected newly acquired order in the economic and political environment. It also set the foundation for the Bank's relationship with Congress in the areas of developing and approving policies, authorizing and appropriating expenditures, and overseeing the Bank's operations. By 1945, Congress appeared to see that the potential costs and benefits

of Eximbank, both in the domestic and the foreign arenas, promised to be far reaching and of significance to the future of world trade. One of the most interesting indirect consequences of World War II was the perception that the world market was no longer dominated by the United States.

Since 1945, several legislative measures have streamlined, improved, and enlarged the act in efforts to shift to new social, economic and political circumstances. However, some of these directives, dictated by amendments to the Bank's 1945 charter and by policies set by Congress, conflict with one another and create difficulties in the implementation of policies. The Bank, for example, is expected to be self sustaining; it is to operate on its \$1 billion capital without coming to Congress for appropriations. The Bank's loans and guarantees are expected to meet the criteria of reasonable reassurance of repayment, as defined by different boards of directors. Yet, the Bank's statute also requires it to attempt to meet subsidized concessionary financing of official export credit counterparts in other nations. Other constraints which complicate individual transactions include: (a) products directly financed by Eximbank must be shipped by U.S. flag vessels unless a waiver is obtained from the Maritime Administration and (b) environmental impact statements are required for nuclear projects and other projects which may pose negative impacts.

During the hearings on the proposed 1945 act, two particularly controversial issues arose: Was the Bank extending its lines of credit to include new, controversial areas and would the Bank's program conflict with the proposed program of the International Bank for Reconstruction

and Development (IBRD or the World Bank). Although the hearings raised these questions, there were no clear-cut answers. In this connection, it is significant that formal resolution of these questions has not been achieved.

After 1945, Eximbank shifted its focus from Latin America to post-war Europe as part of the reconstruction effort. The close of the war brought an extraordinary demand for relief and construction goods. For example, a \$550 million line of credit was extended to France, a \$55 million of credit to Belgium, and a \$50 million line of credit to the Netherlands, for the purchase of the U.S. agricultural and industrial products. Another major benefactor was England; the Bank also continued to lend to China, Finland, Norway, Denmark, Greece, and Italy, the Netherlands, Czechoslovakia, and Poland for reconstruction purposes including exports of raw cotton to promote the return of cotton to normal trade channels.

In 1946, the Bank announced an end to reconstruction loans, with the exception of a \$3 million credit for rehabilitation of the Ethiopian economy, noting that the International Bank for Reconstruction and Development was able to carry on in this area. Loans, characterized by traditional terms of export trade, were made to Canada, Austria, Turkey, Finland, Hungary, Czechoslovakia, Italy, China and the Netherlands in 1946-47. Credits were also extended to Latin American countries during these two years for U.S. agricultural and manufactured goods.

In 1947, the Export-Import Bank Act of 1945 was amended to reincorporate the Bank under Federal charter rather than the District of Columbia Charter which the Bank had acquired in 1934. Reincorporation was stipulated by the Government Corporation Control Act and the Bank was

authorized to operate until June 30, 1953. The Control Act was intended to "establish overall public control by Congress, the Budget Bureau, Treasury Department, and the General Accounting Office."¹¹⁴ It was a response to a 1944 Report of the Joint Committee on Nonessential Federal Expenditures, chaired by Senator Harry F. Byrd, which concluded that the corporate option had been misused. The Committee Report noted that fiscal control was a particularly important concern.¹¹⁵

The Act was heavily criticized. C. H. Pritchett, for example, contended that the Control Act of 1945 was "an attempt to retreat from the principles of public corporate autonomy achieved at the expenses of accountability."¹¹⁶ The act's most important provisions provided for an annual audit of all government corporations by the Government Accounting Office (the act specified that the audit be conducted in accordance with principles and procedures applicable to commercial corporations) and required wholly owned government corporations to submit a business type budget or plan of operation to Congress as part of the annual budgetary processes.¹¹⁷ Although the Control Act changed the management processes of the Bank, it did not alter its activities. Supporters of the Act

¹¹⁴ Senate Document 227, 78th Congress, 2nd Session, p. 30.

¹¹⁵ U.S. Congress, Joint Committee on Nonessential Federal Expenditures, Reduction of Nonessential Federal Expenditures, Senate Document No. 241, 78th Congress, 1944.

¹¹⁶ C. H. Pritchett, "The Government Corporation Control Act of 1945," American Political Science Review 40 (June, 1946): pp. 495-509

¹¹⁷ In 1975, the Control Act was amended so that wholly owned government corporations would be audited at least once every three years.

agreed with H. Seidman, however, who contended that the act constituted "a coming of age" of government corporations in the U.S..¹¹⁸

Eximbank became the agent for political guarantees issued by the Economic Cooperation Administration to U.S. by provisions of the Foreign Assistance Act of 1948; industrial credits were extended to particular countries on credit terms specified by the Administration for Economic Cooperation in consultation with the National Advisory Council on International and Fiscal Problems. Most of its activities in 1948 were in South America although the Bank approved a credit of \$650 million to France for the purchase of agricultural products and capital goods.

On the application of Douglas Aircraft, in 1948, a credit of \$2,155,000 was extended to Sweden to assist in financing the sale of six DC-6 aircraft. On the application of Lockheed Aircraft Corporation, the Bank authorized an advance commitment not to exceed \$22.5 million to assist in financing the sale of 20 Constellation aircraft and parts to British Overseas Airline Corporation. Loans to assist in the purchase of commercial aircraft carriers, such as the two mentioned above, became one of Eximbank's most significant financing activities. The aircraft industry's financial relationship with the U.S. government is based on the industry's high initial R&D and production costs, its downward sloping costs of production, its marketing difficulties, and its foreign policy and strategic aspects. As could be expected, the aircraft industry is, perhaps, the main beneficiary of Export-Import Bank subsidies.

¹¹⁸ H. Seidman, "The Theory of the Autonomous Government Corporation: A Critical Appraisal", Public Administration Review 12 (Spring, 1952), p. 94.

During 1948, there were difficulties in negotiating trade agreements with Yugoslavia due to resentment of expropriation of Western assets; however, the Export-Import Bank provided a \$20 million line of credit in favor of the National Bank of Yugoslavia in 1949. Of this amount, \$12 million was immediately allocated to finance the purchase of equipment for 21 mines. A loan of \$10 million was extended to Finland, to expand Finnish wood working industries and a credit of \$5 million was extended to Canada to develop iron ore deposits. Credits of \$100 million to Israel were also extended in 1949 to assure a balanced financial base in the new state thus beginning a series of loans to Israel which paralleled the need and willingness of the U.S. to commit vast resources to Israel.

President Truman, on June 24, 1949, introduced the "Point IV Program" which provided for technical assistance to underdeveloped countries. Specific elements of the program were Eximbank loans to underdeveloped nations for purchases of productive goods for economic development and guarantees of U.S. private capital against risks. Since its initial development loan to Haiti in 1938, the Bank had been engaged in loans for economic development; however, it did not guarantee against business risks or risks peculiar to foreign investment. Because of the Point IV Program, a new chapter in Eximbank development assistance began. Renewed efforts to extend capital equipment loans were made (e.g., loans for machine tools, transportation equipment, power generating equipment and oil drilling machinery).

In the 1950s, Eximbank continued to assist in financing economic development and formalized its role as a general credit agency designed to assist U.S. exporters in meeting foreign subsidized credit competition.

This function, involvement in transactions that face intense foreign credit competition, best characterizes the Bank's mission today. It utilizes the majority of Eximbank's material resources and political energies.

During the decade of the 1950s the Bank extended loans for the purchase of U.S. goods and services including equipment to produce strategic raw materials such as nickel, zinc, copper, iron ore, and uranium. Under Executive Order No. 10281, issued August 28, 1951, the Bank was allowed to make loans, pursuant to the Defense Production Act of 1950, as amended for the production of essential materials abroad. It also acted as a fiscal agent for loans to the European and Steel Community, the Polish Peoples Republic, and the former Reconstruction Finance Corporation. With Europe and Japan's prospects for international business and the revival of keen competition in foreign markets, the Bank was directed to do more.

Supplier credit programs, designed to encourage private financing of exports, and insurance programs, designed to issue war risk and expropriation insurance, were introduced into the arena of competition. Much of the Bank's lending was in Latin America although Asia, Africa, and the Middle East received credits. With the establishment of other agencies to administer foreign aid programs, and the organization of the International Bank for Reconstruction and Development, Eximbank gradually withdrew from development loans which support long-term development projects and returned to a past concern: the financing of U.S. exports in an increasingly competitive environment which has been characterized as an environment approaching a credit war.

Increasingly, Eximbank attempted to loan money not to aid general economic development but to assist U.S. exporters in marketing goods abroad. The Bank also extended credit to private interests during this period thus stimulating the flow of capital abroad.

In the early 1950's the Eisenhower administration attempted to curtail the activities of the Bank; however, efforts of exporters and a number of Senators, notably Senator Homer E. Capehart and Representative Jesse P. Wolcott thwarted attempts to limit the Bank's activities and resulted in legislation that provided for five-man bi-partisan board members and in an increase in lending authority.¹¹⁹ The wide scope of lending operations of the Bank was reflected in new credit authorizations. For example, between July 1, 1954 and June 30, 1955, new credits of \$629.3 million were authorized.¹²⁰

The Bank attempted to secure as much private capital as possible in lending operations during this period. To that end, it obtained funds for new credits from commercial banks, with repayment guaranteed by Eximbank, in lieu of making disbursements with funds borrowed from the U.S. Treasury. Funds of commercial banks were also utilized in medium terms advances by commercial banks pursuant to on-demand take-out agreements and short-term advances in operations under guaranteed letters of credit. Co-financing of exports, particularly for large projects in the industrial, public utility and transportation sectors, was increasingly

¹¹⁹ The Eisenhower Administration's struggle with Congress over Eximbank will be examined in detail in Chapter V.

¹²⁰ Export-Import Bank of Washington, Twentieth Semiannual Report to Congress for the Period of January-June, 1955, p. 2.

used to broaden borrowers' sources of external funds and to diversify borrowing programs.

During the 1960s the Bank continued to adhere to its original policy statement to supplement and encourage but not to compete with private capital. Its direct loan program suffered periodic reverses and decline, due to cyclical fluctuations in supply and demand, but its guarantee and insurance programs progressively evolved, conditioned by economic and political circumstances.

In February, 1961, with Europe and Japan in the export business, President John F. Kennedy sent a balance of payments message to congress calling for a substantial increase in U.S. exports. Accordingly, Eximbank was directed to take steps to meet export financing arrangements by other governments. The Bank turned its attention to the improvement of short and medium term financing programs. First, it broadened categories of goods eligible for financing and simplified procedures under the medium term program. Second, Eximbank created the Foreign Credit Insurance Association (FCIA), a carefully crafted affiliate comprised of U.S. Marine Casualty and Insurance Companies. FCIA and Eximbank co-insure export credit extended by U.S. suppliers and banks for political and commercial risks covering medium term and short term transactions in accordance with standard insurance principles. The 1960s led to the perception that loan guarantees were inadequate: therefore, measures were taken to refine them. Commercial banks and other financial institutions became increasingly active in the extension of credits authorized by the Bank as the Bank intensified its activities. Private co-financing efforts increased and led to a greater array of Bank programs which were aimed

at stimulating U.S. exports. By 1970, Eximbank was co-financing its loans with commercial banks, official aid agencies, and export credit institutions to promote U.S. commercial interests. As in the past, the largest segment of dollar lending was through project lending.

Passage of the Export Expansion Act of 1968 allowed Eximbank to take somewhat greater risks by authorizing the Bank to use up to \$500 million of its \$13.5 billion commitment authority to support transactions which "offer sufficient likelihood of repayment," a less stringent standard than "reasonable assurance of repayment", and augmented the promotional activities of the Bank to help exporters penetrate new markets and maintain existing ones.

During the period 1960-1970, the Bank extended emergency trade credits to ease foreign exchange crises in Brazil, Venezuela, Chile, Mexico, Canada, Italy, and Great Britain. Reasons for the crises varied although certain problems were shared: large budget deficits, inflation, deteriorating terms of trade, and delayed adjustments of exchange rates. The Bank extended development loans to Latin America under the Alliance for Progress plan to raise the Latin American growth rate and to invest in social reform. Project loans extended under the Alliance included equipment for electric power facilities, highway construction, agricultural production, and development of water supply and sewage systems. The Bank extended credits to developing countries in Asia, Africa, and the Middle East as many of the developing countries began to finance basic infrastructure projects. During these years, several regional development banks were established including the Inter-American Development Bank

(1959), the African Development Bank (1964) and the Asian Development Bank (1966).

Old Age: Decline and Inertia Rather than Adaptability

During the 1970s and 1980s the Bank was characterized by homeostatis. This suggests that prior to 1970 the Bank adjusted to varying situations, but that its ability to adjust to both internal and external structures and processes began to decrease. During the aging phase of the life cycle, the Bank is experiencing problems including a declining ability to respond quickly to the demands of its environment, decreased resistance to pressures, a lack of administrative vigor, budgetary problems, and doubt about its functions and role. The aging phase of the life cycle not only serves as part of the framework for this chapter; it is one of the four major themes embracing the entire work. Along with this theme, findings, descriptive of pertinent Bank phenomena, will be presented in subsequent chapters.

In 1970, the Private Export Funding Corporation (PEFCO) was created by 51 commercial banks, seven manufacturing firms, and one investment bank with the support of Eximbank and the Treasury Department. Official support was essential because of the high amount of risk inherent in loaning funds with fixed rates with long disbursement and repayment periods. PEFCO was established to make fixed-rate export loans in cases where other private sector lenders are not able to provide financing on competitive terms. PEFCO loans are guaranteed by Eximbank. In order to fund itself, PEFCO sells secured long-term debt obligations, principally secured

notes, in the public market through underwriters and security dealers. These securities are placed with institutional investors such as insurance companies, pension trusts, and non-profit organizations. All of PEFCO's loans carry the unconditional guarantee of Eximbank with regard to principal and interest. Cooperation between Eximbank and PEFCO has stimulated additional private financing for U.S. exports. "Since its creation in 1970, PEFCO has made export loan commitments totalling \$4.1 billion."¹²¹ In return for its support Eximbank has earned close to \$50 million in fees since 1971 and exercises supervision over major financial management decisions. Although the creation of PEFCO expanded the role of Eximbank into a supervisory one, to several observers, the marriage between PEFCO and Eximbank was regarded as plastic surgery intended to improve the physical state of Eximbank.

Eximbank acted in conjunction with other U.S. agencies in the 1970s thereby complementing trade policy with foreign policy. Military base agreements with Turkey, Spain, Greece and Portugal involved promises of Eximbank loans. For example, ex-Secretary of State, Henry Kissinger, refused to lend to the leftist Chilean government of Salvador Allende, but Eximbank extended credits to the Pinochet military government during its first year. Economic pressure used to achieve political ends is neither a novel or recent phenomenon and Eximbank is part of an institutional framework that provides for the applications of rewards and sanctions. In such cases, it is assumed that the best and vital interests of administrations are served by cooperation and coordination of efforts

¹²¹ Export-Import Bank of the U.S., Annual Report, FY83, p. 8.

by agencies such as U.S. Department of State, U.S. Department of Treasury, U.S. Department of Commerce, The Export-Import Bank, and so on.

During the 1970's Eximbank authorized financing to facilitate sales of U.S. nuclear power equipment, fuel, and services. Aviation financing was also an important part of its activity, and the financing of oil rigs and related equipment and hydro electric projects took a dramatic up turn. With the financing of capital projects, engineering, planning, consulting and technical assistance services also showed increased activity.

In 1975, restrictions on East-West trade were enacted by Public Law 93-618, an amendment to the Trade Act of 1974 which prohibited U.S. Government credits to non-market economy nations that restrict emigration. An exception was made for two nations eligible for most-favored-nation: Poland and Yugoslavia. Yugoslavia was able to escape this restriction because it had demonstrated independent aspirations in the 1948 Tito-Stalin rift and Poland was considered a most favored nation in 1960, on the basis of a Presidential determination that it was not subject to Communist domination or control.

Eximbank's financing of U.S. trade with the Soviet Union and other communist countries, one of its few recent risk-taking endeavors, became a particularly controversial part of Eximbank's activities. During the late 1970s and early 1980s, Eximbank released controls on capital goods to East European countries in a move to loosen Soviet influence in Yugoslavia, Poland, and Romania and to assist U.S. firms to penetrate Eastern European markets as part of an effort to open its doors for business.

In 1980, the Carter Administration determined that it was in the national interest to guarantee, insure and extend credit to the People's Republic of China; \$2 billion in credit was issued, via Eximbank, to China as an important step in relaxing economic sanctions against China. Since 1980, U.S. exports to China have expanded slowly; however, Bank officials are guardedly optimistic about several large scale proposed projects such as hydroelectric installations and made sales of high technology communication equipment.

In the late 1970s, the United States joined members of the Organization for Economic Cooperation and Development (OECD) in negotiating agreements on export credit operations by regulating interest rates and maturities for diverse markets. In early 1978, the U.S. and 21 other Western trading nations entered into an arrangement designed to coordinate international policies on export credits. The arrangement, called the International Arrangement on Guidelines for Officially Supported Export Credits, suggests that countries often work at cross purposes with one another although some minor progress has been achieved. For example, a 1983 agreement provided for semiannual adjustment of lending rates to reflect changes in market rates, set the stage for an agreement on nuclear power plant financing, insured that American exporters would be offered lowest interest rates and longest terms allowable under the agreement, and focused attention on mixed credits. Negotiations conducted under the auspices of the OECD have involved Eximbank in the role of a trade facilitator.

In the 1970s Eximbank phased out emergency trade credits as other institutions handled balance of payments credits. In the 1980s, however,

Eximbank financed lines of credit to assist Mexico and Brazil who experienced large external debts and debt service difficulties. Eximbank's financing of capital goods such as airplanes, electric power equipment, and nuclear power plants contracted in response to world economic conditions. Bank staff expect that direct credits to finance the sale of capital goods will grow modestly in response to improvements in the world economy.

Summary

The history of the Bank reveals a pattern of evolution culminating in organizational decline which is characterized by an incapacity to respond quickly to external economic and political events and an incapacity to initiate and undertake a larger role in current trade affairs. Eximbank's experience with the official subsidization of exports reveals growing Executive Branch and Congressional involvement in the affairs of Eximbank and a corresponding growth in resources, powers, and responsibilities. It shows an implicit belief in rational, technical solutions to economic problems. It illustrates the prevailing faith that government should be involved in narrow, self-contained aspects of trade policy, separable from a host of domestic and foreign economic problems, as possible. It demonstrates that taking administrative functions out of politics is an impossible task and that export policies are not separable from general economic or political policies. As a matter of fact, the majority of the changes in Eximbank's functions were exogenous responses to changes in the economy, in international relations, and in the role of American gov-

ernment. It shows that although the role of the Bank has changed in response to economic and political movements, the Bank has retained its core functions, as defined in mid 1934. Within the Bank there is a widely shared responsibility to protect and maintain work systems, procedures and rituals launched during the first thirty years of the Bank's existence. A case can be made for organizational weakness on the grounds that although these traditions have provided the Bank with stability, they inhibit the Bank from acting toward contemporary political and economic events rather than reacting to external events. Business continues as usual, as yesterday.

PROGRAMS

The following section of this paper outlines the various programs or services through which Eximbank provides export financing to enable U.S. exporters to be competitive in foreign markets. These programs emerged from political support and opposition, organizational interests, and goals of the institution and external events. A few have kept their original course; others have shifted in response to budgetary factors, changes in administration, changes in support, initiation of programs by other agencies, and ideological shifts.

Eximbank's programs may be classified into two main categories: direct credits and supplier credits. Direct credits are extended by Eximbank directly to overseas buyers. Supplier credits are arranged by suppliers for borrowers via commercial bank agreements to purchase promissory notes in favor of suppliers, endorsed by suppliers with partial or no recourse.

Insurance, provided by the Foreign Credit Insurance Association and partially underwritten by Eximbank, falls into the supplier credit category as do medium-term guarantees.

Foreign purchasers of capital goods and major project construction are eligible for long-term direct loans (repayment terms are usually in excess of five years). Large commercial aircraft, nuclear power plants, mines and locomotives are financed through direct loans. Direct loans carry the lowest fixed interest rates permitted under international agreement reached within the framework of the Organization for Economic Cooperation and Development (OECD). Rates vary depending on the per capita GNP of the country to which the export is sold. Repayment is usually based on the debt-servicing capability of the project with the majority of terms between five and ten years in semi-annual installments.

The portion of a sale Exim will cover varies from 42.5% to 85% depending on the kind of project, competition, and Exim's budget. In almost all cases, a cash payment of 15% is required which may be financed independently, by a commercial bank, or another lender.

In some cases, Eximbank provides financial guarantees in lieu of direct loans which lower the cost of loans in dollars or other convertible currencies. Guarantee covers are often given to foreign buyers in lieu of loans, especially for aircraft sold to European airlines.¹²² Eximbank

¹²² In such cases PEFCO often finances the purchases of aircraft at a fixed rate of interest (slightly higher than Eximbank's) or commercial banks determine interest rates up to the U.S. Treasury rate plus 1%. Eximbank's guarantee fee is 1/2 of 1% per year on outstanding balances and a commitment fee of 0.125% per year on the undisbursed balance.

often blends its direct loan and financial guarantee programs to provide a financing package.

There is no standard application form for a direct loan although recent efforts have been directed toward streamlining and standardizing the application process. In all cases Eximbank requires engineering and market data concerning project feasibility as well as information on foreign competition. If the sale is in a bid stage, Eximbank will provide a letter stating the financial terms that would be offered if certain conditions are met. The letter, known as a preliminary commitment, is generally valid for six months.

In FY1984 the Bank authorized 21 direct loans totaling \$684.7 million and 32 financial guarantees totaling \$1.2 billion.¹²³

Export credit insurance programs, forms of supplier credit, are administered by the Foreign Credit Insurance Association (FCIA). FCIA acts as Eximbank's agent, selling and servicing export credit insurance on behalf of the Bank. The Bank assures political and commercial risks of non-payment on a wide variety of policies ranging from short-term transactions during a 12-month policy period to special covers. In September of 1983, Eximbank approved the extension of two special covers: a \$1.5 billion special insurance facility to Brazil and a \$500 million facility to Mexico to support short and medium-term credit sales.

The basic attribute of FCIA's policies is the protection it provides exporters as security against foreign receivables. Iran, Lebanon, Turkey and Nicaragua are examples of political risk areas where, because of war,

¹²³ Export-Import Bank of the U.S. Annual Report, FY1983, p. 5.

riots, or insurrections, FCIA has paid claims. Brazil and Mexico are examples of commercial risk areas where FCIA has paid claims due to insolvency and default.

A second attribute of FCIA's policies is the financing of assets. Proceeds of policies are often assigned to commercial banks as securities against discounted receivables. The receivables are sold on a nonrecourse basis. The savings in corporate cost of capital are usually important and result in improved cash flows, attractive off-balance-sheet financing, and improvements in applications of the resulting inflow of corporate funds.

A third attribute of FCIA's policies is that new or existing markets can be expanded by the use of FCIA policies and that commercial banks can also benefit from exporters' insurance policies. Exporters who buy FCIA policies offer additional security to commercial banks, and banks are able to develop new business while expanding current business with customers. Bank services, including letters of credit, collections, and wire services can be included in programs to FCIA customers.

Exim's medium term commercial bank guarantee program, the medium term and small business credit programs, and the working capital guarantee programs enable U.S. commercial banks to offer competitive pre-export and export financing at the lowest rates offered under the export credit guidelines. Many banks have delegated authority to commit Eximbank to guarantee loans without first receiving Eximbank approval.¹²⁴ Table 4.1,

¹²⁴ Interest rates may be mutually agreed but must fall within export credit guidelines. For the medium term and small business credit programs Eximbank will lend or purchase the export loan with recourse

1983 Authorizations, shows the number of authorizations, amounts authorized, and the export value for FY1983 by program areas:

Table 4.1

Authorizations by Program Area (FY1983)			
(\$ Millions)	Number of Author- izations	Amount Author- ized	Export Value
Loans			
Direct Credits ¹	21	\$ 684.7	\$ 1,212.7
Medium-term Credits ²	94	133.8	64.5
Small Business Credits ²	60	26.4	16.3
CFF ¹	--	--	--
Discount Loans ²	--	--	--
Total Loans	175	844.9	1,293.5
Guarantees			
Financial ¹			
Related to Direct Credits	23	519.9	--
Related to CFF	--	--	--
Unrelated to Loans	9	682.0	954.8
Local Cost	--	--	--
Bank	217	528.4	621.7
Working Capital	7	9.6	10.6
Other ³	--	.7	.7
Total Guarantees	256	1,740.6	1,587.8
Export Credit Insurance			
Short-term	1,209	5,565.1	5,565.1
Medium-term	91	204.6	231.4
Combined Short- and Medium-term	5	86.5	86.5
Master Policies	47	927.5	1,640.3
Total Insurance	1,352	6,783.7	7,523.3
Grand Total	1,783	\$9,369.2	\$10,404.6

¹Export value for Financial Guarantees related to specific loans are included with the appropriate loan details.

²Export value for loans which are guaranteed or insured are included in the insurance and guarantee details.

³Includes lease guarantees, equipment political risk guarantees, engineering services guarantees, pre-shipment coverage, and contractors' guarantees.

to the commercial bank at 1% below the rate charged. Under the working capital guarantee program, guarantee is made with recourse to the exporter. The exporter must provide the lender with collateral so the loan balance does not exceed 90% of the collateral value. Eximbank's liability in medium guarantee transactions may be as high as three quarters of a million dollars per credit to a foreign government buyer or sale to a private buyer with the guarantee of a foreign bank.

Table 4.2, Export-Import Bank of the United States Authorizations by Area, shows the geographical distribution of authorizations.

Table 4.2
Export Import Bank of the United States
Authorizations by Area
October 1, 1982 through September 30, 1983

	Loans	Guarantees	Medium-Term Insurance	Total	Exposure 9/30/83
Africa/Middle East	\$ 91,094,038	\$350,733,812	\$89,811,585	\$ 531,639,435	\$ 5,893,976,664
Asia	369,776,887	668,817,300	14,284,514	1,052,878,692	10,348,393,560
Europe/Canada	110,843,750	180,981,643	18,382,025	310,207,418	8,061,625,446
Latin America	112,971,351	505,659,146	168,625,687	787,256,184	7,666,441,938
Miscellaneous		34,431,550		34,431,550	149,669,551
Total All Areas	684,686,450	1,740,623,451	291,103,811	2,716,413,279	32,120,107,159
Medium-term Credits	133,837,060			133,837,060	133,387,803
Small Business Cred.	26,387,450			26,387,450	25,909,384
Discount Loans					508,107,359
Multibuyer Insurance Authorized Unshipped				6,492,560,000	5,44,858,205
Total Authorizations	\$844,910,527	\$1,740,623,451	\$291,103,811	\$9,369,197,789	\$38,235,369,910

Sources: Export Import Bank of the U.S., Annual Report, FY1983, p. 17.

Based on information supplied by Eximbank's Department of Marketing, a classification of programs is presented in Tables 4.3 , 4.4 and 4.5. Table 4.3 lists programs, shows eligible products and services, describes programs and notes eligible applicants. Table 4.4 lists programs, indicates maximum coverage, recognize maximum repayment periods, and provides fees and premiums. Table 4.5 lists programs, shows minimum buyer down

payments; examines financing characteristics, and points out special program features.

Table 4.3

Eximbank Programs, Eligible Non-military
U.S. Products and Services, Description,
and Eligible Applicants

Program	Eligible Non-Military U.S. Products and Services	Description	Eligible Applicants
1. Eximbank Working Capital Guarantee Program	All products and services.	Loan guarantee program designed to provide eligible exporters with access to working capital loans from	Commercial lenders financing export-related working capital loans principally for creditworthy small- to medium-sized businesses.
2. FCIA New-To Export Insurance Policy	Consumables, raw materials, spare parts, agricultural commodities, consumer durables and services.	One-year blanket policy insuring all eligible short-term export credit sales.	Companies which are just beginning to export or have an average annual export sales volume of less than \$750,000 for past 2 years. Exporters must not have used FCIA in the past 2 years.
3. FCIA Umbrella Insurance Policy	Consumables, raw materials, spare parts, agricultural commodities, consumer durables and services.	One-Year blanket policy insuring all eligible short-term export credit sales of exporters with average annual export credit sales of less than \$2,000,000 for the past 2 years and who have not used FCIA in the past 2 years.	Any entity capable of administering a policy on behalf of multiple exporters.
4. FCIA Short-Term Insurance Policy	Consumables, raw materials, spare parts, agricultural commodities, consumer durables and services.	One-year blanket policy insuring all eligible short-term export credit sales.	Exporters of U.S. goods and services or financial institutions in the United States.
5. FCIA Medium-Term Insurance Policy	Capital equipment and services including automobiles/trucks, general aviation aircraft, mining, construction and agricultural equipment, processing and communications equipment and planning/feasibility studies.	Single buyer policy insuring individual medium-term export credit sales.	Exporters of U.S. goods and services or financial institutions in the United States.
6. FCIA Combined Short-Term/Medium Term Insurance Policy	Capital equipment including automobiles/trucks, construction, mining and agricultural equipment, and general aviation aircraft.	Single buyer policy for repetitive export sales to a dealer or distributor. Policy provides insurance for short-term inventory financing followed by medium-term coverage for receivables financing.	Exporters of U.S. goods or financial institutions in the United States.
7. FCIA Master Insurance Policy	All products eligible for short-term or medium-term insurance.	One-year blanket policy insuring all eligible short- and medium-term export credit sales.	Exporters of U.S. goods who conduct a sizeable export business, particularly those selling to an extensive dealer network overseas.

Source: Export Import Bank of the U.S., Public Relations Office

Table 4.3 Cont.

Program	Eligible Non-Military U.S. Products and Services	Description	Eligible Applicants
8.Eximbank Medium- Term Guarantee Program	Capital equipment and services including automobiles/trucks, general aviation aircraft, mining, construction and agricultural equipment, processing and communications equipment and planning/feasibility studies.	Guarantee by Eximbank of export financing extended to individual foreign buyers.	Approved commercial banking institutions in the United States.
9.Eximbank Small Business Credit Program	All capital equipment and services produced by eligible small businesses.	Eximbank funding commitment to enable U.S. banks to offer medium-term fixed rate export loans at the lowest rates permitted under the export credit guidelines.	Approved commercial banking institutions in the U.S. financing exports produced by small businesses (as defined by the Small Business Administration).
10.Eximbank Medium- Term Credit Program	Capital equipment and services including automobiles/trucks, general aviation aircraft, mining, construction and agricultural equipment, processing and communications equipment and planning/feasibility studies.	Same as Small Business Credit Program except a)the exporter need not be a small business, b)the exporter must face officially supported subsidized foreign competition.	Approved commercial banking institutions in the United States.
11.Eximbank Preliminary Commitment	Major projects or major procurement including power generation/transmission projects, mining and industrial projects, project-related services, commercial jet aircraft and locomotives.	Letter of advice from Eximbank detailing, in advance of a particular transaction, the terms and conditions for direct loan/financial guarantee support.	Prospective borrower, exporter or financial institution.
12.Engineering Multiplier Program	Project-related feasibility studies and preconstruction design and engineering services.	Medium-term, fixed interest rate direct loans to support up to \$10 million of services for projects with potential for procurement of U.S. equipment and services worth \$10 million or twice the amount of the original contract, whichever is greater.	Creditworthy foreign buyers. (Exporter may apply for preliminary commitment.)
13.Eximbank Direct Loan	Major projects or major procurement including power generation/transmission projects, mining and industrial projects, project-related services, commercial jet aircraft and locomotives.	Long-term, fixed interest rate loan program for export sales facing officially-supported foreign competition.	Creditworthy foreign buyers.
14.Eximbank Financial Guarantee	Major projects or major procurement including power generation/transmission projects, mining and industrial projects, project-related services, commercial jet aircraft and locomotives.	Guarantee by Eximbank of export financing extended to foreign buyers.	Domestic or foreign financial institutions.
15.Private Export Funding Corp. (PEFCO)	Major projects or major procurement including power generation/transmission projects, mining and industrial projects, project-related services, commercial jet aircraft and locomotives.	Medium- and long-term fixed interest rate loans guaranteed by Eximbank.	Financial institutions (when Eximbank is also a lender) or creditworthy foreign buyers.

Table 4.4

Eximbank Programs, Maximum Coverage, Maximum
Repayment Period, Fees and Premiums.

Program	Maximum Coverage	Maximum Repayment Period	Fees and Premiums										
1.Eximbank Working Capital Guarantee Program	Guarantee applies to 90% of the principal amount of the loan and interest up to the U.S. Treasury rate plus 1%.	Generally up to 12 months.	Fee varies with the term of the guarantee. For a 12-month guarantee the rate is 1.5%.										
2.FCIA New-To-Export Insurance Policy	<ul style="list-style-type: none">• 100% Political Risk Protection.• 95% Commercial Risk Protection (98% for bulk agricultural sales).• Interest up to U.S. Treasury rate plus 1%.	180 days (360 days for bulk agricultural commodities and consumer durables).	Varies with each sale but is usually priced 0.25% to 1.00% of sales value.										
3.FCIA Umbrella Insurance Policy	<ul style="list-style-type: none">• 100% Political Risk Protection.• 90% Commercial Risk Protection (98% for bulk agricultural sales).• Interest up to U.S. Treasury rate plus 1%.FCIA	180 days (360 days for bulk agricultural commodities and consumer durables).	<ul style="list-style-type: none">• Same fee rates as FCIA New-To-Export Policy.• \$500 minimum annual premium is paid by the Umbrella Policyholder/Administrator in advance.										
4.FCIA Short-Term Insurance Policy	<ul style="list-style-type: none">• 100% Political Risk Protection.• 90% Commercial Risk Protection (98% for bulk agricultural sales) after annual first-loss deductible.• Interest up to U.S. Treasury rate plus 1%.	180 days (360 days for bulk agricultural commodities and consumer durables).	Premium rate is determined by factors such as insured's sales profile,history of export credit losses,average term of repayment and size of first loss commercial deductible.										
5.FCIA Medium-Term Insurance Policy	<ul style="list-style-type: none">• 100% Political Risk Protection.• 90% Commercial Risk Protection. Interest up to U.S. Treasury rate plus 1%.	<table><tr><th>Contract Value</th><th>Maximum Term</th></tr><tr><td>Up to \$50,000</td><td>2yrs.</td></tr><tr><td>\$50,000-100,000</td><td>3yrs.</td></tr><tr><td>\$100,000-200,000</td><td>4yrs.</td></tr><tr><td>Over \$200,000</td><td>5yrs.</td></tr></table> (Exceptionally up to 7 years).	Contract Value	Maximum Term	Up to \$50,000	2yrs.	\$50,000-100,000	3yrs.	\$100,000-200,000	4yrs.	Over \$200,000	5yrs.	Varies from 1% to 6.5% of export receivable depending on on term and nature of buyer.
Contract Value	Maximum Term												
Up to \$50,000	2yrs.												
\$50,000-100,000	3yrs.												
\$100,000-200,000	4yrs.												
Over \$200,000	5yrs.												
6.FCIA Combined Short-Term/Medium Term Insurance Policy	<ul style="list-style-type: none">• 100% Political Risk Protection.• 90% Commercial Risk Protection. Interest up to U.S. Treasury rate plus 1%.	Up to 270 days for inventory phase followed by up to 3 years for receivables financing (exceptionally 5 years).	Varies from 1.25% to 6.5% of export receivable depending on term and nature of buyer.										
7.FCIA Master Insurance Policy	<ul style="list-style-type: none">• 100% Political Risk Protection.• 90% Commercial Risk Protection after annula first-loss deductible.• Interest up to U.S. Treasury rate plus 1%.	<ul style="list-style-type: none">• Same as FCIA Short-Term Policy for short-term sales.• Same as FCIA Medium-Term Policy for medium-term sales.	Sames as FCIA Short-Term Policy.										

Source: Export Import Bank of the U.S., Public Relations Office

Table 4.4 Cont.

Program	Maximum Coverage	Maximum Repayment Period	Fees and Premiums
8. Eximbank Medium-Term Guarantee Program	<ul style="list-style-type: none"> 100% Political Risk Protection. For commercial risk, after the exporter retains a 10% participation, the financing bank assumes 5% or 15% participation and Eximbank covers the balance. Interest up to U.S. Treasury rate plus 1%. 	Same as FCIA Medium-Term Policy.	Same as FCIA Medium-Term Policy.
9. Eximbank Small Business Credit Program	The outstanding balance of the export loan.	Same as FCIA Medium-Term Policy.	Eximbank charges financial institution a one-time commitment fee at beginning of transaction of 0.15% to 0.75%, depending on term of loan.
10. Eximbank Medium-Term Credit Program	The outstanding balance of the export loan.	Same as FCIA Medium-Term Policy.	Same as Small Business Credit Program.
11. Eximbank Preliminary Commitment	Not applicable.	Not applicable.	None.
12. Engineering Multiplier Program	<ul style="list-style-type: none"> Loan for 85% of U.S. costs. Financial guarantee for local costs up to 15% of the eligible U.S. costs. 	Same as FCIA Medium-Term Policy.	Same as Eximbank Direct Loan and Financial Guarantee.
13. Eximbank Direct Loan	Loan up to 65% of the export value, or up to 75% when supplier extends 10% credit to buyer at same interest rate as Eximbank.	5 to 10 years (exceptionally longer for nuclear projects) beginning at delivery or start up.	Eximbank charges borrower a 2% fee when loan is approved and a 0.5% per annum commitment fee on the undisbursed balance.
14. Eximbank Financial Guarantee	<ul style="list-style-type: none"> 100% Political and Commercial Risk Protection. Interest up to U.S. Treasury rate plus 1%. 	Same as Eximbank Direct Loan.	Eximbank charges the lender a financial guarantee fee of 0.5% per annum on the outstanding balance and a commitment fee of 0.125% per annum on the undisbursed balance.
15. Private Export Funding Corporation (PEFCO)	Loan up to 85% of the export value.	Usually 5 to 10 years.	<ul style="list-style-type: none"> Commitment Fee: 0.5% per annum of undisbursed balance. Interest rate to borrower usually averages 1% to 2% over comparable rate for U.S. Treasury obligation.

Table 4.5

Eximbank Programs, Minimum Buyer Down Payment,
Financing Characteristics, Special Features

Program	Minimum Buyer Down Payment	Financing Characteristics	Special Features
1. Eximbank Working Capital Guarantee Program	Not Applicable.	<ul style="list-style-type: none"> Guarantee is made with recourse to exporter. The exporter must provide the lender with sufficient collateral so that the loan balance does not exceed 90% of the collateral value. 	<ul style="list-style-type: none"> The guarantee can be for either a single export-related loan or for a revolving line of credit.
2. FCIA New-To-Export Insurance Policy	None.	<ul style="list-style-type: none"> Policy proceeds are assignable for financing purposes. Under special assignment, financial institutions are assured of repayment up to policy limits in event of default. 	<ul style="list-style-type: none"> Political risk only coverage also available. Initially no annual commercial risk deductible required. Minimum annual premium of \$500.
3. FCIA Umbrella Insurance	None.	Same as FCIA New-to-Export Policy.	<ul style="list-style-type: none"> Policy Administrator relieves exporter of administrative responsibilities by providing for all required reporting to/from FCIA, including premium payment. No exporter commercial risk deductible or minimum annual premium required of exporters.
4. FCIA Short-Term Insurance Policy	None.	Same as FCIA New-to-Export Policy.	<ul style="list-style-type: none"> Political risk only coverage also available. Exporter has some discretionary authority to sell on insured basis without FCIA buyer clearance.
5. FCIA Medium-Term Insurance Policy	15% at shipment.	<ul style="list-style-type: none"> Policy proceeds are assignable for financing purposes. Medium-Term obligations are in the form of notes which usually carry a floating market rate of interest, paid at least semi-annually. 	<ul style="list-style-type: none"> Political risk only coverage also available. No annual commercial risk deductible required. Covers either single or repetitive sales to a single buyer.
6. FCIA Combined Short-Term/ Medium-Term Insurance Policy	<ul style="list-style-type: none"> None for short-term financing. 15% when rolled over to medium-term. 	<ul style="list-style-type: none"> Dealers can purchase inventory for resale without making a cash payment for up to 270 days (360 days if no rollover to medium-term). Policy proceeds are assignable for financing purposes. 	<ul style="list-style-type: none"> Usually issued to cover a one-year revolving sales plan. No annual commercial risk deductible required.
7. FCIA Master Insurance Policy	<ul style="list-style-type: none"> None for short-term sales. 15% for medium-term sales 	<ul style="list-style-type: none"> Exporter can insure most sales without clearing buyers through FCIA. Policy proceeds are assignable for financing purposes. 	<ul style="list-style-type: none"> Political risk only coverage is also available Reduced premium rate due to blanket policy and commercial risk deductible requirement. Exporter has ample discretionary authority to sell on insured basis without FCIA buyer clearance.

Source: Export Import Bank of the U.S., Public Relations Office

Table 4.5 Cont.

Program	Minimum Buyer Down Payment	Financing Characteristics	Special Features
8.Eximbank Medium-Term Bank Guarantee Program	15% at shipment.	<ul style="list-style-type: none"> Except for specified exporter's commercial risk participation, the financing must be provided without recourse to the exporter. Medium-Term obligations are in the form of notes which usually carry a floating market rate of interest, paid at least semi-annually. 	<ul style="list-style-type: none"> Political risk only coverage also available. Covers either single or repetitive sales to single buyer. Qualified banks can commit Eximbank's Guarantee on a discretionary basis by assuming a 15% commercial risk participation.
9.Eximbank Small Business Credit Program	15% at shipment.	The interest rate may be as mutually agreed but must not yield less than the following consensus rates: 13.35% for rich countries, 11.55% for intermediate countries, and 10.7% for poor countries (as of 7/15/84). Eximbank will lend or purchase the export loan with recourse to the commercial bank at 1% below the rate charged.	<ul style="list-style-type: none"> The repayment risk on the foreign obligation is borne by the financial institution unless that obligation is also insured or guaranteed by Eximbank/FCIA. Maximum contract value is \$2.5 million per transaction. Aggregate commitment cannot exceed \$10 million per buyer, per year.
10.Eximbank Medium-Term Credit Program	15% at shipment.	Same as Small Business Credit Program.	<ul style="list-style-type: none"> The repayment risk on the foreign obligation is borne by the financial institution unless that obligation is also guaranteed or insured by Eximbank/FCIA. Maximum contract value is \$10 million per transaction.
11.Eximbank Preliminary Commitment	Not applicable.	Enables borrower, exporter, and financial institution to establish terms of financing for more effective planning or marketing.	Generally valid for 180 days but may be renewed at discretion of Eximbank. Buyer must apply to Eximbank to convert a preliminary commitment to a loan or a financial guarantee.
12.Engineering Multiplier Program	15% at commencement of contract.	<ul style="list-style-type: none"> Eximbank's interest rates (as of 7/15/84) for 2-5 year loans are 13.35% for rich countries, 11.55% for intermediate countries and 10.7% for poor countries. If Eximbank undertakes final project financing, preconstruction lending can be rolled over into long-term financial package. 	<ul style="list-style-type: none"> Contract amounts in excess of \$10 million eligible for Eximbank regular financing. Preliminary Commitment available for up to 180 days. Available for negotiated contracts if foreign competition would be encountered if given the opportunity to bid.
13.Eximbank Direct Loan	15% at shipment.	Eximbank's interest rates (as of 7/15/84) are as follows: 13.6% for rich countries, 11.9% for intermediate countries and 10.7% for poor countries.	If Eximbank's loan is blended with commercial bank or PEFCO loan, Eximbank portion will apply to the later maturities.
14.Eximbank Financial Guarantee	15% at shipment.	Eximbank often blends its direct loan with its financial guarantee to provide a complete financing package. Guarantee may extend up to 85% of the export, depending on the amount of Eximbank's loan, if any.	Financial guarantee also available for loans in selected foreign countries.
15.Private Export Funding Corporation (PEFCO)	15% at shipment.	<ul style="list-style-type: none"> PEFCO is often co-lender with commercial banks lending the earlier maturities, PEFCO the middle maturities and Eximbank financing the later maturities. Loan size ranges from \$1 million with no upper limit. 	Several different options are available to the applicant for determining when PEFCO's interest rate is set.

SUMMARY

Chapter IV has reviewed how the Bank's functions and role have evolved in the face of changes in political and economic systems and of opportunities and constraints for action. For instance, the Bank's role as a capital project lender and function as an instrument of national defense have declined. This survey of the past has shown that the dominant challenge of Eximbank is reversing the current tides of decline by enhancing its role as an official trade intervention medium in the world market...a market with third world economic ills that are considerably more important now than when the Bank was formed and with difused economic power rather than concentration of economic power in the hands of the U.S. and Great Britain. A close look at the Bank's past can provide valuable insights into present practices. It suggests that organizational transformation is a continuing process and shows that external forces are important factors in organizational change. Finally, it suggests the need to reverse the effects of old age and generate conditions necessary to bring new organizational arrangements into being if Eximbank is to realize its full potential in U.S. export financing.

The next four chapters of this paper will describe and analyze economic and political structures and processes of Eximbank. The aim is to more fully understand the complex organization that is the subject of this book and how it affects international trade. In the following chapters neither change nor maintenance of the status quo is advocated. However, specific concrete findings indicate that the Export-Import Bank of the U.S. faces

economic and political problems which affect its vitality and responsiveness.

CHAPTER V - EXTERNAL POLITICAL STRUCTURE OF EXIMBANK AND PATTERNS OF

INTERACTION

INTRODUCTION

Wamsley and Zald in The Political Economy of Public Organizations state "An external political structure reflects a distribution of sentiment and of power or power resources among directly involved relevant others (in and out of government)".¹²⁵ Power refers to both means used to achieve ends and the ends themselves. This chapter focuses on the interaction between Eximbank and relevant others with which the Bank operates.

Eximbank is subject to demands and constraints of several groups that have interests in what the Bank does and is likely to do. Frequently these groups are in conflict with each other and the Bank is the subject of dissent over a range of issues such as the size and composition of the Bank's budget, definition of the Bank's goals, and formulation and implementation of the Bank's programs. Almost all of these issues are linked to major conflict in society at large. For example, the issue concerning the size and composition of the Bank's budget is tied to the conflict over the U.S. budgetary deficit. In other words, the Bank is not only shaped by groups in its environment, it is a part of its envi-

¹²⁵ Gary L. Wamsley and Mayer N. Zald, The Political Economy of Public Organizations (Bloomington, Indiana: Indiana University Press, 1976) p. 33-34.

ronment and vice versa. Even so, it is interesting to note that the Bank is not totally permeable. It preserves a single power base thereby sustaining its direction.

This chapter is organized around the major external actors that set limits to and provide opportunities for Eximbank to pursue goals and carry out functions. Wamsley and Zald note that "most public agencies have the capacity to manipulate their environment-neutralizing some actors and making allies or protectors of others. A public organization engages in struggles over its niche or domain."¹²⁶ Wamsley and Zald rely on Levin and White's concept of domain "as claims which an organization stakes out for itself in terms of services rendered and clientele served."¹²⁷

Eximbank interacts with certain parts of Congress, commercial banks, the exporting community, the Executive Branch agencies and the media in efforts to protect and create new definitions of its domain. Because it is not an entrepreneurial organization, it does not generally seek to expand its domain.

CONGRESS

During the past fifty years, principally through legislative oversight, and appropriation measures, Congress, congressional staffs, and

¹²⁶ Gary L. Wamsley and Mayer N. Zald, The Political of Public Organizations (Bloomington, Indiana: Indiana University Press), 1980, p. 39.

¹²⁷ Ibid., p. 39.

supporting agencies including the Congressional Research Service (CRS), the General Accounting Office (GAO) and the Congressional Budget Office (CBO) have influenced the shape and character of Eximbank. During Eximbank' first three decades, Congressional involvement in Eximbank was limited. Congressional influence was generally asserted to grant program authority. During the last two decades, a great deal of the Congressional involvement has occurred in the following committees and subcommittees:

- U.S. Senate Committee on Appropriations and the Subcommittee on Foreign Operations.
- The U.S. Senate Committee on Banking, Housing, and Urban Affairs and the Subcommittee on International Finance and Monetary Policy.
- The U.S. House of Representatives Committee on Appropriations and the Subcommittee on Foreign Operations.
- The U.S. House of Representatives Committee on Banking, Finance, and Urban Affairs and the Subcommittee on International Trade, Investment, and Monetary Policy.

This section emphasizes the interplay between the Congressional bureaucracy and the Bank. It shows, for the most part, that the Congressional-Eximbank relationship has been characterized by goodwill and collaboration. Since the late 1960s, however, the relationship that had evolved and settled into place over the span of three decades has been transformed by rapidly changing external pressures. Of immense significance are U.S. budgetary deficits, heightened trade activities of foreign nations, the decline of some economic sectors due to technological change, and the U.S. merchandise trade deficit. The Bank's environment, of course, consists of more than the legislative set referred to above; it includes the economy, the political system, and the American culture.

The Bank was created by Executive Order Number 6581 on February 2, 1934; authority under which the order was put into action was found in the broad provisions of the National Recovery Act of 1933. The National Recovery Act was hastily passed by Congress to build the nation's self confidence and reinvigorate the economy. The Bank was established without notable Congressional resistance as part of President Roosevelt's reform and recovery initiative. Although Congress has the power to decide whether proposed programs should be enacted and what form they will take, political pressure favoring the creation of new programs, during the early 1930s, was high; Roosevelt assumed the traditional leadership role of pressing his economic recovery program on all fronts, and Congress, perceiving the need for action and unable to undertake necessary planning, responded to the administration's initiatives by endorsing legislation establishing new programs.

The First and the Second Export Import Banks of Washington were ratified by Congress in 1935 as agencies of the U.S. government until June 16, 1937.¹²⁸ The Second Bank was liquidated on June 30, 1936 after retirement of its preferred stock, in a proforma routine manner.¹²⁹

In January 1937, Congress advanced the life of the Bank to June 30, 1939. A 1939 amendment limited outstanding loans or obligations to the Bank to an amount not to exceed \$100 million. Discussion surrounding the amendment revealed differences of opinion in the House and Senate. During

¹²⁸ 16.49 Stat .1, PL74-1 (1935).

¹²⁹ Executive Order No. 7635, May 7, 1936.

House hearings, members took little interest in the Bank. The reverse was true in the Senate. The only witness who testified was Jesse Jones, a former banker and chairman of the Reconstruction Finance Corporation, who felt that the Bank was needed to stimulate American industry. Although Jones viewed the Bank as a vehicle for economic expansion, Jones justified the need for Eximbank in light of market imperfections. Senator Robert Taft of Ohio questioned government aid to exports but when telegrams of support from commercial bankers began to arrive his position changed. The technique of directly lobbying members of Congress proved effective; it resulted in more material rewards for U.S. exporters, a sense of solidarity, and social integration; it set the stage for future lobbying on behalf of the Bank and created a positive image of the Bank among legislators.¹³⁰

In 1939, the Bank was included in the Federal Loan Agency under the direction of Jesse Jones in an attempt to coordinate the efforts of several lending agencies created during the New Deal.¹³¹ Due to specialization and expertise generated by the Bank's small staff, the move had virtually no effect on the Bank's operations nor on its relations with Congress.

¹³⁰ Hearings, "To continue the Functions of the Commodity Credit Corporation, the Export-Import Bank of Washington, the Reconstruction Finance Corporation", House Banking and Currency Committee, H.R. 4011, February 7,8,9 1939 and Senate Banking and Currency Committee, S. 1084, February 14 and 21, 1939, 76th Congress, 1st Session, 53 Stat. 510, PL 76-3 (1939), pp. 36-46.

¹³¹ Reorganization Plan No. 1, Stat.429, 1939.

In early 1940 Congress increased lending authority of the Bank from \$100 million to \$200 million, a conspicuous demonstration of support and means to enhance the role of the Bank in foreign trade. However, Congress imposed the following constraints on the Bank: (1) loans could not be made to any government in default in payment of obligations to the U.S. government on April 13, 1934; (2) a \$20 million limit was placed on loans outstanding to any one country; and (3) loans to countries in violation of international law as determined by State Department and to countries in violation of the Neutrality Act of 1939 were barred.¹³² Thus, it became clear by 1940 that the basic instruments of Congressional oversight with regard to Eximbank were appropriations controls and guidelines for operating in foreign countries. Generally, the appropriations process was used to increase the resources of Eximbank and expand the domain of the Bank.

In September, 1940, Congress increased the lending authority of the Bank from \$200 million to \$700 million, prolonged the life of the Bank to January 22, 1947, and provided support for the purposes of assisting development of resources, stabilizing economies, and orderly marketing of products of the Western hemisphere.¹³³ During the 1940 hearings, the "good neighbor" policy with Latin American nations set forth by Franklin D. Roosevelt in his first inaugural address, was still in effect in both the Senate and the House of Representatives. Justification for favorable

¹³² 54 Stat. 38, PL76-420 (1940)

¹³³ 54Stat.961, PL76-792,1940

avorable trade in South America was based on the drying up of Latin American markets in Europe. Reciprocal trade benefits resulted from U.S. exports of manufactured goods to Latin American and U.S. imports of products from Latin America including Cuban sugar, Chilean wine, and Uruguayan beef.

The District of Columbia Charter of the Bank was amended in 1941 increasing capital stock and extending the life of the corporation. In 1942, the Bank was placed under the Office of the Secretary of Commerce by Executive Order Number 9071. During 1943, it was transferred to the Office of Economic Welfare and the Foreign Economic Administration by Executive Orders Numbers 9361 and 9380 respectively. These moves were designed to meet demands for defense; they were related to the acquisition of raw materials and the stock piling of strategic materials.

Before the end of World War II, Congress began to question Roosevelt's mastery over agencies such as the Bank and to take steps to act as a coequal with the Executive Branch. As quickly as it could the Congress tried to modernize itself, increase its controls over agencies that had cropped up during Roosevelt's administration and to redevelop its capacity to formulate policies. As a result, the Bank underwent a major reorganization, the Export Import Act of 1945, which was discussed in the previous chapter.

During hearings on the Export Import Bank Act of 1945 two issues of concern were reflected: Was the Bank attempting to extend its functions by diversifying types of loans and would the Bank duplicate the work of

the International Bank for Reconstruction and Development?¹³⁴ Legislation following the hearings, however, did not address these issues. In fact, the purposes and directions of the Bank were not stated in clear terms. The most explicit operating guideline in the statute was "to supplement encourage and not compete with private banks."¹³⁵ The Export Import Act, in sum, provided a great deal of flexibility until the early 1970s when diverse amendments were added to the act and Congressional oversight began to intrude into the Bank's operations, resulting in what a Bank employee described as an "oversight-maximizing syndrome." Another employee observed that "Congress has become a conspicuous actor in the Bank's affairs. Unfortunately, the routinized conflict, confusion, and inconsistency experienced by Congress have been transferred to Eximbank." A number of authors note that decentralization and fragmentation of power within the legislative body impair its ability to make policy and act quickly.¹³⁶

The same day Congress passed the Export Import Act of 1945, it passed the Bretton Woods Agreement Act establishing the International Bank for Reconstruction and Development (IBRD or World Bank) and the International Monetary Fund (IMF). The Bretton Woods Agreement Act provided for the

¹³⁴ Hearings, "Export Import Act of 1945", House Banking and Currency Committee, HR3771, July 11-12, 1945 and Senate Banking and Currency Committee, HR3771, July 17-18, 1945.

¹³⁵ 59Stat.526, PL 79-173(1945).

¹³⁶ For an excellent discussion of the weaknesses of Congress, see James L. Sundquist's The Decline and Resurgence of Congress (Washington, D.C., Brookings Institution), 1981.

creation of a National Advisory Council (NAC) charged with the responsibility of coordinating activities of agencies participating in making foreign loans or engaged in foreign financial transactions including Eximbank.¹³⁷ NAC's creation illustrated the enactment power of Congress and Congressional concern a more formal and comprehensive approach to foreign policy.

In 1947, as a result of passage of the Government Corporation Control Act of 1945, the Bank was reincorporated under Federal Charter and its lending authority was extended to June 30, 1953. Legislation was enacted giving the Bank authority to serve as a processing agent for the Economic Cooperation Administration.¹³⁸ The Bank made foreign and loans, with longer terms, lower rates, and repayment deferral clauses to European countries participating in the Marshall Plan. In 1951 the Economic Cooperation Administration was replaced by the Mutual Security Agency and the program was transferred. The Bank once again received an increase in lending authority from \$3.5 billion to \$4.5 billion, a stable escalation, reflecting the influence of House and Senate appropriations committees on spending legislation in Congress. It focused on its traditional functions as well as several ancillary functions in support of the Korean War such as lending funds for development purposes to countries with strategic resources.

¹³⁷ Bretton Woods Agreement Act, 59Stat.512, PL 79-171, 1945.

¹³⁸ 61Stat.130, PL80-89, 1947.

In May 1953, under an amendment to Export Import Act of 1945, the Bank was authorized to provide insurance in an aggregate amount not over \$100 million outstanding at one time against the risks of property loss of U.S. origin while stored in foreign areas. Throughout discussions of this amendment, attention was focused on cotton shipments in conjunction with risks of war and expropriation of property awaiting title transfer to foreign buyers. Proponents of this bill and agricultural exporters generated support for this program by arguing insurance was necessary to maintain large stocks of cotton abroad. Issuance of insurance was through private companies acting as the Bank's agents.

During 1953, largely in response to the Hoover Commission's 1949 Report to Congress on lending agencies, the Eisenhower Administration resolved to make a major change in the structure of the Bank. In April, 1953, President Dwight D. Eisenhower sent Congress Reorganization Plan No. 5, a plan for reorganizing the Bank by providing a managing director and deputy director rather than a board of directors to run the Bank. To supporters of the Bank, the plan was an intimidating document. According to the plan, an assistant director with civil service status would, from time to time, perform duties defined by the managing director. The plan called for an expansion of policy making powers by the National Advisory Council on International Monetary and Financial Problems (NAC) in an attempt to centralize authority and responsibility. It abolished the advisory board of the Bank (created by the Export Import Bank Act of 1945) and discontinued representation of the Bank on the National Advisory Council.

In August 1953, Eisenhower exercised "presidential initiative" by appointing a managing director, deputy director, and assistant director of the Bank. Reorganization Plan No. 5 was directly pertinent to articulating the role of Congress in relationship to the Bank; it will, therefore, be examined as both an intrinsically important event and as a key event that has marked legislative-Eximbank relations.

Walter C. Sauer, who joined the Bank in 1941 and served as its first Vice President and vice chairman of the board of directors, pointed out during interviews with Earl Mazo, that the economic situation was the first consideration which prompted Eisenhower's reorganizational plan.

A second consideration was a concern by proponents of the International Bank for Reconstruction and Development (IBRD) that the U.S. was not honoring its commitment to the IBRD by allowing the Eximbank to extend bilateral credits to member countries of the IBRD to support exports. IBRD and Eximbank had several problems. As early as 1946 the World Bank began to think of itself as the primary instrument of the international financial community for long term lending, a role Eximbank had played for years preceding the birth of the World Bank. Mason and Asher report that when, in April, 1948, President Truman asked Congress to increase Eximbank's lending authority by \$500 million, President John F. McCloy and U.S. Executive Director Eugene Black of the World Bank were opposed to the increase. Congress, nonetheless, increased Eximbank funds. Tension and conflict between the two organizations increased. Each organization suspected the other of stealing clients, concealing information, and engaging in unfair play. When in August, 1952, Japan joined the World

Bank, IBRD convinced the National Advisory Council to ban Eximbank from making a \$40 million loan to a Japan Development Bank for re-lending to private power companies. IBRD then made the loan to the Japanese bank without prior competitive bidding. Eximbank was upset with the unfairness of the loan.

A third consideration was that the Eisenhower Administration felt that the Bank should play a vital role in furthering U.S. foreign aid and national defense interests. The replacement of the Board of Directors by a managing director would, it was believed, facilitate the enactment of this role.

A fourth consideration was the Hoover Commission's 1949 report to Congress on lending agencies. Commission members agreed on recommendations to eliminate the Bank's board although some members favored putting the Bank in the Treasury Department and others favored a move to the Commerce Department.¹³⁹

Not unlike today, exporters turned to supporters in Congress to express their objections. Congress came to the rescue of exporters with vested interests in the Bank's programs. On June 8, 1953, upon a notion of Homer E. Capehart of Indiana, Chairman of the Senate Committee on Banking and Currency who was described in a February 1941 article which appeared in "Fortune" as "one of the highest-powered, highest pressured salesman this country has ever produced," the Senate adopted a motion to thoroughly study the operations of Eximbank and the IBRD and their relations to

¹³⁹ Earl Mazo, The Export Import Bank of the United States (Washington D.C.: Unpublished manuscript, 1974), pp. 92-98.

international trade. Commissioning studies, it is well known, can prove influential as a means to create interest in and support for programs.¹⁴⁰

Senator Capehart personally supervised the study. He appointed a citizen's advisory committee comprised of 100 leading industrialists, businessmen, farmers, representatives of labor, and bankers who expressed concern over the Eisenhower plan and provided the necessary support to undermine it. He also arranged for a group, known as the "Capehart Mission" to visit 15 countries with Eximbank and IBRD projects. The group included Senators Bricker, Frear, and Capehart, Representative Brent Spence, Vice Chairman of the House Banking and Currency Committee, four members of the citizen's advisory committee, eight senate staff, and six persons from the Executive Branch, three of which were from Eximbank. The group examined projects supported by institutions and interviewed foreign and American businessmen to obtain their views.

As part of Capehart's thorough analysis, Henry E. Holthusen, a highly respected New York lawyer, was appointed general counsel of the Congressional study. The appointment of Holthusen implied attention to the planning and implementation of a serious study designed to reflect the Bank's activities in terms of the functions for which it was responsible.

¹⁴⁰ Gary L. Wamsley, in Selective Service and a Changing America (Columbus, Ohio: Charles E. Merrill Publishing Company), 1969, p. 226, points out during legislation on the 1967 renewal of the Universal Military Training and Service Act, pressure on Congress mounted to conduct an investigation into the operations of the Selective Service. L. Mendel Rivers, Chairman of the House Armed Services Committee and a protector of status quo, was in charge of the review. Rivers, in turn, selected General Mark Clark, a highly respected general, to chair the study. Several other similarities between these two cases emerged.

In January and February of 1954 extensive hearings were held by the Senate Bank and Currency Committee. Analyses of the Bank's case, of its activities, of its implications, and of its impacts were persuasively presented. The report of the committee was incorporated into a bill introduced by Capehart and Maybank in June, 1954. It became law, repealed organization Plan No.5, and provided for (1) the president and first vice president of the Bank to be appointed by the President of the U.S. with the advice and consent of the Senate; (2) a five-man bi-partisan board of directors with the president as chairman; (3) a nine member advisory committee; and (4) an increase in the Bank's lending authority of \$500 million.

The Capehart Bill was directed through the House by the Republican Chairman of the House Banking and Currency Committee, James P. Wolcott. His statesmanship and expertise in the dynamics of the government was demonstrated by his ability to convince a Republican House to come to the defense of the Bank with wide support after the Bank had been dealt a nearly fatal blow by a Republican President.

During the course of the author's interviews with Bank staff, a few staff members looked back at the early 1950s and compared the Eisenhower administration attempt to liquidate the Bank to the Reagan administration attempt to liquidate the Bank's direct loan program. One staff member characterized the 1953-1954 period as "a more severe crisis than the 1985 period simply because there now is substantial bilateral support in Congress for Eximbank; congressmen have been educated by exporters and committee staff. They are more aware of the merits of the Bank than

congressmen of the 1950s who had to be personally convinced of the Bank's value by an extraordinary orchestration of activities by Senator Capehart. Lobbying groups representing exporters and bankers have invested sizable resources in both grass roots and direct lobbying efforts with congressmen and congressional staff, both committee and personal." The role of the Bank, has no doubt, been conditioned by lobbyists representing the exporting and banking communities even though Congress has never properly defined the role the Bank should play in the U.S. economy or the role it should play in relation to global institutions such as the World Bank.

The Eisenhower reorganization case made clear that timely and appropriate action by Congress focused attention on the value of the Bank on its own merit rather than as an item in the unified budget, prevented the bank from becoming a casualty of an Executive Branch economy campaign and led to structural adjustments to meet the changing requirements of the time. These adjustments allowed the Bank to operate without similar disruption until the Reagan administration's attempts to restrain export funding by restricting the availability of export credit. Probably one of the most interesting aspects of the Eisenhower episode was its impact on Congress. Hearings before committees provided a convenient and highly visible forum for disputing the pros and cons of the Bank. By and large, the Bank could count on a higher degree of visibility in Congress.

Relations between Eximbank and Congress were relatively smooth from the 1950s to the 1960s. Then, as now, Congress did not focus on the administrative details of the Bank. Congress was, during this period, busy

with investigative committees formed to keep tabs on large agencies of the bureaucracy, with the loyalty and subversion of individuals, with cold war, and with communists.

In 1961, President Kennedy, in view of large balance of payments deficits, advised Congress that he was directing the Bank's president to prepare and submit to the Secretary of Treasury, Chairman of the National Advisory Council on International Monetary and Financial Affairs (NAC) a new program to place exporters on a basis of full equality with their competitors in foreign countries.¹⁴¹ Kennedy's move was viewed as an attempt to improve Executive-Congressional relations, to decrease the Bank's role in foreign aid, and to increase the Bank's role in trade. Congress asserted its approval by utilizing the powers of purse. Congressional-Executive relations upside down.

1961 legislation implemented Kennedy's decision by expanding the guarantee, insurance, reinsurance programs with restrictions on (1) the Bank's operating expenses and (2) on the amount of funds for development project loans.¹⁴² Before the 1961 ceiling on operating expenses, Eximbank had statutory limits placed on total authority outstanding at any one time (loans, insurance, guarantees) and the amount of debt owed the U.S. Treasury).

In 1963, congressional debate focused on means to finance the Bank. Since 1934 the Bank had borrowed on a revolving basis as funds were needed

¹⁴¹ Papers of the Presidents, President Kennedy, 1961, p. 63.

¹⁴² 75 Stat. 673, PL 87-311, 1961.

(subject to an overall ceiling on obligations outstanding). The Republican minority in Congress proposed to restrict the Bank's borrowings from Treasury to amounts appropriated to Treasury by Congress, thus limiting the Bank's ability to renew its borrowing authority through repayments of Treasury obligations. The issue was resolved by not allowing an increase in the Bank's overall borrowing authority.¹⁴³

During the Kennedy Administration, the Bank began to sell assets as an alternative means of generating funds, in the form of the sale of portfolio participation certificates. In 1967, however, the President's Commission on Budget Concepts reported that the participation certificate mechanism could not be viewed as an asset sale. In fact, the report stated that the practice permitted financing outside the public debt ceiling and buried an important form of expenditures.¹⁴⁴ Rather than borrow from the U.S. Treasury, Eximbank had raised funds through the sale of participation certificates in relation to debt obligations held by the Bank. These certificates carried Eximbank's unconditional guarantee and were sold to commercial banks through private sales. As such, they reduced outlays by treating loan repayments as receipts, thus masking budget deficits. Eximbank was not unique in utilizing the participation certificate mechanism. Other loan agencies sold certificates as part of

¹⁴³ Hearings, "Export Import Bank Extension", House Banking and Currency Committee, HR 3892, February 25, 26, 1963 and Hearings, "Export Import Bank Amendments of 1963", Senate Banking and Currency Committee, HR 3872 and 5775, 1963.

¹⁴⁴ Report of the Commission on Budget Concepts, October, 1967, pp. 154-155.

their financing activities. In fact, wide use of this practice led to the study by the President's Commission on Budget Concepts.

1968 amendments to the Export Import Act of 1945, referred to as the Export Facility Act of 1968, were aimed at furthering foreign policy interests by placing restrictions on the scope of Eximbank's operations. They reflected increased Congressional interest and influence in previously overlooked aspects of American foreign policy operations and a growing perception that American political and economic affairs were inextricably tied to political and economic affairs abroad. Provisions of the 1968 Act included:

- The annual appropriations act restriction on Eximbank operations was incorporated into the Export Import Bank Act of 1945.
- The Bank was not allowed to support exports to any communist country (as defined in the Foreign Assistance Act of 1961) with the sole exception of Presidential determinations of "national interest".
- Export support was barred to any nation engaged in armed conflict with the U.S. or to any country providing assistance to a nation engaged in such conflict.
- Bank support of the sale of defense articles and defense services to any economically less developed country, as defined in the International Revenue Code, was prohibited, subject to contrary Presidential "national interest" determinations.

The 1968 Act required the Bank to consider potential adverse effects of Eximbank loans upon the U.S. economy, a standard modeled after the Act of International Development of 1961.¹⁴⁵ The effect of this mandate was to increase the importance of the role of the policy analysis staff which

¹⁴⁵ 82 Stat. 296, PL 90-390, 1968.

was intended to be the board's main advisory unit or kind of quick response analytical unit.

According to Hillman, foreign policy and adverse effects provisions of the 1968 Act showed an interest on the part of Congress to infuse the Bank with more than export promotion tasks.

"Taken together, the "foreign policy" and "adverse effect" provisions of the 1968 act shaped the future of Eximbank and its mission in two vital aspects. First, regardless of the trade oriented primacy that Eximbank and the exporting community ascribed to the Bank's work, Congress continued to attach major importance to the Bank's traditional role as an instrument of presidential policy in the areas of foreign aid and relations. Second, the scope of the Bank's welfare function in relation to the domestic economy was defined to extend beyond the direct credits of export expansion. The Bank was now to consider the matter of negative impacts on jobs and the balance of payments resulting from potential displacement of other U.S. products in foreign or domestic markets. In short it was to look beyond the interests of the particular constituency that had developed in support of its export expansion mission."¹⁴⁶

The 1968 Act also liberated a portion of the Bank's resources from the "reasonable assurance" of repayment standard. The special fund legislation modified the "reasonable assurance" of repayment standard to "sufficient likelihood" of repayment with respect to \$500 million for the aggregate amount of loans outstanding at any one time plus 25 percent of the contractual liability of guarantees and insurance outstanding at any one time. Pressures by a growing constituency of exporters were reflected in a more favorable relaxed risk standard.

The special fund legislation included the establishment of an Export Expansion Advisory Committee (EEAC) chaired by Secretary of Commerce and

¹⁴⁶ Jay Jordan Hillman, The Export-Import Bank at Work, (Westport, Connecticut: Quorum Books, (1983), p. 58.

consisting of the same membership of the NAC. The envisioned role of EEAC was to assist the Bank in becoming more competitive with foreign export agencies.

During the 1970s, Congress, in a reversal of almost 30 years of deferring to the Executive Branch in foreign affairs, began to participate in international affairs, including trade. The Vietnam war and an increase in Soviet military strength, no doubt, contributed to Congressional interest in foreign affairs. In accordance with Congressional involvement in trade, the Export Extension Finance Act of 1971 directed the Bank to be more competitive "as to rates, terms, and other conditions with other countries."¹⁴⁷ This mandate, according to several Eximbank sources, signaled the beginning of numerous problems with Congress, the Executive Branch, constituents, and foreign nations. It drew greater attention to the Bank and served as a rallying point for both critics and advocates of the Bank. It introduced a new focus as the Bank modified its mission to give competition a central role. The shift in emphasis led to divergent viewpoints about the proper role of the Bank. Some staffers have come to regard the 1971 mandate as a trap - a mechanism designed to entangle the Bank rather than a policy guide. Although events since 1971 have not demonstrated whether U.S. trade would have been in a better position with or without the act, they have demonstrated that Eximbank, from an agency perspective would be far better off without it than with it.

¹⁴⁷ 85 Stat. 345, PL 92-126.

The 1971 act also took the Bank "off budget" in a move to expand its mission. Off budget status had the full support of the Nixon administration and the exporting community on the basis that Eximbank programs served a unique governmental function: The Bank was described as "the only institution in U.S. government equipped to meet the urgent need for balance of payments income".¹⁴⁸ Lastly, and by no means least important, the act directed the Bank to accord equal opportunity to export agents and managers, independent export firms, and small commercial banks in the formulation and the implementation of its programs. This directive was the first of several promotional standards.

During 1973 Congress was occupied with Watergate, mass transit legislation, the OPEC oil embargo, and continuing inflation. It did vote to open to the public, however, subject to certain restrictions, all committee meetings including bill drafting sessions. This reform added to the vitality of exporters and provided them with information that allowed them to cope with executive agencies on Bank related matters.

The Export Import Bank Amendments of 1974 (enacted in 1975) (1) extended the Bank's charter to 1978; (2) restored the Bank to full budget status following the close of FY 1976; (3) required the Bank to base lending rates on prevailing commercial rates or current borrowing rates with confirmation of the 1971 mandate pertaining to lending rates; (4) modified the 1971 adverse effects clause to include guarantees as well as loans and narrowed the need to consider adverse effects to "serious"

¹⁴⁸ Hearings, Senate Committee on Banking and Currency, S 4268, Supra, N.1, 1970, 91st Congress, 2nd Session at 3-21-1970.

adverse effects; and (5) prohibited the Bank from approving an aggregation of loans and guarantees in excess of \$300 million to the Soviet Union; of this total not more than \$40 million were to be used to finance products or services related to fossil energy resources.¹⁴⁹

This legislation, a 180 degree turnabout from the 1971 legislation, reflected Congressional concern with the expansion of government subsidized exports under Henry Kearns' aggressive chairmanship and growing demands to concentrate on social issues at home. It was designed to be a restraint. Kearns' activism created enough congressional animosity toward the Bank that there were rumors that the Bank's charter would not be renewed. This legislation represents an important point in the relationship between Congress and Eximbank, illustrates the Congressional conflicts of wanting to be objective and supportive thus separating technical components of Eximbank programs from political components, and highlights Congress' oversight role. "Is the Bank working?" and "How is the Bank working?" became standard questions for subsequent inquiries into Eximbank's policies and practices.

Moderation and checks and balances in both policies and appropriations were the key legislative themes of 1978, perhaps in response to the cynicism of the country at large and declining confidence in Congress. Nevertheless, there were indications that the Bank was viewed in a more favorable light by Congress. The Carter administration initially envisioned that the Bank would open prospects for exports. Toward the end

¹⁴⁹ 88 Stat., P.L. 93-646, 93rd Congress.

of the Carter administration, however, in view of the stormy political debate over the budget deficit, the Executive Branch resolved to tighten financial controls over the Bank and slow the growth of its programs. Congressional action to expand Eximbank's activities did not have much impact on the pace of the Bank's activities which was affected, instead, by the enormous appropriation of the dollar and the national debt crisis. The result was an erosion of U.S. exports and a reduced role of the Bank in providing and administering official export credit.

The Export-Import Bank Act Amendments of 1978, major Congressional statements, contained several directives. Examination of terms reveals:

- it authorized the Bank to carry out its statutory amendments through September 30, 1983;
- it increased program authority to \$40 billion in loans, guarantees, and insurance outstanding at any one time;
- it mandated the Bank to "supplement" and not compete with the programs of the Commodity Credit Corporation and to fully consider the extent to which any loan or guarantee is likely to have any adverse effects on industries and employment in the U.S. either by reducing demand for domestic goods or increasing exports to the U.S.;
- it directed the Bank to consider the importance of agricultural commodity exports to the U.S. export markets and U.S. balance of trade;
- barred the support of exports to South Africa, subject to Presidential determination and an exploratory statement to Congress pertaining to progress toward reducing apartheid;
- it forbade the Bank to deny applications for foreign trade except, subject to Presidential determination that such denial would be in the national interest in terms of advancing the U.S. policy in human rights, terrorism, environmental protection, and so on;
- it directed the Bank to emphasize assisting new and small business entrants in the agricultural export market and to cooperate with other agencies to develop a program of education to promote the awareness of export opportunities among small agribusiness and cooperatives and

for goods and services related to the development of non-nuclear renewable energy resources;

- it required the Bank to produce an annual report of the Bank's operations and a separate annual competitiveness report describing financial support on terms and conditions competitive with foreign government supported export financing;
- it required prior notification of Congress of loans and guarantees covering the following transactions: any transactions of \$100 million or more; any transaction of \$25 million or more for goods and services related to fossil fuel energy resources in the USSR; transactions providing goods and services relating to nuclear power or heavy water production; and
- it authorized the Bank to begin negotiations at the ministry level with other foreign nations to end predatory export financing programs, including mixed credits, in third world countries and the U.S..¹⁵⁰

The 1981 round of legislation reflects Congressional assumptions that the Bank plays a foreign policy role of providing more or less benefits to friends and foes of the U.S.. In matters of foreign policy, gray areas or breeding grounds for future legislative initiatives exist in the relationship between foreign nations and Eximbank.

The Foreign Assistance and Related Appropriations Act, Public Law 97-121, 97th Congress (95 Stat. 1647), December 29, 1981, authorized the Bank to make expenditures within limits of funds and borrowing authority without regard to fiscal year limitations as provided by the Government Corporation Control Act. None of the funds were to be used for the export of nuclear equipment, fuel, or technology to any country other than a nuclear weapon state (as defined in Article IX of the Treaty on Non-

¹⁵⁰ 92 Stat. 3641, at 3724, PL 95-360 (Title XIX), 95th Congress, 2nd Session, November, 1978.

Proliferation of Nuclear Weapons as eligible to receive economic or military assistance). None of the funds appropriated by this act or made available to the Bank were to be granted to any government which grants sanctuary to international terrorist or war criminal sought for prosecution by any other government. Use of Eximbank and the Overseas Private Investment Corporation (OPIC) funds to establish and expand exports by any other country was banned if the commodity was likely to be in surplus on world markets at the time the productive capacity was expected to become operative and if the assistance would cause substantial injury to U.S. producers of the same or similar commodity. The latter ban need not apply, if in the judgement of the Board of Directors, benefits to the nation outweigh injury to U.S. producers of the same or competing commodity.

Section 206 of the Export Trading Company Act of 1982, Public Law 97-2901, 97th Congress (96 Stat. 1239), October, 1982, authorized the Bank to provide guarantees for accounts receivable or inventions of exportable goods, accounts receivable from leases, performance contracts, grant commitments, participant fees, member dues, reserve from publications or other such collateral as the board of directors of the Bank deems appropriate. This legislation did not reflect the proposed budgetary restraints of the Reagan Administration. It gave little credence to Reagan's rhetoric about reducing the role of government and to the monetarist view of the world. It provided Eximbank with greater flexibility and improved the prospects for cohesive and organized lobbying efforts by exporters. Regard for the exporting community's influence in

Congress also improved as a result of exporters' early perceptions of emerging problems with the Reagan Administration and its efforts to gain support.

The Trade and Development Act of 1983, Public Law 98-181, 98th Congress (97 Stat. 1254), November, 1983 (1) mandated the pursuit of negotiations to limit and set rules for the use of tied credit aid for exports; (2) mandated the establishment of, within the Bank, a program of tied aid credits;¹⁵¹ (3) mandated the administrator of the agency for International Development (AID) to establish a program of tied credits for U.S. exports to be carried out in cooperation with Eximbank and private financial institutions as appropriate; and (4) authorized the National Advisory Council on International Monetary and Financial Policies to coordinate implementation of the above programs.

Procedural aspects of the 1983 act were more important than substantive aspects. For example, appropriation mechanisms for tied credit programs were not developed. Whether a few more years of agitation on the part of exporters will be necessary to secure funds for tied credits remains to be seen. More significantly, the Act appears to have made tied credits a regular player in the Eximbank game.

The 1983 Export Import Bank Amendments (Title IV, Supplemental Appropriations Act, PL 98-181) altered the charter of the Bank significantly. Many of the changes have been attributed to the Coalition on Employment

¹⁵¹ Tied credits are tied to purchases of exports from the countries granting credits. Credits are financed either exclusively from public funds or, as mixed credits, partly from public and partly from private funds.

through Exports, the Bankers' Association for Foreign Trade, The National Association of Manufacturers, the U.S. Chamber of Commerce, and other groups who brought together formidable amounts of support for a more aggressive Bank in spite of the Reagan administration's attempts to reduce export credit subsidies. Major provisions of the act included:

- The Bank's charter was renewed to September 30, 1986, a multilife of three years in contrast to previous renewals for five year periods. The Bank's primary mandate was to expand U.S. exports through full competitive financing to neutralize financing offered by Eximbank's counterparts.
- The advisory committee was reconstituted to consist of 12 members representative of production, commerce, finance, agriculture, labor, services and state government, three of which represent small business. The committee should meet quarterly and submit comments to be included in the annual report to Congress and annual competitiveness reports.
- New directors were to be appointed for fixed staggered terms so eventually three directors will serve for 4 year terms beginning the date of a new administration and two directors will serve for four terms beginning two years later. One of the directors must be from small business and all will serve at the pleasure of the President.
- By March 31, the Presidency of the Bank was required to determine and report to Congress whether it possesses enough lending authority to meet its needs. If it discovers it possesses more authority than necessary, legislation must be requested to eliminate excess amounts.
- Exports of services were to be treated as favorably as exports of goods.
- U.S. insurance companies were to be afforded equal opportunities in bidding on insurance in connection with Eximbank financed transactions.
- Eximbank was required to set aside at least 6% in FY84, 8% in FY85, and 10% in FY86 and thereafter of its total loan, guarantee, and insurance authority for small business.
- Eximbank's guarantee and insurance facilities to Brazil and Mexico in the amounts of 1.5 billion and \$500 million were authorized until March 31, 1985. However, Eximbank was prohibited from providing balance of payments financing or assisting any country in the man-

agement of its debts other than Eximbank debts (note: this provision appears to be largely due to the presence of the International Monetary Fund).

- If the value Bank's total capital stock and retained earnings were to fall below 50% of its total capital stock and retained earnings at the end of FY83 the Bank must notify Congress not later than 30 days after the end of any fiscal quarter.
- The Interstate Trade Commission (ITC) was authorized to assess the impact of Eximbank's activities on industries and employment in the U.S. and furnish the report to Congress.
- The President of the Bank was expected to pursue negotiations on tied aid for exports, to establish a program for tied aid to neutralize predatory financing practices, and to establish a fund for carrying out this program. The National Advisory Council on International Monetary and Financial Policies (NAC) was to coordinate and approve AID's and Eximbank's tied credit program.

The 1983 amendments reinforced the policy development and policy enforcement role of Congress in the Bank's affairs and strengthened formal oversight on the Bank's operations. A series of adjustments, required on the part of the Bank, were rigidly tied to statutory deadlines. The Administration recognized the Bank's difficulties in dealing with change; nevertheless in an era of tight money, it chose to deal with problems by proposing a major program cut - the direct credit program. A key test of the Reagan Administration's clout with Congress in 1985 will be the survival of the program and the manner in which Congress trusts this particular policy initiative. The extent that the Reagan Administration will be able to curtail resources provided to Eximbank depends on Congressional approval. During the 1983 and 1984 budgetary processes, Congress approval increased in Eximbank programs.

Although \$200 billion debts are projected through the 1980s and growth in spending has continued, a congressional staff member summed up the

relationship between Congress and the Bank in the following way. "The Bank", he said, "operates satisfactorily. At the heart of its support is the fact that it is used for many purposes by many different users. Besides, most Congressmen buy the concept that exports are beneficial, and because Eximbank does not step on any other agencies' toes, it is fairly popular. Congress is unlikely to recast priorities."

In reviewing the role of Congress over the past fifty years, the fundamental issue at stake appears to be increasing involvement of Congress in the Bank's affairs. Congress has initiated policy on a broad range of issues and legitimated, rejected, and amended presidential initiatives. Oversight activities, sometimes with the staff capacity of the Congressional Budget Office, have improved in quality and increased in visibility and quantity.

Why did Congress become increasingly involved in Eximbank's affairs?

An Eximbank source stated that

"Congressional interest in the Bank began to sharply evolve during Henry Kearns' term as chairman (1969-1973). Kearns' expansionist policies resulted in questioning by members of Congress as to whether the Bank had become a give away program to big business. Under Kearns the Bank had stepped too far out of line in a short span of time. As the volume of business increased the costs of achieving the increase also shot upward. The Bank eventually lost the respect of Congress. From Kearns onward chairmen have been unable to protect the Bank's autonomy with the exception of internal management and administrative processes. Congressmen assign a low priority to internal matters. With regard to external matters, however, the Bank is far from autonomous. In most areas it is seriously influenced and in some areas totally controlled by others."

William Casey, who replaced Kearns in March 1974, received a tall order: review the Bank's policies and programs and provide much needed di-

rection. In spite of Casey's efforts, Congress continued to oversee the Bank closely. Congressional interest has since focused on three issues:

- The effect of subsidized export sales on the U.S. economy and foreign economies.
- Utilization of the Bank as a tool of foreign policy and as an instrument of commercial trade policy.
- Definition of the role of the Bank.

In an attempt to satisfy Congress and its numerous constituencies with regard to these issues, the Bank has pursued a variety of programs with often times irreconcilable objectives. As a result, a Bank source noted, "the Bank has lost sight of its supplementary role in export finance and has acted as a promotional entity, a cheerleader for small business, a chastiser of human rights violators, etc." Another Eximbank source compared the Bank to "a patient suffering from a variety of diseases passed by an inconsistent Congress." A Congressional staff member pointed out that "Congress is a fragmented organization of staffs of committees, subcommittees, Congressional agencies, and Congressmen. The fragmentation has resulted in fragmented relationships with government agencies."

A Congressman, during a discussion on the Bank's relationship to Congress, pointed out that "although Congress has become increasingly aware of the Bank and has taken diversionary excursions into some of the Bank's policies and practices, the Bank is still popular with both conservatives and liberals". He then named only three members of the Senate (Senators William Proxmire, Jesse Helms, and William Armstrong) and one member of the House of Representatives (Representative Jack Kemp) who oppose the

Bank on ideological, free market grounds. The same person pointed out that "in view of the current budget deficit, Congressional supporters including Senator John Heinz and Jake Garn may even have a hard time defending the Bank. The enormous budget squeeze in Congress may make the odds against the Bank stronger," he acknowledged.

An Eximbank source spoke about the ineffectiveness of the Bank in offsetting the strong dollar in the export arena and possible Congressional reaction. "If the Bank were to become more effective, other nations' official export financing institutions would become more effective in an effort to offset the Bank's terms. In 1984, American manufacturers exported about \$133 billion of goods. Eximbank supported less than 5 percent of these exports. Congress' prevailing view of the Bank may be dimmed by the luster of the strong dollar and the fact that the Bank is rather powerless with regard to the vast majority of U.S. exporters."

Another exporter attributed the Bank's support in Congress to the pressure Congress receives from organized labor, bankers, and exporters. "There are no clearly defined sources of opposition to the Bank", he said, "except conservative economists and professors. And no congressmen pay serious attention to conservative economists and professors. Political incentives of individual members of Congress are and will continue to be the prime impetus to the Bank's future."

In general, members of Congress appear to have policy and program preferences toward the Bank. Although motivations are difficult to ascertain, several interviewees stated that the Bank is popular on Capitol Hill because Eximbank does not depend on the Congress for funds and re-

turned profits to the Treasury Department for over 40 years. Traditionally the cost of its loan, guarantee, and insurance payments were more than matched by repayments and interests on loans, insurance premiums, and users' fees. The Bank was thus perceived as a fruitful endeavor or as an institution capable of producing revenue.

With regard to appropriations Eximbank is included within the Foreign Assistance and Related Agencies Act rather than with trade oriented agencies like the Department of Commerce. This tends to sustain Exim's image as a foreign assistance agency; however, unlike the sundry agencies included in the Act, Eximbank sweetens the foreign aid pie, in the opinion of a Congressional observer. Although this is not a critical reason to support Eximbank, it does lend another convenient dimension to the argument that the Bank is popular because it serves many purposes.

Exports, some senators believe, are job creating. Eximbank transactions, it is argued, contribute to employment. The proof of the pudding lies in the fact that firms which are losing millions of dollars in export sales are obliged to lay off workers.

Others explained Congressional support of Eximbank to the Bank's recent role in achieving a more effective U.S. negotiating position in efforts to end all export incentives on a multilateral basis. The rationale is as follows: if Eximbank were to unilaterally phase out subsidies, the U.S. would, in effect, encourage foreign countries to beef up their export financing.

Some interviewees held the view that Congressmen perceive that Eximbank support allows U.S. firms to take advantage of and maintain

technological superiority in sectors as telecommunications, commercial aircraft, and heavy electrical equipment.

Finally, it was said that Congressmen support official export subsidies as a means of protecting industries important to national defense and to foreign policy objectives. Both of these functions have been used to justify specific transactions during the Bank's history. As such, they are part and parcel to the Congressional commitment to Eximbank.

In summary, recent experience suggests that Congress has played a major role in the development of Eximbank. It has generally viewed the Bank as an effective instrument for a variety of purposes and acted programatically on legislation to initiate and regulate Eximbank activities and in terms of fiscal policy, usually by authorizing the Bank to borrow funds from the Treasury or from the private sector and to lend funds. Nevertheless, it has expanded involvement in the policy and practices of the Bank with varying degrees of success.

Within the context of the federal deficit, there is considerable pressure for a reorientation of the Bank initiated by the Executive Branch and its key fiscal spokesman, David A. Stockman. There is, however, also room for renewal and strengthening of the Bank, over the long run by Congress, to whom the Bank is ultimately accountable. Reconciling the Bank with a redefined role-one that is stronger or weaker, more independent or more dependent, larger or smaller institution is sure to become the subject of debate in Congress. If the Congressional record of the past fifty years is any indication, Congress's contribution to reshaping Eximbank's role will emerge out of a case by case process, and it will

be guided by an ongoing assessment of the Bank's activities, support for Eximbank programs, and responsiveness to both national and international needs.

COMMERCIAL BANKS

The major objective of this section is to examine the relationship of Eximbank and commercial bankers. Commercial bankers not only constitute a very important interest group that subjects the Bank to certain pressures to operate in their favor; but they are also a well defined, constituency who have developed a close working relationship with the Bank and upon whose support the Bank depends for survival.

The majority of U.S. exports are financed by commercial banks located in large cities through a variety of methods including capital loans; short term advances against documents evidencing shipment of goods; credit extended to overseas buyers by foreign banks which borrow from U.S. banks with which they had lines of credits; purchase by banks from U.S. exporters, without resources, of obligations of foreign importers; and direct loans by U.S. banks to foreign importers for the purchase of U.S. goods and services.

Where the credit standing of the importer and political and economic conditions of the country of destination involve low risks, U.S. commercial lending banks generally assume financing. A considerable amount of exports, however are shipped to importers in developing countries and involve both political and commercial risks. Programs of the Export Im-

port Bank of the U.S. are important factors in making credit available in such cases.

In a typical case involving Eximbank, a foreign firm will resolve to import materials and supplies. It will solicit bids from interested suppliers in several countries. A treasurer of a major U.S. manufacturing firm will receive the bid specifications which will require a financial proposal to accompany the bid. Normally the treasurer of the U.S. manufacturing firm will contact several major U.S. commercial banks to ask whether the banks are interested in providing financing and if so the terms and conditions will be requested. Bank officers will then gather the necessary data about the transaction including Eximbank involvement and the terms of that involvement. Financial priorities will be discussed with the exporter. A deal will be structured by commercial bank officers, including international account officer, domestic account officer, and export finance officer of each bank. Written responses will then be sent to the exporter or client. During the post bidding stage banks may negotiate on behalf of the exporter with other bidders. If the exporter wins the contract, the bank who structured the winning deal may negotiate directly with the importer or the importer may seek alternative financing. Documentation and disbursements by the commercial bank are the final steps of the transaction.

While commercial banks are the main source of credit for exporters, some financing is also done by finance companies, factoring firms, and other specialized organizations. The volume of funds provided by the latter institutions, however, is not substantial.

The international banking divisions of commercial banks that finance exports have officers specialized in helping clients utilize the programs of Eximbank and other U.S. government agencies. These specialists are in frequent contact with export-assistance agencies and know their procedures and programs. The commercial bankers are also in contact with Eximbank through the Bankers' Association for Foreign Trade (BAFT), a highly specialized business association of professional bankers involved in international trade and finance, and the National Foreign Trade Council, (NFTC) an organization supported by 650 banks and companies with an export finance committee chaired by a vice president of Citibank. Large "peak" organizations such as the National Association of Manufacturers (NAM) and the U.S. Chamber of Commerce have specialized departments and divisions which represent commercial bankers.

Commercial bankers' involvement in Eximbank began in 1934 when the American Bankers Association (ABA) worked closely with Eximbank to develop its programs. Officials of Eximbank and a committee of bankers laid out a five point plan of cooperation to combat the Depression and define an entirely new role for government. The plan still explains Eximbank's functions. Presence of the commercial banking community in Eximbank's affairs is generally felt during legislative, appropriations and oversight hearings where considerable inputs (testimony and statements from BAFT and NFTC) are voiced. Communication among BAFT, NFTC, individual bankers and Eximbank, however, is an ongoing activity and may involve exchange of information on policies affecting banking and trade, exchange of information on specific transactions and day to day banking matters,

and liaison between Eximbank and Congress concerning the effects of Eximbank's policy on the international banking community.

During the 1970s, commercial bankers' views concerning Eximbank became more visible in popular newspapers and periodicals. Generally the articles were written in defense of Eximbank and often contained recommendations on how to handle some of the problems the Bank faced or they called for a stronger bank. Trade magazines such as "The Banker" and "Fidelity World" published insider's views on the Eximbank and how it affected world trade.

The relationship between commercial banks and Eximbank has not always favorably served the interest of both the commercial banks and Eximbank. A prominent New York banker pointed out that the commercial banks' relationship with Eximbank has its ups and downs depending on chairmen of Eximbank and the goals of different administrations; recently the relationship ranged from a positive relationship under Chairman Moore and the Carter administration to a mild adversary relationship under Chairman Draper and the Reagan administration. He also added that the administration's proposed budget cuts for Eximbank and its perception of the Eximbank as an insurance agency rather than a government owned bank will continue to exacerbate the relationship. Several other commercial bankers called for an expanded role for Eximbank as a re-insurer of risk, as a liquidity provider, and as a counter to predatory financing practices. A New York banker stated that it is in the public interest to "level the playing field" and provide swift and certain response to export subsidies from foreign nations.

Complaints about Eximbank programs from commercial bankers were not always the same. One banker spoke about the need for institutionalization of the direct credit program and complained about the on and off again status of the program. A second banker discussed the importance of Eximbank as a risk mediator and stressed the need to resolve complex and troubling questions concerning short and medium term credit programs. A third banker complained that Eximbank only offers standard programs and has built up mental resistance in dealing with foreign exchange issues. Foreign exchange issues do not receive the attention they should receive. Yet, another banker pointed out that in spite of expressions of amity and purpose between the commercial banking sector and Eximbank, there is a growing conflict, exceeded only by the rising complaints of exporters, because Eximbank simply does not do enough to finance exports. Many of its programs are inadequate regarding both rate and amount.

Different bankers, depending on the characteristics of the banks they work for, responded differently to the question: What is the importance of Eximbank in export finance dealings of your bank? In general terms, answers embraced the following responses:

- The Foreign Credit Insurance Association (FCIA)/Eximbank insurance policies, bank guarantees and direct credits are important. Guarantees provide significant benefits to commercial banks; insurance programs are a selling tool for commercial banks; and direct credits help to satisfy customers.
- Eximbank guarantees and direct loans are highly advantageous in view of the balance of payments constraints of developing countries.
- About 1/2 to 2/3 export transactions involve an Eximbank component. Without Eximbank's participation, total exposure and the availability of funds for exports would decrease substantially.

- FCIA/Eximbank policies are used as leverage. With the benefit of FCIA protection, commercial banks are able to use the FCIA policies to develop new business.
- Eximbank programs and FCIA insurance are useful tools in enabling banks to extend terms, protect against risk, meet competition and arrange favorable financing.
- Without Eximbank financing, many U.S. industries would be driven out of the U.S. to countries where the export climate is more attractive; this would, in effect, export U.S. jobs, weaken the international competitiveness of U.S. industry, and diminish the role of U.S. commercial banks.
- Resources of Eximbank have vacillated. As a result, commercial bank activities have not been able to respond to the needs of exporters in as efficient manner as possible. Nevertheless, the Bank's programs are important in providing commercial and political risk protection.

All of the commercial bankers interviewed commented on the skill and capabilities of Eximbank staff although the application and approval processes frustrated some of the bankers. Prompt, correct answers to follow up queries, soundness of decisions concerning individual transactions, and knowledge of diverse programs were elements comprising the appraisals of staff performance. When asked about the role of board members, bankers were unable to take stock of performance except in the cases of Rita M. Rodriguez, a current board member who was considered technically competent, and of John A. Bohn, Vice Chairman under William H. Draper III, who commanded the attention of bankers because Bohn was rumored to be the next chairman. Bankers were cautiously optimistic concerning Bohn because, as one banker said, "He is in the middle of what appears to be the right issues, and he seems to be particularly well prepared to deal with them." How much the personal appearance of Bohn at commercial bankers' gatherings in New York and his handling of such

situations contributed to bankers' impressions are unknown. Bohn, according to staff sources, takes outside appearances seriously. Preparation apparently has paid off because he has gained the respect of bankers. Maintaining respect is likely to be a challenge.

Bankers commented on William H. Draper III, Chairman of the Bank under President Reagan. In the beginning of the Reagan administration, Draper was accused of conspiring with the administration against exporters and bankers to fiscally restrain Eximbank. At the end of Reagan's first term, Draper was on a friendlier footing with bankers. As Draper's term evolved, meetings, telephone calls and correspondence which became less tense and more congenial were generated between Draper and commercial bankers. Draper, nevertheless, was perceived as a generalist bound to the Reagan Administration's ideology and practices rather than an expert on export financing. For this reason, he was considered exceptionally difficult target for bankers' demands and pressures.

Interestingly, under the Presidency of Ronald Reagan, several bankers commented that bankers' interests have been better reflected and recorded by Congress. BAFT's 1983-1984 Annual Report points out that "significant changes in Eximbank's mandate, structure, and operations in 1983 were accomplished because of a report by BAFT's Export Expansion Committee recommending a number of changes."¹⁵²

In sum, the commercial banking institutions are participants in and beneficiaries of Eximbank programs as well as an important political in-

¹⁵² Bankers Association for Foreign Trade, 1983-1984 Annual Report (Washington, D.C.: BAFT, 1984), p. 6.

terest group. They provide significant inputs and outputs into the Bank's activities in terms of co-financing the direct loan program. From the 1960s onward, U.S. commercial banks have increased their involvement in Eximbank activities through a variety of new programs including the discount loan program, aimed at providing commercial banks fixed rate funding commitments, and the Cooperative Financing Facility, a program by which Eximbank and commercial banks jointly lend funds to foreign banks.

U.S. commercial bankers have also participated in the Bank's activities by buying debentures or components of specific loans. The establishment of the Private Export Funding Corporation (PEFCO) in 1970 to mobilize capital held by insurance companies, pension funds, and other institutions strengthened Eximbank commercial bank ties. PEFCO was created at the initiative of the Bankers' Association for Foreign Trade (BAFT) with the support of Eximbank and the U.S. Treasury Department.

A noteworthy fact about commercial bankers is, since the founding of Eximbank, they have helped to create Eximbank programs, proposed alternatives, and reflected on solutions to emerging problems in efforts to enhance Eximbank and to provide solutions to their particular advantage. Another major activity has been supporting the Bank among legislators, the executive branch, exporters, and colleagues. Although it is impossible to measure their influence, they have dominated and set the tone for much of Eximbank's behavior during the past fifty years.

EXPORTERS

This section traces the continuing, sustaining role exporters have performed in relation to Eximbank. Well established client relations characterize the relationship between Eximbank and exporters. As one Bank employee pointed out, exporters staged, during the first half of the 1980s, remarkable lobbying efforts on behalf of the Export Import Bank of the U.S.. Exporters lined up with labor unions and governors to sustain a largely successful attack on the Reagan administration's plans to reduce the volume of funding of the Bank. Grass roots lobbying against Reagan's proposals was voiced through coordinated letter writing, telephone, and telegram campaigns deluging members of Congress. Pork-barrel lobbying by companies such as Boeing and Westinghouse was also evident in an attempt to seek Congressional votes in favor of the Bank.

Corporate lobbying on behalf of Eximbank in the 1980s was initiated by Boeing, Westinghouse Electric and General Electric, also the Bank's three largest customers; in 1981 they formed an ad hoc group called the Coalition for Employment Through Exports (CEE). Prior to the coalition's birth, Boeing, Westinghouse Electric, and General Electric contributed resources to hire a Washington lawyer to curtail efforts by the Reagan administration to reduce the Banks lending. Soon afterwards, the companies decided to expand their efforts; the Coalition emerged as an informal organization consisting of 16 major companies, 4 labor unions, and 3 governors. In addition, the Coalition hired Ray Garcia as its director, an economist and trade lobbyist formerly with the Emergency Committee for

Trade, to pressure Congressmen. By June of 1982 the CEE had enlisted 40 companies, 14 trade unions, and 3 governors to defend Exim. Garcia resigned shortly thereafter and William M. Berry, a former university professor of political science, who was employed by the National Governors' Association, succeeded Garcia. The coalition's main strategy, in 1982, was to shatter the Bank's reputation as "the Bank of a few large firms". To get the message across, the CEE, hired Hill and Knowlton, a public relations agency spearheading many of Washington's best known PR efforts and began to broaden its political base. Westinghouse's chairman, R.E. Kirby, sent letters to numerous industries asking them to join the Coalition at the fee of \$5000 per year in an effort to broaden the organization's political base and to add support to the argument that export financing creates and maintains jobs and lowers the trade deficit. For a complete membership of the Coalition, as of April, 1984, see Appendix C.

In conjunction with its advocacy efforts, the CEE (1) publishes a series of briefing papers; (2) encourages industry members to develop a communication network of suppliers to solicit suppliers' support in influencing members of Congress and the administration in support of the Bank; and (3) arranges speeches, newspaper/magazine articles, interviews, discussion groups, advertisements, convention displays and distribution mailings in support of the Bank. Currently the organization has begun its "1985 Legislative Offensive" a program of events aimed at preserving the Bank. William M. Berry, CEE's director, says CEE's legislative offensive activities include building the membership and the advocacy base

of the organization and the mobilization of membership; impeding the development of policy consensus behind the OMB proposal to eliminate the Bank's direct credit component by organizing and implementing a strong direct lobbying effort; developing a strong CEE position on mixed credits and conducting a lobbying campaign aimed at increasing mixed credit activity by the Bank; strengthening CEE's communication efforts with grassroots focus; and developing research, educational communication and further lobbying efforts.

What distinguishes CEE from other trade lobbying groups is its breadth of membership and its concentration on one issue: the Export Import Bank of the U.S.. As part of its focus on the Bank, Director William M. Berry spends time breakfasting with legislators at Capitol Hill restaurants, making and receiving what appear to be hundreds of telephone calls per day, and attending organizational meetings. A great deal of his energy, however, is spent trying to come up with persuasive, intelligent arguments on behalf of the exporters. Economists and lawyers, most notably Stuart Eisenstadt and Warren Glick, ex legal counsel of Eximbank, advise the Coalition on a wide range of offensive tactics.

Several other groups have tried to make it clear that Eximbank should become a more aggressive financier of exports. The National Association of Manufacturers' Task Force on Export Finance actively mobilized support of Eximbank's 1983 legislative reauthorization. The Chamber of Commerce, with its network of 2,800 state and local Chambers in cities and towns across the country, 210,000 corporate members, and 1,400 professional and trade associations, has lobbied actively on behalf of the Bank. The

battle for the Bank was also joined by groups including the Labor-Industry Coalition for International Trade (LICIT), the National Machine Tool Builders' Association and the Aerospace Industries Association.

Although exporters have lobbied on behalf of the Bank since the mid 1930s, the Reagan Administration's earlier emphasis on extinction, then later on financial restraint, provided an opportunity for exporters to develop their ability to influence the legislative process under adverse circumstances. Economically driven, the exporters interest shifted from interest in the defeat of specific bills to a more complex process of shaping the Bank's role. A good example is the exporters efforts to corner the Bank into supporting mixed credits.

According to interviews with several exporters, however, the scope of the exporter's leverage is best revealed in the 1983 amendments pertaining to changes in the Bank's charter. Charter changes were shaped in a memo to Senator John Heinz, a Republican from Pennsylvania and chairman of International Finance Sub Committee of the Senate Finance Committee.

Exporters, it is reported occasionally, become directly involved in the Bank's business. For example, exporters became aware of the fact that the Bank was considering elimination of FCIA's master policies and alterations in the Bank guarantee programs. CEE sent a questionnaire to exporters to determine potential impacts of the proposed changes. Concern over the changes escalated. Finally, exporters met with the Bank's Senior Vice President for Insurance and Guarantee Programs, William Arnold. The meeting did not go well. Exporters noted that the Bank's proposals did not take in to account the effects of the plan on exporters and bankers.

Both bankers and exporters shared a direct interest in maintaining the status quo of the programs. As a result of the meeting with Arnold, exporters became convinced the Bank was planning to make the changes without determining the costs and benefits to exporters. A critical meeting was arranged with William H. Draper III, Chairman of the Bank. After the exporters' meeting with Draper, the Bank announced that there would be no changes in the program.

Exporters have tried, in one way or another, to influence the conduct of the Bank by exercising influence over chairmen. During the Reagan administration, they have engaged in numerous meetings with Chairman Draper who, they contend, is a particularly difficult chairman from whom to solicit assistance.

In spite of the results of the meeting discussed above, Draper (as chairman of the board) received low marks from exporters. In the beginning of the Reagan Administration, Draper proved to be clearly an administration man. A continuing worry of exporters is that if Congress cuts Eximbank's programs, it will be impossible to secure additional funds in the future. Draper, of course, does not hold the knife; however, he will not object to the Administration's use of it. The majority of exporters feel that Draper has not represented the difficulties of exporters to the administration and has not done everything in his power to prevent reductions in programs. "He is a mouthpiece for the administration," an exporter noted.

On the other hand, a few exporters sources say that Draper has taken positive steps to help exporters by attempting to use the Bank's resources

more cautiously and selectively. While conceding that Draper's attitude toward the Bank changed and pointed out that he opposed David A. Stockman, Director of the Office of Management and Budget in a statesman like manner, another exporter said that "Draper's support, motivated by personal political aspirations, is minimal." Several exporters pointed out that Draper was quoted, in the February 19, 1984, edition of Congressional Quarterly, as saying: "This administration does not believe in subsidies. This country has never believed in as much government involvement in business as other countries do". In Iron Age, February 25, 1983, Draper stated that "Right now, the Bank is highly competitive." Exporters dispute this statement and listed several deals that have been lost because the Bank failed to match the competition even when the matches fell within common standards of international agreement on official export credits. Several Bank sources commented that although Draper had some difficult episodes with exporters in the beginning and can be heavy handed with them, he can be charming enough to mitigate certain difficulties which could be easily aggravated by a person with a less pleasing personality.

Exporters, like bankers, appear to be optimistic about John Bohn, rumored to be the heir apparent of Draper. Bohn, exporters feel, may be better qualified than Draper to begin to set Eximbank on a consistent, result-oriented course. Specific qualifications or qualities of Bohn were never elaborated upon; however, exporters seem to feel Bohn has a better understanding of the realities of the marketplace than Draper. Members of the staff are not sure whether Bohn is a foe or friend of exporters. "Beware of Bohn" is a phrase frequently heard around the Bank.

Part of it may be based on Bohn's behavior at board meetings where he was described in flattering terms as "second guessing" the staff and in unflattering terms as "sniping at professionals." Recent marketing initiatives to small business, under the direction of Bohn, were characterized by Eximbank staff as a placebo used to soothe the exporting community. Exactly how Bohn would tackle the many-sided roles of the presidency of Eximbank-administrative, political, symbolic, ceremonial- and whether or not results would be sought at the expense of process, remain to be seen.

When questioned about the future of the Bank several exporters stated that the Bank is likely to continue to shrink. "It may even turn out to be a government owned insurance company," the exporters stated. When the Bank established a five month moratorium on new applications for direct credits in the beginning of the first term of President Reagan, exporters began to look at alternative forms of export financing. Some exporters were so disillusioned with operations of the Bank they stopped contacting the Bank even after the Bank lifted the moratorium. A representative of one of the leading American exporters stated that it uses Eximbank's guarantee program as little as possible and doesn't even bother to fill out applications for the Bank's other programs. "The Bank", he stated, "is not here to facilitate exports and assist in financing sales. It is here to impede financing to most companies except Boeing, Westinghouse Electric, and General Electric. Unfortunately, its priorities have not changed with the times."

This same representative explained why his company has not joined the CEE. "Resources are limited. There is a strategy to choose among and to support organizations that directly assist my organization and take stands on issues which we consider at stake. CEE cannot begin to help solve the problems the Bank confronts with the type of competition exporters face. If exporters cannot have an edge they will manufacture abroad. Insufficient Bank support, in fact, has resulted in sourcing from foreign nations. Formerly, American companies competed on quality, price, and financing. Due to the strength of the dollar, American prices are not advantageous. American products have also lost technological superiority and with the export financing component working against U.S. exporters, sourcing abroad is bound to keep on growing."

An Eximbank official responded to sourcing, a major issue to exporters and source of tension between exporters and the Bank, in the following manner: "American products are being sourced from foreign nations. What the Bank does to support exports, however, is incidental. It cannot reverse the manufacturing of foreign goods abroad. Eximbank has been and continues to be used to support the objectives of State Department and Treasury Department. Everything that occurs at the Bank is rationalized in terms of exporters or small businesses but if you dig beneath the surface you will see which objective the Bank's programs really meet. The trade deficit has a great deal more to do with imports than exports. Eximbank is used as an instrument, but it is not used as an industrial policy tool to restore the economic well being of U.S. industries. From a policy perspective, if restoring our industrial base through exports

was to become a goal of government, there are far more effective ways to impact positively on industries such as the use of fiscal and tax policies."

Another Bank source said that "Eximbank's function includes raising the morale of exporters." Providing a psychological boost for exporters, however, is rather dangerous. "Exporters", the same source added, "begin to expect flexible funding policies, higher levels of subsidies, and surges in exports. The function of morale boosting may be a virtuous activity but it loses its vitality because the atmosphere in which it was born and nourished has lost its own breath."

Practically everyone, including exporters, are conscious of the fact that export subsidies are undesirable. It is part of the world view of economics developed by Adam Smith who declared that the most efficient form of economic organization is laissez-faire, the notion of leaving things alone and not interfering in the market place. But, since other nations utilize subsidies, the rationale is that the U.S. should be prepared to use them, thereby neutralizing foreign subsidies. Exporters also believe that the best means of bringing foreign governments to the negotiating table is by countering predatory financing. Clyde N. Farnsworth, in an article entitled "Shootout Over Federal Export Policy and Money," New York Times, December 27, 1981, quotes Robert McLellan, a vice president of the FMC Corporation and chairman of the International Trade Subcommittee of the National Associates of Manufacturers as saying: "We need to recognize that comparative advantage doesn't always work and that ex-

ceptions to the free trade market system are sometimes necessary in the short term if we are to accomplish long term goals."

John C. Marcus Jr., president of the International Division of Westinghouse Electric Corporation, writing in the New York Times, on November 1, 1981, explains: "A strong Ex-Im Bank remains the most effective weapon for Americans to carry into the export wars. Ex-Im loans are not government bailouts for inefficient American companies. They are economic equalizers that allow American companies to participate in the international competition on which much of the future of our industry depends."

What the exporters are saying is: Ideally we would like to get the government out of export financing business entirely. However, in view of foreign export subsidies, particularly the French, the United States government must participate in the export credit war. Severe budgetary cuts would amount to surrender and defeat.

In sum, the relationship between exporters and Eximbank is one of partial coalition and partial conflict. Exporters and Eximbank share an interest in subsidizing U.S. exports, but they diverge concerning the manner in which exports should be supported. Exporters are, as noted during the previous discussion, a heterogeneous community with a multiplicity of aims and objectives. A close look at exporters reveals them as an important source of support for the Bank, as something far short of all powerful, and, at their best, as an effective force behind Congressional measures to expand the Bank's activities.

THE EXECUTIVE BRANCH

"The Executive Branch is no more a monolith than Congress", writes Harold Seidman.¹⁵³ In relation to the Export-Import Bank, diverse federal agencies and departments exert subtle and sometimes not so subtle pressures on the Bank, at times singly and at times together. The problem of the Bank is to find accommodations to such circumstances that are most beneficial and least costly to the institution itself.

Currently, the Office of Management and Budget (OMB) exerts an enormous amount of influence of the purse over the Bank. It includes the Bank, for analytical reasons, in the general and administrative budget based on national income accounts. This implies a degree of integration between the overall Federal government's and Eximbank's budgets. The Bank is also included in "Special Analyses: The Budget of the U.S." under the section on Federal Credit Programs. This implies a lack of integration between the vast majority of Federal government agencies' and Eximbank's budgets.

In the normal course of events, OMB and the Bank should confer to set the appropriate levels of resources and staff and report the amounts to Congress. This process is intended to reduce conflict and arrive at decisions acceptable to participants. As it is well known, the participants have different interests. The Bank generally seeks larger allocations and OMB generally endeavors to restrict them. The success of both participants depends on support from the White House and Congress. The re-

¹⁵³ Harold Seidman, Politics, Position and Power, (Oxford University Press: New York, 1980), p. 86.

lationship between the Bank and the OMB is not any easy one. The central contentious issue relates to appropriations of funds for varying levels of activity.

In practice, OMB determines the amount of funds the Bank requests and sets administrative and personnel ceilings. Under the Reagan Administration the Bank has little input and practically no recourse to modify OMB directives which are contained in a fairly elaborate document running several pages. It includes background information on the emergence of and reasons for the proposed cuts and a detailed statement of how new directives relate to the administration's objectives. The chairman can appeal OMB directives to the President, but under the Reagan Presidency it is unlikely that an appeal will occur. In 1980, OMB ordered the Bank to hold its budget for the next four years by reducing credit demand and by not operating at a level fully competitive with foreign export credit agencies. The chairman of the Bank appealed OMB's decision to President Carter, but Carter expressed a desire that the Bank adhere to OMB directives in view of resource constraints. Despite Carter's decision, the chairman of the Bank requested a supplemental for FY 1981 and an enlarged budget for FY 1982, an atypically independent move.

In addition to the establishment of ceilings over the amounts of funds and personnel, OMB requires the Bank to prepare and maintain a financial plan to monitor disbursements and control apportionments, as a means to establish control over the timing of the outflow of funds during the course of the year.

Within the OMB's area of international programs, a designated budget officer is required to obtain estimates from the Bank, to acquire supporting data from the Bank, to survey the Bank to determine requirements, and to discuss and analyze the Bank's justification for expenditures. The "terms and conditions" of the budget, however, are ultimately decided by OMB and approved by the President. Under the Reagan administration, it is reported that the Bank's ability to modify OMB terms and conditions is at an all time low. OMB's need to take strong measures to reduce the deficit has resulted in the Executive Branch's dominance over the initial phases of the budgetary process in a top down approach rather than a bottom up approach. Chairman Draper, according to observers, will do relatively little to rock the boat or to seek greater operating room.

The OMB and its predecessor, the Bureau of the Budget, have always viewed the Bank in cautious terms. Undoubtedly, one of the most difficult tasks of the OMB is to discriminate between the genuine need for resources on the one hand and, on the other hand, the pleading by agencies (including the Bank) for more resources to maintain and expand their programs. Under the free trade, free market philosophy of the Reagan administration, however, the OMB has become more than a skeptic of the Bank. It wields tremendous power as the source of executive constraints on the Bank's policies and programs.

OMB finds itself on the defensive with Congress regarding the Bank. Although its directives may yield economic benefits they are politically unpopular. In Congress, OMB is generally required to make concessions to the terms and conditions of the Budget. Under the direction of David

A. Stockman, OMB has tried to manage congressional matters with minimal concession and maximum technical skill. If, for example, OMB is confronted with Congressional arguments related to potential job losses incurred by proposed Eximbank cuts, Stockman and staff produce pages of analyses with evidence that a reduction of Eximbank programs will offset job losses by (1) reducing the federal deficit, (2) thereby decreasing the value of the dollar, and (3) thus increasing the volume of exports. OMB has recently furnished information to the press that the Bank's direct loan program benefits only a few major companies and that their suppliers and subcontractors do not realize significant. In a June 22, 1981 Forbes article entitled "Political Credit" by Beth Brophy, David A. Stockman is quoted as saying "Making the economy more productive and reducing domestic inflation will do more to promote U.S. exports than specific subsidy program such as the Ex-Im Bank." In 1986, Stockman will probably substitute the words "federal deficit" for the words "domestic inflation" and utilize this same phrase.

While export financing is important, OMB argues that alternative financing is available from the Private Export Funding Corporation (PEFCO), commercial banks and foreign governments if parts of the products are sourced abroad. More fundamentally, OMB contends that the costs of subsidization of exports simply outweigh the limited benefits and that the Bank must play its part in reducing the federal deficit. At the heart of OMB's rationale is the belief that the Bank doesn't do much good, if any. As a percentage of America's exports, the Bank's annual lending is

very low--around 4.9 percent in 1984, according to the Bank's public affairs office.

OMB, in an attempt to win Congressional support for elimination of the direct loan program, has been attempting to persuade the Bank to emphasize loan guarantee and insurance programs which require no cash outlays. For FY 1986 OMB, the Treasury Department, and the Bank are working closely and actively together to design an interest rate subsidy program financed by \$100 million of Eximbank reserves and application fees. Interest rate differentials on projects financed by PEFCO and commercial banks will be sold to Eximbank. A ceiling of \$1.8 million will be established as OMB does not anticipate an increase in demand for exports due to the strength of the dollar and the economic disequilibria of foreign nations. In 1985, OMB also proposed to limit the Bank's promotional activities to \$150 thousand and reduce staff by 5% and administrative expenses by 10% in FY 1986. When an OMB budget officer was asked why an interest rate subsidy program is preferable to the direct loan program he replied that it will not operate as a "give away", entitlement program for U.S. exporters, will allow resources to be allocated where subsidized competition is evidenced, and will make explicit the subsidy cost of U.S. governmental support for exporters. Policy conditions, attached to the proposed interest match program, have not been made public. Table 5.1 shows Eximbank's services, budget levels, and savings for 1986, 1987 and 1988, as developed by OMB.

Table 5.1

Eximbank Services, Budget Levels, and Savings
for 1986, 1987, and 1988

		<u>1986</u>	<u>1987</u>	<u>1988</u>
I.	Current			
	Budget Authority	3570	3254	3360
	Outlays	996	722	491
II.	86 Budget Level			
	Budget Authority	0	0	0
	Outlays	603	-687	-1581
III.	Savings			
	Budget Authority	3570	3251	3360
	Outlays	393	1409	2072

Source: OMB, February, 1985

Professional staff members of the office of the U.S. Trade Representative (USTR) and the Commerce Department, it was reported, are against the OMB's proposal to eliminate the direct loan program. Treasury Department staff members, most of whom are economists, support the measure. Staff members from the USTR and Commerce Department walk a narrow line between the Reagan Administration's antisubsidy free market position and institutional interests in negotiating and promoting exports. Cabinet members, according to an OMB spokesman, are team players. Other observers noted that cabinet members are not strong vis-a-vis the President. Although Reagan relies on them for advice on policy matters the Executive Office of the President consisting of OMB, The Domestic Council/Domestic Policy Staff, the National Security Council and the White House Office, an organization consisting of the president's personal assistants, have emerged as a locus of power. Nachmias and Rosenbloom trace the Executive

Office of the President's increased size and importance to four factors: (1) the fragmented nature of the federal bureaucracy; (2) increased complexity and uncertainty in foreign affairs and economic matters; (3) The Executive Office of the President's ability to reflect partisan and electoral concerns; and (4) involvement of the Executive Office of the President in public relations.¹⁵⁴

National Advisory Council on International Monetary and Financial Policies consists of heads of the Departments of Commerce, Treasury and State; the Chairman of the Federal Reserve Board; the director of the International Development Cooperation Agency (IDCA); the U.S. Trade Representative; and the chairman and president of Eximbank. Representatives of organizations comprising NAC regularly attend Eximbank board meetings. In general, NAC's participation at board meetings is characterized by cooperation, consensus, and standardized concerns on the part of representatives. In general, participation by NAC is by prior reciprocal review and comment in series of informal meetings or telephone calls.

In terms of the cabinet agencies' influence on the Bank, the Treasury Department appears to be the second most influential organization. It focuses on the impacts of the Bank's borrowing and lending activities on money markets and rates. Although OMB generally aligns itself with the Treasury Department, Treasury does not always align itself with OMB. In January, 1978, under the Carter administration, the Treasury Department supported the Bank's expansionist policies in an effort to ward off

¹⁵⁴ David Nachmias and David H. Rosenbloom, Bureaucratic Government USA (New York: St. Martins Press, 1980) pp. 90-91.

perfectionist pressures (against OMB's universal theme of budgetary restraint).

When the Treasury Department makes a decision to govern the activities of the Bank, the stakes can be very high and the consequences can be substantial. Following the Mexican debt crisis of 1982, Treasury persuaded the Bank to extend a guarantee and insurance facility of \$500 million to Mexico as part of a \$10 billion safety net. Because Brazil encountered the same type of problems in 1983, the Bank was once again persuaded by the Treasury Department to extend a \$1.5 billion guarantee and insurance facility to Brazil.

Both the Mexican and Brazilian facilities were established to demonstrate the confidence of the U.S. government in the economies of the recipient nations and to facilitate the official adjustment process with U.S. commercial banks. Use of the facilities was conditional upon three requirements: (1) IMF assistance for balance of payment purposes; (2) the extension of financing by commercial banks; and (3) the participation of other creditor countries in the same way.

Sources within Eximbank related that Bank officials did not initiate agreements with Mexico and Brazil. Treasury Department decided to use the Bank to bail out the overextended countries. An Eximbank official said that the "Treasury Department was the father, the Commerce Department was the mother, and the Bank was the godfather that guided the facilities through the congressional approval process."

During its 50 year history, the Bank loaned money to countries with foreign debt repayment difficulties, and Bank officials, it was reported,

would have preferred to directly loan the balance of payment funds to Mexico and Brazil rather than to set up labor intensive, complex financing mechanisms with short and medium term insurance programs to finance export sales of selected goods. Direct loans, insiders contended, would have been more efficient than dealing with numerous exporters, importers, and banks in the U.S. and abroad and would have strengthened the role of the Bank. A few staff objected to the facilities on the grounds that they were blatantly political. "Prudence", a senior staff member stated, "would have dictated a firm no to both facilities."

Bank personnel generally view the Treasury Department as a constraining force that limits the Bank's ability to utilize its full potential. "A while back the Treasury Department resolved the Bank should be used (1) to neutralize competition and (2) to perform politically expedient functions such as the establishment of the Mexican and Brazilian trade facilities", and Eximbank source stated. Discussions with Bank sources revealed that Treasury's approaches to exercise control over the Bank are pragmatic, tactical, narrow in focus, and short term in orientation.

The State Department is concerned with maintaining broad consistency in the Bank's practices and foreign policy objectives. In conjunction with its participation in NAC, it may solicit or discourage particular transactions to specific countries. For example, in January 1985, under heavy pressure from the State Department and National Security Council, the Bank reversed its decision not to help Egypt build a nuclear power plant by financing the purchase of U.S. equipment for the project. The Bank had on two previous occasions, in June and August, 1983, refused to

approve the loan request on the grounds that the proposed plant would not become economically viable because Egypt subsidizes energy prices at artificially low levels. Although a spokesman for the Bank said the reversal of the decision was due to promises by the Egyptian government to reform its energy pricing scheme, staff conceded that Secretary of State, George P. Schultz, and Chairman of the National Security Council, Robert C. McFarlane, persuaded Bank officials to change their minds and reverse their decision on the ground that American aid to Egypt is an important component of the U.S. strategy of keeping Egypt a close ally of the U.S..

The most passive member of the NAC appears to be the Commerce Department. In periods of export expansion, Commerce adds encouragement to the Bank's promotional efforts. In 1978, for example, the Commerce Department, the Small Business Administration, and the Bank introduced a series of conferences for small and minority enterprises. The Commerce Department is also attentive to adverse impacts of loans on domestic industries particularly during domestic recessions. Commerce's behavior, in the view of the Bank's staff, is predictable, is ingrained into its overall goals, and has resulted in relatively few gradual and modest changes in the Bank's policies and practices.

Several Bank sources acknowledged that the Bank has never been truly independent from Executive Branch influence. However, they pointed out that the Bank is not totally controlled by any single entity other than in exceptional circumstances. The Bank is pushed and pulled in many directions by many different groups. None have unlimited effective leverage. At times the Bank is an instrument of foreign policy controlled by

the State Department, at times it is a tool of commercial trade policy largely due to Treasury Department input; and at times, it is prevented from being used by Congress (e.g. South Africa). It is a means to allocate resources as well as a prize to be won by competing players or contestants.

Table 5.2 shows the nature and purposes of some of the main controls. It suggests that controls are extensive and vary from direct, to indirect and from formal to informal modes. The overriding justification for control by Executive Branch players is: to ensure that the aims, policies, and processes of the Bank conform to the "Administration's" goals. The overriding justification for Congressional control is the frequently quoted statement in the Legislative Reorganization Act of 1946 assigning each standing committee in Congress the responsibility "to exercise continuous watchfulness of the execution by the administrative agencies concerned of any laws the subject matter of which is within the jurisdiction of such committee."

Table 5.2

Structure, Nature of and Purposes of
Frequently Utilized Controls of Eximbank

Type	Nature of Controls	Purpose
Formal/ Organizational	Statutory	The spectrum of relationships and controls are contained in the 1945 charter and subsequent legislative measures. At times, the Bank invokes these aspects to resist controls by other entities.
	Executive	This relates to Presidential NAC directives and the power of the President to appoint the president and chairman of the board and other board members.
	Policy Directives	Specific directives may be provided by Congress or by the Executive Branch.
	Annual & Other Reports	Annual reports of Eximbank are reviewed by the Executive Branch and Congress. A separate report, dealing with competitiveness, must also be submitted to Congress annually. Reviews of these reports provide an opportunity to evaluate the performance of the Bank.
Informal	Application of Pressures/Bargaining Negotiating	Government agencies, principally OMB and State and Treasury Departments use pressure to influence the Bank's policies. Opportunities for negotiation generally arise during the budget preparation phase.

Table 5.2 Cont.

Personnel

Appointment of Civil
Servants in Mgmt.
Positions

Recruitment of Civil Servants from career pools enables the OPM to have greater control, both direct and indirect, on the management of the Bank.

Budgetary

Approval of Budgets

OMB and Congressional approvals are required.

Release of funds

Disbursement of funds are subject to Presidential authority exercised through OMB; if demand is high, the apportionment process is used.

Write-off loans/self
financing ratios

Write-off of loans and self financing ratios are reported in annual reports according to Congressional standards, OMB and GAO.

Borrowing

Congress establishes borrowing ceilings. Treasury Department OMB, the Federal Reserve Board focus on the impact of the Bank's borrowing and lending practices.

Approval of specific
expenditures

Proposals for expenditures over specified ceilings and "special expenditures" are required to obtain the prior approval of Congress.

Testimony

According to Circular A19, OMB serves as a clearinghouse for Eximbank testimony and legislative initiatives.

Surveys

If the Bank conducts surveys with more than 10 interviewees, OMB must approve the survey forms.

Economic

Table 5.2 Cont.

Statement of economic objectives	Yearly economic reports of the President announced plans concerning the economic role of agencies including the Bank. The Chairman of the Bank lays out specific objectives before Congress during appropriation and oversight hearings.
Development Plans	Plans for economic development are spelled out by the Executive Branch and by Congress.
Efficiency Management	To ensure economic use of resources, efficiency yardsticks are prescribed by GAO, OMB, and Executive Branch task forces.
Credit Restrictions	As an integral part of stabilization policies, limits are set on the availability of credit from the banking system by the Federal Reserve Board, the Treasury Department, OMB and Congress.
Inquiries by economic and regulatory bodies	Task forces appointed by the President and special studies by CBO and GAO review selected aspects of Eximbank.
Evaluative	Consultation and evaluation by control agencies
	NAC performs the role of consultant to the Bank with respect to common matters affecting NAC and the Bank. Annual reports on relevant topics are submitted to the legislature.

MEDIA

Eximbank's widespread reputation as an outstanding government agency is due, to some extent, to a consensus of the perceptions of writers, past and present. Comprehensive and accurate, though not always balanced, press coverage of the Bank has increased in the past decade. However, the content of newspapers and magazines depends on the needs of readers and decisions by editors on which events and information are of primary importance to large proportions of people that the media reach. The print media a specialized readership consisting of bankers, businessmen, and investors; but, during the past decade, reporting on Eximbank has often been presented in terms of jobs and profits of firms thus expanding readership.

Looking over press and magazine materials on the Bank over the past 10 years, the researcher arrived at one general conclusion: Eximbank is becoming a more and more celebrated subject in the popular press. Business sections of major newspapers have published a number of articles discussing the programs and future of the Bank. Until the 1970s, the Bank was either unfamiliar or imperfectly understood outside small groups in the government international financing community, and exporters. The lack of knowledge about the Bank had a benefit: The Bank was largely unknown and, therefore, it was largely unscrutinized.

During the 1970s, as a consequence of its competitive mandate and the expansionist policies of the Kearns administration, interest in the Bank heightened. A sustained and intensive program to better inform bankers,

exporters, and international traders about the Bank was implemented. Familiarization of the Bank's existence included the production and distribution of statements, speeches, handouts, reports, etc. by the Bank's office of public affairs to the media. With active use of the mail, public appearances, and the press, Eximbank sold itself and its programs to customers.

The single recent phenomena of most interest to the press was the 1979-1980 Ansett Case. The Bank was accused of providing preferential interest rates for Boeing jet aircraft to Ansett Airlines, an Australian airline controlled by Rupert Murdoch, publisher of the New York Post. The agreement to extend financing, it was reported, was influenced by a private luncheon meeting Murdoch had with President Carter and the New York Post's endorsement of Carter's renomination three days after the luncheon. The Murdoch loan was investigated by the Senate Banking Committee to see if it was politically motivated. The White House, Murdoch, and Export-Import Bank, all denied there was any connection between the meetings, the endorsement, and the loan. Two Washington Star reporters, Caroline E. Mayer and David Wood unrelentingly pursued the story over a long period of time to get the "real" story based on the "inside" story. They searched through Eximbank's voluminous files on the transaction, interviewed key figures involved in the deal, and heard tapes of board meetings in an attempt to piece together the meetings in Washington, the newspaper endorsement in New York, and the quick approval of the loan package. Despite all of the controversy, the Senate Banking Committee

did not have sufficient evidence and the necessary number of votes to block the loan.

Since the Reagan administration the Bank has been covered more frequently by the New York Times. The situation is due in part to circumstances. When a government public relations representative thinks he can count on a reporter to give him sympathetic treatment he attempts to utilize the relationship. It is reported that the Bank's director of public affairs, Russell Boner, is a personal friend of Clyde H. Farnsworth of the New York Times. Part of Boner's job, of course, is to manage the news by promoting the positive, concealing the negative, and putting the best face on the news concerning the Bank. Decisions as to what facts to report and in what light to report them, of course, ultimately rest, of course, with reporters who will, if they are competent newsmen, produce articles of clear and independent thinking.

To contribute to the topic of the media the researcher asked senior Eximbank sources about differences regarding the media's handling of the Eisenhower reorganization plan and Reagan's current budget cutting activities. One source responded that during the 1950s the availability and the willingness to talk to those who knew what was going on was limited. Newspaper publicity and statements to the press concerning Eximbank were far more restricted during the 1950s than during the 1980s. Currently, public affairs officers, Bank officials, and Bank staff are more capable of handling the news than their counterparts in the 1950s.

In sum, the media is a chronicle to record events, an examiner of controversies, a critic, a commentator on issues, and a reviewer of pol-

icies of Eximbank. Although the media cannot be considered a powerful influence on the Bank, it is an input into the Bank's decision making processes.

SUMMARY

Ironically, the source of the Bank's own power and authority is the pushing and pulling by many different organizations in many different directions at various stages. In attempting to perform a balancing act among participants in its organizational domain and gain a sense of equilibrium, the Bank holds to its principle claim to legitimacy: it preserves the right to judge the credit worthiness of individual transactions as far as possible and insists on reasonable reassurance of repayment. This is not a minor and incidental accomplishment. It is an accomplishment which reveals the values, political orientation, and direction of the Bank and forms the essence of its only base of power. At times, the tug of diverse Executive Branch groups, Congress, exporters, and commercial bankers requires adjustments, the ability to bargain, and the need to debate, but for the most part, it involves purposeful and persistent efforts on the part of the Bank to tie the approval or nonapproval of transactions to institutional objectives, however poorly defined.

The Bank, in the absence of traditional practices, largely reacts to, rather than acts toward, influences from its external political environment. At first glance, one might conclude that it is captured by its

clienteles. However, Eximbank and constituent aims and values are generally compatible. The reason is that both Eximbank's clienteles and Eximbank benefit from their association in both symbolic and practical ways.

As construction of the Bank's claim to expertise was erected, there were few slack resources that could be given up in exchange for something else and a great deal of energy was spent in preserving the process of assigning weights to variables in transactions on a case by case basis. With this power base in place, the Bank has not had to seek new centers of power around which the organization's interests are well defined, appease enemies, or exercise a great deal of discretion to obtain resources.

Eximbank tends to identify with the diverse demands and pluralistic interests of the administration, exporters, bankers, and Congress who interact with the Bank on a continuing and sustaining basis. As discussed, both bankers and exporters are directly affected by the behavior of Eximbank, and they remain in constant contact with the Bank generating selective pressures and supporting activities. At times, chairmen of the Bank have stood up to exporters and commercial bankers, but, for the most part, client's interests have been identified with Eximbank's interests and positions on policy matters have not varied significantly.

With external environmental forces in transformation under the Reagan Administration, it is interesting to note that changes in Eximbank's response pattern to the external environmental impingements and have not occurred. An Eximbank employee observed;

"Responses to the external environment are necessarily unvaried because changes signify an alteration of the foundations upon which

internal decision making processes are built and the exercise of leadership and initiative. Changes involve internal as well as external concessions and modification of the status quo, the willingness to defend interests; thus, there is little inclination to act rather than react to the environment including the administration, Congress, special interest groups and the press."

Seen in the above context, it is unlikely that the Bank will exert a great deal of "institutional will" and counter measures by other organizations to influence the Bank's behavior. This does not mean to suggest that the Bank will not exert some control over its organizational domain, simply to maintain stability in view of ever changing environments. It does mean that the Bank will probably continue to respond to change from external sources rather than anticipating changes and responding to them even before actual expressions of change become overt. The act of "responding" to explicit external environmental demands appears to be the result of the institutionalization process and a system of values in which stability and continuity are perceived to be more important than initiative and innovation-in short, entrepreneurship.

CHAPTER VI - INTERNAL POLITICAL STRUCTURES AND PROCESSES

The aim of this chapter is to describe and analyze the internal polity of the Bank. "The internal polity" according to Wamsley and Zald, "refers to that part fo the internal structure of authority, control and influence relating to broad questions of survival, institutional goals, dominant elite goals, major parameters of the economy, and legitimacy of function."¹⁵⁵

This chapter was written to add a varied perspective on Eximbank, a perspective that has not been adequately explored in the literature. It includes the following topics: Organizational Structure, Personnel, Organizational Climate and Institutional Myth. These topics were selected because they provide insights and revelations concerning the internal polity of Eximbank and consider variables such as leadership, expertise, cohesion, and satisfaction which are generally believed to shape agency behavior. Although there was some arbitrariness involved in selecting these dimensions, they reflect internal political phenomena which interact to produce both conflict and cooperation, glue that holds the Bank together.

¹⁵⁵ Gary L. Wamsley and Mayor N. Zald, The Political Economy of Public Organizations (Bloomington, Indiana: Indiana University Press, 1976) p. 21.

ORGANIZATIONAL STRUCTURE

The organizational form of the Bank is best characterized as "mechanistic." Over twenty years ago, Burns and Stalker exactly characterized mechanistic management systems as systems with the following components:

- Specialized differentiation of functional tasks
- Abstract nature of each individual task which is pursued with techniques and purposes distinct from those of the concern as a whole
- Reconciliation of performances by immediate supervisors, for each level of the hierarchy
- Precise definition of rights, obligations and technical methods attached to each functional role
- Translation of rights, and obligations and technical methods into the responsibilities of each functional position
- Hierarchic structure of control, authority, and communications
- A reinforcement of the hierarchical structure by the location of knowledge of activities at the top of the hierarchy
- A tendency for operations and behavior to be governed by supervisors
- Insistence on loyalty to the concern and obedience to supervisors as a condition for membership
- A greater importance and prestige attaching to internal (local) than to general (cosmopolitan) knowledge, experience, and skill.¹⁵⁶

Burns and Stalker's explanation of the formal structure of organizations is related to problems coordination and control of work activities.

¹⁵⁶ See T. Burns and G. Stalker, The Management of Innovation (Tavistock Publications, 1966). For a summary of Burn's and Stalker's work on mechanistic and organismic structures, see T. Burns, "Industry in a New Age", New Society, January 31, 1963) pp. 17-20.

It is tied to internal relationships as determinants of structure rather than the ways in which external environments affect organizational behavior and structure. The Bank's formal structural arrangements have become institutionalized; that is, they are accepted as rational, legitimate means to achieve goals.

Generally, the rigidity of a mechanistic system hinders an organization's ability to change. Thus, a mechanistic system is generally associated with stable environmental forces. In the case of the Bank, environmental conditions, especially during the past decade, have been unstable, requiring a more flexible, fluid structure. However, when changes in structure have occurred, they have been only incremental. Structure appears to have met the needs of senior managers who have sought to maintain control, reduce uncertainties that impinge on the Bank, and centralize power. It also appears to have fulfilled a symbolic role; its acts as an indicator of the organization's commitment to and identification with the banking community at large.

The Board of Directors of Eximbank is responsible for activities and policies of the Bank. Like most banking boards, it makes decisions on request for financial assistance, approves and amends the Bank's programs, designates bank officers, and formulates policies. Members of the board are full time and are directly appointed by the President of the U.S. for fixed staggered terms of four years duration. They are confirmed by the Senate. One of the directors, according to the Export-Import Bank amendments of 1983, must be chosen from the small business community. In general, Eximbank boards reveal a high degree of cohesiveness.

Cohesiveness is perhaps, in part, due to the fact that the majority of decisions are rote responses to routines.

The President of the U.S. appoints the chairman who becomes the president of the Bank. The present incumbent is William H. Draper, III. Below him there is a vice chairman, three board members, and a staff of about 340. From 1982-1984, due to the Reagan administration's policies and a downward swing in the activity levels, the staff was reduced from 440 to 340. Most of the professional staff have degrees in finance, banking, and accounting.

Table 6.1 shows the principal divisions along which the Bank is currently organized by function and briefly describes the principal functions of each division.

Table 6.1

Eximbank's Organization and
Functions of Each Division

Division	Function
Office of General Council	Performs legal duties and services for and on behalf of the Bank.
Office of Public Affairs and Publications	Responsible for the Bank's public information, including press relations, conferences, speaking engagements, advertising, and publications.

Office of Marketing	Responsible for business liaison and marketing efforts, including small business outreach programs.
Office of Congressional Relations	Responsible for the Bank's liaison with Congress on legislation affecting or of interest to the Bank, preparation of Bank officers for appearances before congress, and preparation of information for Congressional members and Congressional committees.
Small Business Advisory Service	Responsible for providing general information and problem solving assistance to small exporters.
Exporter Credits, Guarantees, and Insurance Division	Responsible for the Bank's programs to support export sales with repayment terms of five years or less. The division includes: Exporter Credits, and Guarantees Office which administers credit programs; Exporter Insurance Office which works with FCIA to provide insurance to U.S. exporters; the Claims Office which is responsible for collections and recoveries of claims paid; and the Credit Information Office which maintains credit files on foreign firms and exchanges information between Eximbank and other members of the Berne Union, an international association of credit insurers.
Direct Credits and Financial Guarantees Division	Responsible for the administration of the Bank's long term export financing programs. The division includes four geographic area offices (Africa and the Middle East, Asia, Europe and Canada, and Latin America); the Engineering Department which reviews technical and scientific aspects of proposals; the Government Affairs Office which is responsible for Eximbank's liaison with other U.S. governmental agencies, the NAC, and the Paris Club; and the Business and International Review Office which assists with review of the Bank's loan portfolio, performs industry studies, and is responsible for OECD negotiations with other official export credit agencies.

Policy Analysis Division	Conducts policy planning monitoring, analysis and research. Duties include monitoring and reporting on economic events affecting the Bank's policies and programs and review and evaluation of Bank's policies and programs.
Treasurer/Controller	Responsible for funds and securities, disbursements and collections, maintenance of records and reports concerning accounting, budgeting, auditing, and internal control. The Office of Contract Administration is under the Treasurer/Controller and it administers loans, authorizes disbursements, and processes requests for amendments to transactions.
Personnel	Administers personnel management including recruitment, classification, benefits and assistance, labor-management relations, performance appraisal, etc.
Management Information Systems/Electronic Data Processing Center	Responsible for computer operations, data security, maintenance of software systems, design, development, testing, and implementation of automated systems.
Administration	Responsible for space management, building services, procurement, contracting, travel, emergency preparedness, records and communications, library, office services and garage.

There are problems of match between the mechanistic form and functions. This is not readily apparent, but it manifested in reorganizational proposals and disunity. Of late, reorganization proposals have centered on the fact that the Bank's structure is tied to an era when the Bank's direct loan programs were more active and the advantages of geographic divisions within the direct loan area were more relevant. In the past, geographical divisions enabled loan officers and economists to tailor their services to given countries regardless of the dollar value of loans

and allowed customers to relate to staff who knew their countries well. Responses to structural problems have generally been the certain of new offices and positions to manage relations with organizations with which Eximbank engages in direct relations (e.g. establishment of a Congressional Relations Office).

From 1980-1985 the volume of direct loan activities declined significantly, reflecting sluggish foreign economic activity and the rise in the dollar's value which makes U.S. goods relatively more expensive overseas. Although certain employees have been transferred from the Direct Credit Department to the Claims Division of Export Credit, Guarantees and Insurance Department, there have been no major changes in the organization chart. Employee morale, which was generally lower in the Exporter Credit, Guarantees and Insurance Department than in the Direct Credit Department, has now declined in the Direct Credit Department as well as a result of the decrease in the volume of work and uncertainty about the future of the direct credit program. Even if the direct credit program is not entirely eliminated, it will play a less important role; fewer people will be required in the direct loan area and the organization chart is expected to be redrawn.

Another structural change, not illogical in view of the need to cut expenses, which may alter the autonomy of the Bank concerns the newly formed marketing department. It may become absorbed by the Office of Public Affairs to save costs of dollars and doldrums. OMB has proposed substantial cost savings in marketing activities. Unifying policies and procedures of the two related activities would result in a less severe dilution of resources. Although consolidation of the two offices would

probably stir criticisms about inconsistencies of changes, the central reality of budget cuts will probably justify this sort of change in the structure of the Bank.

Whether other parts of the organizational structure will or will not remain static is questionable. The Bank's structure reflects legislative requirements with respect to policies and programs, an enduring and persistent system of institutional values, an approach to decision making, a means of control, and a pattern imposed from above which is supposedly designed to fulfil the official management goals. Although the departments were originally conceived to fulfil functions, each department acquired a unique status and distinct set of attitudes, and a particular bias. For example, the Direct Credit Department was traditionally viewed as an area with opportunities for advancement, an area of professional prestige, an area with interesting, challenging tasks, and an area with desirable features including the possibility of travel abroad. Viewed in terms of employees' perceptions of net worth, there was quite a distinction between the Direct Credit Department and the Export Credits, Guarantees, and Insurance Department. The surplus on the Direct Credit Department's account, no doubt, reflected the capacity of the direct loan staff to augment and maintain its reputation.

Because of the accumulated knowledge and power of its General Counsel, the Legal Department was perceived as both an asset and liability in terms of stability and accountability. When various administrations attempted to impose collections of programs and policies on the Bank, the Legal Department would somehow sort out the potpourri and smooth out the difficulties associated with obtrusive, alien forces. According to

interviewees, the Legal Department's views were firmly rooted in the notions of precedent and regulation. Prudent decisions were equated with past decisions. "It didn't work then so it won't work now" was the operating framework. This framework, however, resulted in a narrow emphasis on familiar cliches rather than an emphasis on innovation and change. The Legal Department, in other words, did not allow the Bank to deal creatively with strains and tensions, necessary elements for the evolution of the Bank. The Legal Department's greatest vested interests were in system maintenance, careful avoidance of overt involvement in risk taking, and anonymity.

The Congressional Relations Office of Eximbank considers itself independent and accountable only to the president of the Bank. A congressional relations officer stated that the office could be placed anywhere in the organization and still perform as a single independent unit. Gouldner's notion of "functional autonomy" appears to describe this office.¹⁵⁷ Functional autonomy refers to the idea that the probability of part of the system may survive in separation from the larger system. High system autonomy means relatively low degrees interdependence. The congressional relations officer characterized the offices' tasks in the following manner:

"The work of this office requires the application of knowledge of complex processes and personalities. It is an office with little need for incorporation in day to day activities of the Bank. Experience indicates that the activities of the office require both formalistic and nonformalistic procedures, subtle manipulation of contacts, and detailed, accurate reporting. Data are produced for

¹⁵⁷ A.W. Gouldner, For Sociology (Harmondsworth: Allen Lane), 1973, p. 211.

external and internal use. Internal data disclose each and every relevant Congressional action to the Bank's managers. External data serve as a window on the Bank to Congress and to the public.

The Government Affairs Office lends itself to ambiguous definition. It has a separate insulated organizational status in spite of the fact that it is located in the Direct Credits and Financial Guarantees Department. The office is outwardly oriented due to the character and purpose of its liaison activities. It has also acquired credibility and durability, in part because of its active and direct emergence as the Bank's representative during debt rescheduling meetings within Club of Paris framework.¹⁵⁸ Protection and reconciliation of the Bank's interests with regard to other institutions is a rather distinctive role from roles assigned to other divisions of the Bank. Another factor that merits recognition is the age and solid expertise of the office director who is capable of representing the concerns and priorities of the Bank clearly and coherently without many, integrating mechanisms or management guidelines.

The Administrative Office appears to have specialized interests and to interact minimally with other divisions except in the discharge of specific tasks and responsibilities such as the allocation of space.

The Office of the Treasurer and Comptroller, an arbiter of funds and projects, has a neutral image. It has an exact idea of what to attend

¹⁵⁸ The Club of Paris was formed in 1956 when a group of creditor countries met in Paris, France, to discuss Argentine debt owed to export credit guarantee institutions which had reimbursed private creditors after Argentina delayed debt service payments. The scope of the Club's debt relief covers service on all bilateral official loans including concessional credits and officially guaranteed export credits.

to, what not to attend to, what is expected, and what is not expected. Boundaries among divisions are clearly drawn and carefully sectionalized. Barry Turner's notion of "subculture" is useful in thinking about the Bank's divisions. To Turner, "a subculture is a set of meanings shared by a group of people whose forms of behavior differ to some extent from those of wider society."¹⁵⁹ The meanings are acquired and maintained through processes of socialization, use of group norms, and sanctions.

PERSONNEL AND THEIR USE OF INFLUENCE

Power and authority within Eximbank are not distributed according to organizational structure or adherence to legislative decrees. History, the relative ability of different personalities to impose their definitions of the situation upon others, size, and technology are some of the factors that have set the stage for organizational politics within the Bank.

Power is "the ability of a person or group, for whatever reason, to affect another person's or group's ability to achieve its goals (personal or collective)."¹⁶⁰ Authority is narrower concept than power. It is enhanced by the characteristics and qualities described earlier and is often exercised through procedures, rules, methods and techniques. The Board

¹⁵⁹ Barry Turner, *Exploring the Industrial Subculture* (London: McMillan) 1971, p. 1.

¹⁶⁰ Mayer Zald, "Political Economy: A Framework for Comparative Analysis" in Mayer Zald (ed.), Power in Organizations (Nashville, Tennessee: Vanderbilt University Press, 1970), p. 238.

of Directors, for example, has the authority to decide which staff members will occupy upper management positions. The chairman has the power to influence behavior in response to demands made by the Executive Branch. Often, this power is packaged and sold in a more legitimate form. It is rationalized as being consistent with the goals of trimming the budget.

Because of its scale and financial activities which may involve employees from several departments working on a single transaction, the Bank has a familiar atmosphere and a strong sense of belonging. Employees are easily informed about each other and are knowledgeable about who hands out rewards and who imposes penalties. Although the President of the Bank conducts yearly ceremonies distributing awards and prizes to staff, principal sources of power and authority are, to a great extent, vested in career officials who bring administrative skills, intelligence, patience, and leadership to the job of managing Eximbank. Multiple goals, innumerable policy shifts under different boards, and rapidly changing external demands are some of the mediating factors that have complicated the use of power and authority within the Bank and led to the consolidation of power in the form of a central figure. Leadership characteristics of individuals who have served in this role include a wide range of skills control of access to information, staff support, maintenance of secrecy concerning the decision-making process and occasionally the results of the process, and ability to vary behavior to fit particular situations.

Senior Staff

Eximbank developed a core of senior staff members who assumed a significant role in policy making. Particular attention will be focused on three staff members who wielded institutional power and authority, possessed political and technical abilities, and extended and strengthened the role of the Bank. Two out of the three are no longer involved in the Bank. All three were rated above average. And all three, in terms of style, skill and achievement represent top level executive officials with broad degrees of discretion.

Judicious use and domination of politics to achieve organizational power and authority was best exemplified by Mr. Walter Sauer, a Yale University Law School graduate, who joined the government as the Legal Counsel for the Reconstruction Finance Corporation (RFC) in 1934, and was shortly thereafter named Counsel for Eximbank and served as a Lieutenant Commander in the Navy from 1942-1945. Mr. Sauer rejoined the Bank as assistant General Counsel in 1945 and became General Counsel in 1947, a post that he held until 1953 when he joined the Treasury Department as Chief of the International Tax Division. In 1955, he returned to the Export-Import Bank as Executive Vice President and served in that capacity until his appointment, in 1958, as First Vice President and President.

Walter Sauer was known as Mr. Eximbank. His career was intertwined with the history of the Bank where he spent thirty nine years, until his resignation in 1980. A surprisingly large number of employees traced the Bank's behavior back to the pattern that took shape during Sauer's stay at the Bank.

Employees attributed Sauer's ability to wield power to (1) his intellect and remarkable memory; (2) his ability to collect, withhold, and release information at the proper time; (3) his confidence, certainty and sense of humor; (4) his fine sense of ethics; (5) his ability to get along well with superiors and subordinates; (6) his generosity and kindness; (7) his clear sense of direction; (8) his ability to safeguard the privacy of other members of the Bank; and (9) his ability to judge the character of others. Sauer's actions, one staff member noted, were always clothed in rationality, objectivity, and legitimacy. When Sauer exercised power, he was never obtrusive or aggressive, but he could be forceful and tenacious. Often times, access to information was used by Sauer as a means to enhance influence.

Sauer held formal authority as the Bank's General Counsel, Vice President, Executive Vice President, Vice Chairman, and shortly before his retirement, as Special Assistant to the Board of Directors. As an occupant of these positions, he also exercised power to affect the output of the entire organization. The positions held by Sauer possessed high degrees of centrality and provided room for mediation of competing claims of employees, Congress, exporters, administration officials, commercial bankers, and foreign buyers. Sauer was best in "closed political situations" or one to one relationships in which decisions were technical and a variety of persons were not privy to the facts.

"Sauer," employees said, "shaped the Bank's missions, roles, and attitudes on important issues; influenced the Bank's performance; defined and maintained the values of the institution; minimized internal conflict; and established and advanced the term, "institutional leadership."

Another employee characterized Sauer as "a broker." All of this was consistent with his ideology of reconciliation and consensus and his control of information.

Young professionals apprenticed with Sauer. If they possessed a particular set of qualities, knowledge, and skills, Sauer became their mentor. As their mentor, he directed, guided and influenced the careers of several staff who became known as "Sauer's boys." Two of Sauer's boys, James K. Hess, Treasurer of Eximbank, and Warren W. Glick, ex General Counsel of Eximbank who resigned in 1984 and became known as "Sauer's Shadow" deserve attention.

James K. Hess joined the Bank in 1971 as Deputy Treasurer. While dispensing funds is his best known and anticipated function, Hess acquired the expertise and influence to bring people, resources and money together to strongly affect the direction of the Bank. Hess is in charge of the Bank's budget, internal audit, disbursement, and receipt activities. One of the most important means of broadly influencing the direction of the Bank is presentation of the Bank's annual business plan which must be delivered to and defended before the Office of Management and Budget (OMB) and Congress. Interviewees stated that Hess utilizes power on as many financial fronts as possible, to the benefit of most employees and to the detriment of a few. Whether or not Hess' expertise will prove effective in countering Reagan administration proposals to cut the Bank's budget in FY1986 remain to be seen. Staff members feel that Hess will wield whatever power he can to achieve a positive outcome for the Bank while appearing thoroughly impartial and impersonal, removing any suggestion of advocacy.

At the Bank's 50th anniversary reception, in 1984, Eximbank President and Chairman William H. Draper III remarked, of Warren W. Glick, "He is unassuming and special. He is not just our General Counsel; he is not just our memory; he is not just our mentor; he is not just our conscience. He exemplifies the loyalty and professionalism that the Export-Import Bank is known for throughout the world."¹⁶¹

Warren W. Glick, to the staff, participated in almost all decisions effective and ineffective; small and large; planning, staffing, organizing, directing, and autocratic, consultive decisions. When he first joined the Bank, Glick was an attorney in the legal division; he then became Assistant General Counsel, Vice President, Senior Vice President, acting Executive Vice President, and General Counsel. His achievements were many. His involvement in the Bank's affairs ranged from renewal of the Bank's charter on eight separate occasions to the establishment of the Foreign Credit Insurance Association (FCIA) to the raising of funds for the Bank in the private market.

Although staff members conceded that Glick's influence and vitality varied according to the personal leadership characteristics, talents, and energies of various presidents of the Bank, his expertise in almost all areas of the Bank's endeavors and his ability to vary his behavior to suit particular situations guaranteed his participation in the Bank's decision making processes for almost three decades. Glick's participation in the decision making processes, staff members stated, generally insured the use of intelligent information in making high quality decisions including

¹⁶¹ Exim Staff Notes, Volume 6, Number 9, September, 1984.

the consideration of criteria applied in similar situations in the past, the use of caution, and the clouding of information in a shroud of discretion.

Employees expressed concern when, in 1984, Glick resigned to join an Ohio-based law firm, Vorys, Sater, Seymour and Pease. Several employees reported that Glick was capable of sensing the whole organization and grasping the external environment. No one else, they felt, could master the complexity of the enterprise. Achieving consistency among diverse objectives, divisions, and people and internally balancing the system were functions attributed exclusively to Glick. Several employees stated that the security of role relationships and important lines of communication would vanish without Glick. Multiple sources of authority and power rather than a single source vested in Glick, piece-part changes in separate parts of the Bank, and entangled distorted perspectives would breed serious internal dysfunctions, employees predicted.

During one of several conversations with Warren W. Glick, the author asked about his impact on the Bank. Glick talked about the importance of the role of President of the Bank in decision making processes and stated that while he made many decisions, they were generally technical or routinized decisions. Presidents, he added, have a great deal of authority inherent in the leadership position of president, and they generally exercise authority to achieve maximum effectiveness.

Glick's reminiscences about his days at the Bank were instructive. There was no doubt, in the author's mind, that he made a permanent impression on the Bank's policies, programs, and attitudes even though he characterized staff as "highly professional, competent, hard working,

loyal, and responsible" and characterized diverse chairmen as "capable of making meaningful decisions." Glick's ability to soak up ideas and facts, remember them, and use them at the right moment was also impressive.

To ninety percent of the staff members interviewed Glick was a great deal more than a public servant who devoted most of his career to Eximbank. He was the Bank's executive vice president in reality. One staff member recalled that Glick did not play around the edges but actively participated in policy decisions prior to policy presentations to the board during board meetings, and during implementation phases. "He was extremely competent and mastered all components of the organization. He possessed incredible one on one skills in dealing with all kinds of people, patience and politeness," an employee noted. Another employee recalled that although Glick was well known for geniality and charm, there was also a toughness and strength about him which influenced others and guided them in directions he wished to go. In general, employees commented on his hold on people, his self discipline, his patience, and his ability to keep abreast of all facts of the Bank.

When the author asked Glick why he resigned from the Bank, Glick carefully explained that he began to become bored with his work and started to develop a comfortable complacent attitude. Some staff members, however, speculated Glick left because he hoped to be a board member and realized that matters would not work according to his vision. Others said the Reagan administration's insistence on political loyalty above expertise would plunge Glick, a Democrat, into a confrontation with the White House. Others said Glick did not get along well with Chairman William

H. Draper III and Vice Chairman John Bohn who perceived Glick as a source of power and authority that could not be easily manipulated. Others speculated that Glick would like to earn a large sum of retirement capital in the private sector. Finally, it was mentioned that Glick grew tired of holding the hands of successive chairmen and directors.

After Glick's resignation, Vice Chairman Bohn appeared to devote a portion of his energies to managing the internal affairs of the Bank. An executive meeting was held to chart out priorities and gaze into the future, and words like "strategic planning" and "revitalization of the organization" were heard in the Bank's corridors. As far as the author could discern, Bohn's initiatives, from the staff perspective, did not do much good. Even though Bohn is smart, strong minded, industrious, and ambitious, staff members have reservations about his ability to manage the Bank. Several employees said that Bohn hopes to replace Glick as the de facto head of the Bank in certain areas but does not stand a ghost of chance. "Ideas Bohn may have about changing the direction of internal matters will be thwarted by the staff," an employee stated. "The staff is not likely to see things the way Bohn sees things," another employee said. "Staff will not be controlled or directed by a political appointee who represents the views of the Reagan administration," an observer exclaimed. Several other staff members cited confrontations and Bohn's self righteous attitude at board meetings.

Glick pointed out to the researcher that if he had left a void, it would be filled within six months. "Interview employees in about six months", he advised, "and you will not even perceive that I exercised influence." This statement tacitly assumes everyone is dispensable and

does not square with any interviewee's points of view. The vast majority of employees believe that Glick was a critical resource and that there is no close substitute for him.

A few employees reflected upon Glick's approach and concluded that Glick left deep and deliberate good and bad marks. On the positive side, Glick provided stability, moderation, high standards, and controls; inspired loyalty; enhanced the Bank's position; coherently responded to the challenges of different administrations; displayed an excellent sense of timing; was accessible; was a brilliant tactician, and was concerned with people.

On the negative side, Glick failed to share information, poorly negotiated key organizational opportunities, adopted an organizational strategy designed to conserve the Bank as it had been during the late 1950s and 1960s, was overtaken by the pace of change, reduced the status of the vast majority of employees to clerks by limiting their inputs, was a poor strategist, looked inward, and sought little innovation.

It is not the author's intent to diagnose or evaluate the reason for Glick's leadership or to judge his endeavors. Both functional and dysfunctional effects were achieved by Glick's actions. Glick, the author believes, utilized authority and power to keep the Bank on course (administrative decision making) rather than to help the Bank adopt goals, structures, processes, and policies in tune with the larger changing context (strategic decision making).

Glick admitted that the Bank did not perceive and reckon with the future oriented issues of small business and mixed credits during the 1970s and 1980s until Congress obliged the Bank to confront these issues. While

administrative decision making was considered appropriate at the time, Miles, Snow and Pfeffer wrote, "Clearly the organization will ultimately be victimized by perceptions which ignore or distort crucial environmental elements."¹⁶²

Although each of the leaders discussed above exercised power and authority in different ways, they all brought definite views of the nature and of the exercise of power and authority within the Bank. Walter Sauer's authority and status gave him the ability to lead and the power to persuade. Paralleling Sauer's career was a tremendous increase in his scope and influence. This occurred for a variety of reasons. Sauer had unique talents which strengthened the Bank including the political and administrative acumen, the ability to maintain harmony with political appointees under both Republicans and Democratic administrations, the respect and admiration of staff, force of character, and the ability to preserve values. In appraising Sauer's career at Eximbank, it appears that Sauer exercised what Selznick refers to as "responsible and creative leadership."¹⁶³

James Hess' technical expertise and his ability to shape and administer finances increased his influence in the decision making process. Hess

¹⁶² Raymond E. Miles, Charles E. Snow, and Jeffrey Pfeffer. "Organization-Environment: Concept and Issues", Industrial Relations 13 (1974), pp. 224-264.

¹⁶³ "Responsible leadership", according to Selznick, "is a blend of commitment, understanding and determination." "Creative leadership involves the institution at embodiment of purpose and the exercise of strategic and tactical planning, that use the existing resources and capabilities of the organization." See Philip Selznick, Leadership in Administration (New York, New York: Harper and Row, 1957) pp. 142, 143, 149.

is active as a planner, resource allocator, and source of critical information. He is a hard-working rational manager in complete command of financial facts with regard to the Bank.

Warren Glick articulated a position of power within the Bank by being at the crossroads of information flow, accumulating responsibilities, and utilizing his disposition, intelligence, and capabilities of effective leadership including a system wide perspective. As Legal Counsel, Glick had access to Bank's presidents and showed a remarkable capacity to clarify issues and exert personal influence over important decisions.

Sauer, Hess, and Glick add to our understanding of the behavior of top-level officials, of sound contributions to the evolution of Eximbank, and of different management styles in spite of common expectations such as full commitment to Eximbank objectives and acceptance of nothing short of maximization of individual effectiveness.

Senior Vice Presidents

Senior vice presidents of the Direct Credit and Financial Guarantees Department and the Exporter Credit, Guarantees, and Insurance Department also have the authority to make decisions concerning their domains of operation. Staff members, however, feel that the status of senior vice presidents, as political appointees, their insulation from the rank and file and their lack of knowledge about day to day operations are major constraints to the exercise of authority. Within both divisions, vice presidents, recruited from careerist ranks, have impressive power bases built on access and control of information and persons, creation of

sponsor-protégé relationships, centralization of authority, and alliances with deputy vice presidents.

Senior vice presidents generally arrive at Eximbank with little or no knowledge of the institution, and they depend on vice presidents and deputy vice presidents to learn the nature of the system and to service their own interests. Vice presidents maintain power over senior vice presidents by controlling information and entrusting responsibility to loyal subordinates who would never directly communicate with senior vice presidents. When the author asked staff members if senior vice presidents exercised power and authority, staff members stated that the most important duties senior vice presidents perform is to coordinate trivial tasks and to develop relationships with bankers and exporters enabling them to build up reputations and attain personal status. Although one of the senior vice presidents viewed himself as a political broker between the division staff and board members, staff members claimed that they have access to the chairman and to other board members and are fully capable of representing themselves.

The senior vice presidents' ability to establish communication between divisions is limited by vested interests in each of the divisions. Communication does not occur, unless salient organization-wide issues are at stake. There was a general consensus that among staff member the senior vice presidential positions should be occupied by careerists. A single board member argued that the positions should continue to be filled by political appointees on the grounds that the political appointees introduce innovation, flexibility, and linking and coordinating functions and reduce institutional bias. "Because the current senior vice presi-

dents are not dynamic, self-assured individuals," the board member added, "vice presidents view senior vice presidents as wishy-washy and question their contributions to the Bank."

Vice Presidents

The vice presidents' roles are of interest at both organization-wide and departmental levels. Organization-wide, many vice presidents have achieved respect for their technical skills. Vice presidents, exercise a great deal of autonomy in the ways in which they manage their departments. The position of vice president allows a great deal of behavioral discretion. There are no existing rules regarding the management of employees. Vice presidents follow behavior patterns to which they are psychologically predisposed.

One staff member said "that the high degree of departmental autonomy has resulted in separate fiefdoms which are ruled according to the individual whims or impulses of vice presidents subunit loyalty." A board member pointed out that "departments are run according to vice presidents' individual approaches, to extremes." A particular department was described as hierarchical and closely supervised with little chance for upward mobility and high stress levels while another department was described as collegial, friendly and open with great involvement of rank-and-file members in the decision making processes. Other departments' descriptions fall between the formal, centralized, authoritarian department and the democratic, self managed department described above. The dimensions described appeared to be linked to the staff members'

satisfaction. Workers in the tightly controlled department complained about the routine and repetitive jobs of processing papers. The only positive features of their jobs are that the jobs are stable and result in the accumulation of skills that may be used by commercial banks and other organizations. Workers in the open department felt a greater freedom in time management, participation in work affairs, and increased control and responsibility over individual transactions.

It should be noted that many employees stated that vice presidents and deputy vice presidents are carefully screened by board members and high level careerists before promotion to such positions. Downs observed: "Because superiors value personal loyalty in their subordinates such loyalty is one of the qualities they look for when deciding whom to promote."¹⁶⁴ Downs also notes that primary loyalty is to immediate supervisors, but in some cases, loyalty to superiors several levels above themselves will also be displayed.

Employees agreed that team players who have been co-opted by management are selected for management positions to ensure technical and interpersonal skills amenable to the Bank's working system. "The most desired features are willingness to protect the status quo, full agreement with the decisions of higher officials, and self censorship;" several interviewees stated. Some contend that managers are unable to adapt well to environmental demands because they follow instructions without question and are unable to confront new situations.

¹⁶⁴ Anthony Downs, Inside Bureaucracy, (Boston, Massachusetts: Little, Brown and Company, 1967), p. 72.

The final sources of authority and power in the Bank are the chairman, president and the directors. Opinions varied considerably concerning the effectiveness of these sources in the decision making processes of the Bank and will be dealt with in the following sections.

Board of Directors

The Board of Directors of Eximbank consists of five members appointed by the President of the U.S. for four year terms and ratified by the U.S. Senate except for two directors first appointed on or after January 21, 1985 who would serve two years. One is appointed president and chairman of the Bank and another is appointed vice chairman. No more than three directors are from the same political party and a majority vote of the directors is required to approve a loan. Board members are entrusted with the responsibility of acting in the interest of the Bank and of the public. The question immediately arises of what is meant by interest in both instances. Ultimately the board also performs a control function. The buck eventually stops at the board. The board also sets objectives, delineates strategies, plans and appraises activities.

Board decisions rarely involve conflict on the part of one or more board members over a specific issue or conflict between the board and an outside entity or entities such as the NAC or OMB. When the latter type of conflict occurs, it is generally characterized by less certain information, by a need to carefully engage in well chosen conflict resolution techniques designed to meet national interests, and by a spirit of professionalism.

Effectiveness of board decisions is, of course, affected by stages in the policy process at which options exist; the nature of the issue; and individual characteristics of board members including interest, degree of participation, preparation, knowledge, perception, and opportunities to influence decisions which are, in part, provided by the president and chairman. Few board members qualify as experts in export finance; however, many understand the business of banking and are assisted by a professional staff with export financing expertise. When a loan is under consideration they tend to concentrate on vital parts of projects...disconcerting features, rate of return, credit worthiness of borrowers, impact on U.S. economy, etc. The board can raise questions, bring up problems, and discourage or encourage applicants. Interviewees pointed out that during the presidency and chairmanship of Henry Kearns the board was dynamic and highly motivated to contribute to an equal partnership in decision making. "Since Kearns' term," several employees asserted, "the legitimacy and effectiveness of the board, not individual board members, have been undermined by the Executive Branch's choices of chairmen who call upon the board to make routine decisions and tend to avoid indepth discussions of important issues.

But are the boards ineffective? Charles T. Goodsell, in an article entitled "Collegial State Administration: Design for Today" discusses arguments put forward to defend and criticize boards.¹⁶⁵ Goodsell concludes that boards do not thwart control of professional bureaucratic

¹⁶⁵ Charles T. Goodsell, "Collegial State Administration: Design for Today?", Western Political Quarterly, Volume 34 (September, 1981), pp. 447-460.

activity, as critics suggest, and boards can provide a constructive means of introducing added representation to administration and of absorbing political heat. Gloria A. Grizzle writes that plural policy-making bodies can develop decision strategies that are feasible and rational.¹⁶⁶ Rita Rodriquez, a current board member, appeared to agree with Goodsell and Grizzle when she pointed out that the evaluation of transactions by multiple criteria improves the quality of decisions. In describing the necessary and desirable skills of board members, Rodriquez stated that "the ability to negotiate is by far the most useful skill. Technical expertise is far less important than the ability to convince the chairman or a colleague to support a particular position." Although Rodriquez did not mention the practice of logrolling in terms of votes, she indicated that mutual support of ideas played a role in board dynamics.

Few other interviewees noted the benefits of board members' perspectives. Staff members who regularly attend meetings pointed out that certain chairmen have problems focusing discussions, coordinating inputs, and even making sure critical issues are discussed. "Chairmen", they reported, "often take board members on excursions to the point where everyone's patience is tried, and then they attempt to influence board members to adopt decisions as quickly as possible. Generally, they succeed in imposing their decisions and the board provides its seal of approval." Miles Mace, in his study of corporate boards, states that "the powers of control usually rest with the president-not with the board.

¹⁶⁶ Gloria A. Grizzle, "Plural Policy-Making Bodies Decision Strategies" Administration and Society May, 1982, pp. 81-99.

It is the president who like the family owner-managers in a small corporation, determines in large part what the board of directors does or does not do."¹⁶⁷

Several employees said that the board is unnecessary except for window dressing. Instead of stating views, refining them, and reaching the best possible solutions, employees noted that board members develop what Janis calls "group think."¹⁶⁸ In general, employees noted that conformity to the chairman's decisions is rewarded by acceptance, positive feedback, and approval while lack of conformity results in isolation and negative feedback. "Identification with the chairman's viewpoint keeps board members in good standing," an employee observed. "Nonconformity is tolerated and may be understood as helpful if it concerns a technical matter, is presented in an acceptable way, and occurs rarely," another staff member reflected. Several staff pointed out that a particular board member who is considered to be a well established nonconformist is not widely understood by Chairman Draper. He holds sets of opinions which are called upon for consideration only when unusually difficult courses of action are under consideration and his skills are needed. Staff conceded that the Bank's atmosphere and size make it easy to sense what chairman want to hear and tell them what they hope to hear in order to please them.

¹⁶⁷ Miles L. Mace, Directors: Myth and Reality (Cambridge, Massachusetts: Harvard University, 1971), p. 73.

¹⁶⁸ Irving L. Janis, "Groupthink", Psychology Today, November, 1971, pp.43-46, 74-76.

Several employees stated that eliminating the board and replacing it with a director and deputy director would assure more effective, expedient, and efficient decisions. The director would concentrate on external relations and long term issues while the deputy director would ensure that operations under his control proceeded smoothly, like the Linder-Sauer arrangement of the 1960s.

When asked about the individual contributions of current board members, several employees were unable to think of a single contribution of one particular board member. In fact, no one could explain his function except as a rubber stamp. One staff member wondered whether he was ill and another wondered if he had a conscience. Contributions of two other board members were cited including the exceptional business acumen of one board member, a high degree of technical expertise of another board member and the ability to dwell on details of another member. The last attribute was looked upon in a negative way. Concentrating on details, it was reported, takes away time and energy from important matters. One employee pointed out that board members occasionally interfere in the loan negotiation process by giving a certain transaction priority thus speeding it up, by traveling to countries to negotiate transactions, and by introducing foreign ministers or exporters to professional staff.

Employees did not mention board members in relation to motivation, direction and control of staff, organizational change and development and coordination of activities. It is the author's impression that board members have not delved deep into operating management and administration. Operating details are generally segregated from board members who appear to take a detached view of day to day management. In a question

that surveyed major innovations at the Bank, employees did not tie innovations to board members with the exception of chairmen. Accordingly, staff feel that the majority of board members has insufficient appreciation for the Bank's policies and programs to be able to contribute to new initiatives. "To contribute to the direction of the Bank, board members should become fully acquainted with the Bank's operations and its senior staff rather than with intangibles," stated a Bank officer.

Employees did not feel accountable to board members with the exception of the chairman. "Occasionally board members will ask simple questions with obvious answers about the operations of a particular department, but for the most part they do not enter into day to day governance and control procedures," an employee stated. Another employee mentioned that "board members request disclosure of information about a specific case, request data pertaining to a specific issue, and request data on a far more irrelevant scale than the creators of Trivial Pursuit could have thought of."

Many staff members discussed the negative aspects of the board including excessive travel abroad, utilization of board membership to make important contacts and to arrange lucrative employment in the private sector, and preoccupation with status symbols such as size and luxury of board members' offices. Board members were pictured as stereotypes that take advantage of their positions to better their own personal positions.

While there is no evidence to demonstrate that a director and deputy director would perform a better job of managing the Bank or would devote more time to policy, there are indications that the board is not working well. Could the board be a useless form of governance? What board re-

forms are needed? Is there a more politically acceptable alternative? What background, experience and expertise should board members have?

The answers to these questions are beyond the scope of this thesis; however, the author believes that one of the first places to look for the answers to these questions is with the Board itself.

Presidents of the Bank

This section of the paper will describe presidents of Eximbank in terms of their influence upon the Bank; it will trace in detail, the contributions of twelve dedicated men to whom Bank employees, Congress, the White House, exporters, commercial bankers and foreign borrowers looked for leadership. It is not intended in any sense as a systematic or comprehensive comparison of presidents. Comparisons, infact, will be marginal because skills or personality traits of one president may be missing in other presidents. Skills and traits are, themselves, unevenly distributed and availability of information on each president varied widely, thereby narrowing the range of choice and access to relevant fact and interpretation. The task of analysis is, therefore, a comparison of the ways in which different presidents played a common role. It reflects concern with the topic of leadership. The presidents of Eximbank have ranged from strong, distinguished individuals to average men who dealt with, as best they could, the problems and challenges facing Eximbank during their terms in office. George Nelson Peek, a diligent and intelligent Illinois agriculturalist, served as the Bank's first president from February 1934 through November 1935. In terms of policy directions,

Mazo indicated, the first driving force was not Peek but a dynamic California attorney, Warren Lee Pierson.¹⁶⁹ Pierson was a perceptive personality who had the ability to get along with all sorts of people. He was remembered for his mature political style and composed, confident manner of dealing with people. Pierson's character and social skills made it easy for him to establish rapport with a wide variety of personalities. His political affiliation is unknown; however it was not uncommon for Franklin Roosevelt to appoint Republicans to his administration.

Pierson, who joined the Bank in 1934 and served as the Bank's president from February 1936 to March 1945 was well shielded against outside influence by Jesse Jones of the Reconstruction Finance Corporation (RFC) and New Deal figures including Tommy Corcoran, Stanley F. Reed, William Bullitt, and Cordell Hull, who held Pierson in high esteem. This guaranteed continuity and stability in policy and administration during his long tenure.

For over a decade, Pierson enhanced the representation of the Bank as an instrument of free trade; he viewed the Bank as a complement to the Department of State in the economic area. Pierson energized and shaped the internal bureaucratic procedures of the Bank; impacted upon all the programs and policies of the Bank by exercising full management prerogatives, and held the Bank together as an unified entity rather than a loose confederation.

When Pierson began working at the Bank it employed about 15 persons and when he resigned in 1945, the staff had increased to approximately

¹⁶⁹ Earl Mazo, The Export-Import Bank of the U.S., p. 110.

thirty. To keep the staff at an absolute minimum the Bank utilized personnel of the Departments of State, Treasury, Commerce, and Agriculture, the RFC, the U.S. Tariff Commission, the Office of the Coordinator for Inter American Affairs, the Bureau of Reclamation of the Department of Interior and the Public Roads Administration of the Federal Work Agency. In 1935, Pierson organized the Bank in the following manner:

- Board of Trustees (9 members and 1 secretary)
- Executive Committee (3 members)
- Bank Officers (7 officers)
- Operating Committee (10 members, 2 ex-officio members, and 1 secretary)
- Credit Committee (4 members, 1 ex-officio member, and 1 secretary)
- Legal Department (2 lawyers)
- Commercial Department (6 staff in charge of Europe, Far East and Eastern Europe, Latin America, and the Soviet Union)
- Accounting Department (3 staff)
- Administrative Department (1 administrator)¹⁷⁰

Pierson, an employee stated, was acutely aware of setting precedents and worked carefully toward establishing a strong organizational structure, including a rational division of labor and a hierarchy of authority. The creation of organizational units by Pierson increased the complexity of the Bank and led to specialization or division of labor; formalization

¹⁷⁰ Memo with Organization Table, Outline of Procedures for the Handling of Credit Applications, and Duties of the Operating Committee to members of the staff of the Export-Import Bank of Washington from Warren Lee Pierson, Secretary, April 15, 1935.

or the extent to which Eximbank relies on rules and procedures was also initiated under Pierson; and, finally, centralization of decision making and the dispersion of authority downward in the hierarchy began during Pierson's tenure.

Pierson followed a conservative lending approach. Repayment of loans was best assured by lending to foreign borrowers with clearly demonstrated ability to repay. Each loan was carefully examined to see what it really cost and how well it fit into the repayment track. During the 1930s, Pierson felt that the Bank should assist U.S. exporters in competing with Europeans for capital goods marketing in Latin America and the Far East. Although Pierson saw the Bank as an important vehicle for improving the status of exporters through free trade, Pierson felt that foreign trade could only be considered successful if it improved the standard of living of people within borrowing countries.

When Pierson became President of the Bank in 1936, the Bank was closely tied to the RFC, from which it received funds and to the Departments of State, Treasury and Commerce through the Advisory Committee, the Board of Trustees and the Board's Executive Committee of which Pierson was a voting member. Although Jesse Jones of the RFC and State Department officials participated in policy making activities of the Bank, Pierson's unique combination of talents resulted in singular successes in effectuating policies and programs especially during his early years at the Bank. Pierson was seldom overruled; during a debate on whether or not to finance the Brazilian steel industry, Jones, who initially objected to this activity, ended up agreeing with Pierson's proposal.

In 1937, Pierson visited Latin America for the first time. As a result of this trip and subsequent trips, loans were advanced to Latin American countries to develop industries and assist in resolving balance of payment problems. In particular important loans were provided to the Brazilian steel industry and the Bank of Mexico to help settle an expropriation threat against the U.S. companies. Pierson's tenure at the Bank was characterized by professionalism, determination, and realization of realistic goals. When he left the Bank in 1945, Pierson had promoted growth and prosperity of the Bank and had succeeded in shielding it from unnecessarily strong outside influences in spite of its superstructure.

Wayne C. Taylor, a Chicago investment banker and Under Secretary of Commerce for International Affairs, succeeded Pierson as President for a brief and uneventful period. After passage of the Export-Import Bank Act of 1945, William McChesney Martin, President of the New York Stock Exchange, was appointed chairman of the newly formed board of directors. Martin succeeded Taylor as President of the Bank in 1946, and thus he became the first Bank president to serve as chairman of the board of directors. The stage was set for the beginning of a new era.

Martin's influence on the Bank proved to be enduring. He believed that the Bank should make reconstruction loans to Europe after World War II and serve as a transitional tool to the Marshall plan. However, he refused to allow the Bank to concentrate its attention exclusively on Europe and would not yield to convert the Bank to an aid agency. During 1946, Martin committed over a billion dollars to emergency reconstruction efforts in Europe during the first six months. Once the International Bank

for Reconstruction and Development (IBRD) was established, Eximbank resorted to its efforts to support export trade.

Within the Bank, Martin is perhaps best known for limiting the discretion of other agency directors in the Bank's affairs. Tension and competition with Treasury and State Departments occurred over Martin's decision to overrule the Secretary of the Treasury on the amount of funds to be loaned to Great Britain. Martin was also confronted with a dilemma to lend funds to Greece. He refused to lend to Greece despite pressures from State Department. Martin's greatest opportunity to emphasize his views, however, occurred when he denied a loan to the provisional government of Israel, in 1948, because he was not convinced of the loan's soundness. Upon re-election of President Truman, Martin was asked to reconsider negotiating the loan if his standards could be applied in good conscience. He still refused to lend funds to Israel, evidence of his strength.

In 1949, Martin resigned to become Secretary of the Treasury. The net effect of his influence was to preserve the Bank's discretion and to exercise the basic functions of the Bank rather than gamble, introduce innovation and assume temporary functions which give the Bank no major strengths and jeopardize its position.

When Martin resigned, Herbert E. Gaston, who had been a member of the Bank's board of directors since 1945, was elected chairman and president. Gaston was an ex-journalist who had edited the Evening World, a liberal New York City newspaper. During Gaston's presidency, he supported a \$100 million loan to the New State of Israel, turning around the Bank's relations with Israel. Although Gaston was perceived as an accomplished

president, he was also perceived as a man who said what he thought and who would go to far ends to defend what he thought. During discussions with the World Bank, Gaston was regarded as a hard-driving and tenacious negotiator interested in protecting both the present and future of the Bank.

Upon election of Republican Dwight D. Eisenhower, Gaston resigned. Gaston's immediate departure was a clear indication that political considerations were beginning to play a large part in the selection of the management of the Bank. President Eisenhower nominated retired Army Major General Glen Edgerton. Edgerton had a reputation for sound management; finesse and prestige. Eisenhower, as previously discussed introduced a plan to reorganize the Bank and hoped that Edgerton would facilitate the reorganization effort. Rather than serving as an agent of the Eisenhower administration Edgerton became an advocate for the Bank and made no secret of his desire to preserve the Bank. The Eisenhower administration perceived, largely due to the efforts of Senator Homer E. Capehart, its weak political base and withdrew its reorganization plan. Edgerton served the Bank until 1953 and was an extremely popular president. Generally, representation of an administration that hopes to liquidate an agency is a sure prescription for unpopularity, but Edgerton evoked admiration of Bank staff for technical skills as well as social skills. A staff member recalled that Edgerton was one of the most cordial presidents the Bank has had. An ex-employee of Eximbank recalled that his decency and concern for the individual contributed to his popular appeal.

Samuel C. Waugh, a midwestern banker and tough minded pragmatist, succeeded Edgerton as president of the Bank and served through

Eisenhower's second term. Waugh was considered a shrewd and no-nonsense president who was capable of channeling a number of transactions through a calm period, devoid of difficult choices. At the end of Waugh's administration, the Bank employed about 225 persons.¹⁷¹

In 1961, President John F. Kennedy selected Harold Francis Linder, an aristocrat and a partner in the brokerage firm Carl M. Loeb, Rhodes, and Company, to manage the Bank. Linder brought more than forty years of experience in business, finance, and government to the Bank and a commitment to rationality in the Bank's growth pattern. As president, Linder was self-assured much like the President who selected him. He got off to an energetic start by organizing the Bank along geographical divisions, thereby introducing more of a focus to direct lending operations; by extending project loans to Africa; by building upon the Bank's relationship to Latin America; by building closer relationships with Asia; and by financing military sales.

Nevertheless, Linder's approach to banking was conservative; it was based on solid judgement and common sense; resulted in accelerated assistance to Latin America by the agency for International Development (AID) and the newly formed Inter American Development Bank (IDB). Linder became an initiator of close contact with commercial bankers. He committed the Bank's resources to joint lending projects with commercial banks, borrowed funds from private markets, and introduced new commercial

¹⁷¹ Export-Import Bank of the U.S., Semiannual Report to Congress for the Period of January 1-June 30, 1953, p. 3.

insurance and guarantee programs including the discount facility for export debt obligations.

Linder astutely moved along with the times and discovered a new equilibrium and change in status for the Bank as a more broadly based international financial mechanism. Acting upon conclusions of a management survey conducted by an outside consulting firm and upon internal recommendations, Linder reorganized the Bank. Major divisions were under the authority of four vice presidents:

- The Vice President for Exporter Credits, Guarantees, and Insurance;
- The Vice President for Program Planning and Information;
- The Vice President for Finance and Administration; and
- The Vice President for Project Financing.

Economists and loan officers were assigned to five geographical areas: Europe and Africa, East and Southeast Asia, Far East, Eastern Latin America, and Western Latin America. A Special Projects Division was formed; however, the Office of the General Counsel and the Office of Engineering remained the same. Each of the four vice presidents and other offices reported to the Executive Vice President, Mr. Walter Sauer. Linder's reorganization took into account a power-control interpretation of tasks/technologies and the role of environment on structure. Task/technology and environment set the parameters within which decision choices that favored senior management would be made.

In 1962, Walter Sauer was confirmed by the Senate as the Bank's First Vice President and Vice Chairman of the Board of Directors. Linder, a senior staff member recalled, had a great deal of internal control over

the Bank because he used Sauer to supervise and understand the concerns of staff. It is taken as a truism that the Bank was best managed during Linder's tenure, largely because of Walter Sauer, controlling in terms of change and growth. When the researcher asked what constituted effectiveness under Linder, staff's answers included satisfaction, management control, quality, shared influence, productivity, morale, and flexibility/adaption. An employee summed up Linder's chairmanship with the statement, "Everything went well." When Linder resigned in 1968 to become ambassador to Canada, Sauer served as the Bank's acting president from August 1968 to April 1969. Sauer had been an important participant in the Bank's affairs and under his steady direction and commitment the Bank financed the sale of U.S. planes to the Middle East, implemented financial guarantee programs and increased medium term and insurance guarantees.

In April, 1969, President Richard M. Nixon named Henry Kearns, a strong supporter of Nixon, to head the Bank. Kearns was not a guardian of continuity. A former car salesman, real estate developer, and saving and loan association director, Kearns was accustomed to beginning and negotiating his way from sale to sale while engaged in a grand strategy to expand the total number of sales. Kearns, Eximbank sources stated, ran the Bank with the same approach as one would run an automobile dealership...in a notorious manner. An Eximbank employee recalled that "Kearns saw the whole world as a prospective customer and began to tailor Eximbank programs to the world."

In mid 1969, shortly after Kearns became chairman, he restructured the operations of the Bank under a functional rather than geographical

structure. Major divisions included Financing; Project Development; Product Financing; Cooperative Financing; Exporter Credits; Guarantees and Insurance; Contract Administration; Planning and Export Expansion; Planning and Research; Financial Analysis; Engineering; Public Affairs; Government Affairs; Office of the Secretary; and Administration.

During Kearns' ambitious mandate the Bank negotiated trade agreements with the Soviet Union as part of detente. In early 1974 Congress reacted sharply to the Bank's proposed assistance to develop energy resources in the Soviet Union. As a consequence of this and related efforts by Kearns, legislation was enacted which imposed a \$300 million ceiling over four years on loans Eximbank could grant to finance the Soviet purchases of U.S. equipment.

Kearns' main contribution to the Bank was trade promotion, a skill Kearns had acquired during a brief stint at the Department of Commerce as Assistant Secretary of Commerce for International Affairs. At the end of 1970, after less than two years at Eximbank, Kearns had established (1) and Export Financing Counseling Service which provide advice and counseling to commercial banks, financial institutions, and exporters; (2) a Credit Information Service for commercial bankers; (3) a professional training program in international finance for commercial bankers; (4) commercial bank export symposium throughout the country; (5) participation in international trade fairs and trade missions; and (6) overseas business tours by the President, directors, and staff. By 1971, upon request and with adequate notice, Kearns arranged for day long sessions for from four to ten members of firms covering all phases of the Bank's programs. In addition, speakers from the Bank participated in trade as-

sociation meetings and held seminars with small business firms in cities and towns of several states.

Kearns travelled extensively throughout the U.S. and abroad as president of the Bank. During his term commercial bank participation increased, internal seminar programs for exporters were initiated, small business programs were born, programs were revamped, the electronic data processing system was expanded, a preliminary commitment procedure was introduced, and board members were encouraged to participate in the decision making process.

When Kearns resigned in October 1973, the Bank had more than tripled the dollar value of export sales supported by the Bank. The total volume of exports supported by Eximbank in FY1969 was \$2.9 billion; in FY1973 it was \$10.5 billion or 363 percent of the FY1969 total.

Kearns' tenure was also a time of troubles. Critics accused Kearns of promoting exports too fast and furiously and warned the administration and Congress that Kearns was a liability. East-West trade, as previously mentioned, became a matter of intense concern. Finally, the Bank was accused of rescheduling a loan to the Siam Craft Paper Company, a Thai paper plant, to benefit Kearns. Although Kearns had placed his Thai interests in a blind trust, shares in the plant, including 100,000 shares owned by Kearns, were sold at a considerably higher price to a Japanese firm after the Eximbank transaction had been scheduled. Stephen Bechtel, President of the Bechtel Corporation and a close friend of Kearns who served on Eximbank's advisory committee, was accused of benefitting from the transaction. Although charges against Kearns were not pursued in Congress, much to the disappointment of Senator William Proxmire, a Dem-

ocrat from Wisconsin, the Department of Justice brought a civil suit against Kearns for \$325,000, charging that Kearns used his position to sell stock in the Thai paper company improperly. The suit also named a former executive vice president of the Bank, Don P. Bostwick, for selling his stock.

A senior staff member of Eximbank remembered that Kearns was forceful. "He was capable of running the Bank on his wits and sharp instincts. He wanted results and managed to get them more rapidly than anyone before or after him." Another employee noted that in spite of Kearns' style, many substantive programs and innovative efforts to reorganize the Bank emerged. "The Kearns administration," an employee observed, "challenged patterns that prevailed at the Bank since its inception, causing controversy."

After Kearns' resignation Nixon selected the former chairman of the Securities and Exchange Commission (SEC) and the current director of the Central Intelligence Agency (CIA), William J. Casey to lead the Bank. Casey, a New York lawyer, had a rich background in tax law and acquired a background in securities during his stormy stay as chairman of the SEC. Casey hoped to be employed by the Department of State but Kissinger, according to an Eximbank official, destroyed his chance.

Casey toned down the level of exports, brought back credit to the agency in important quarters, and reorganized the Bank into four divisions: Loans and Financial Guarantees (sub-divided into four geographical areas); Exporter Credits, Guarantees, and Insurance; Funding, Operations, and Control; and Research and Communications. During Casey's presidency, the Bank was embroiled in policy with Congress over nuclear

power plant exports, East-West trade, and financial viability. A staff member recalled that "Casey could absorb tremendous amounts of material, master it quickly, and then act like lightning to shape forces within his control. He was also capable of delegating work, and thus he cultivated satisfactory working relationships with employees." Although Casey did not achieve a complete victory after the Kearns' trouble-ridden tenure he appears to have plugged holes, manned the operations, and reconciliated disagreements with congress.

In 1976, President Gerald Ford appointed a 47 year old New York investment banker, Stephen McKensie Du Brul, to be the twelfth president of the Bank. Du Brul immediately called for greater private sector export financing. In an address before the 39th Annual Chicago World Trade Congress on April 21, 1976, Du Brul emphasized that "the proper role of government in financing is to use limited resources to encourage maximum private participation." "The challenge to us," he continued, "is to identify trade financing clearly with the interests of all Americans while recognizing the appropriateness of limitations on government support in all sectors including our own."¹⁷²

Soon after assuming the presidency of the Bank, Du Brul reviewed major organizational and operational changes designed to increase the efficiency and effectiveness of the Bank. Delio E. Gianturco, an extremely bright and ambitious career employee, was appointed Executive Vice President and Vice Chairman of the Bank by Du Brul. Gianturco, a natural task master, became responsible for the operations of the Treasurer-

¹⁷² Eximbank Record, Vol. 1, No. 1, May, 1976.

Controller's Office and the Bank's Exporter Credits, Guarantees and Insurance Division, an organizational change which caused a great deal of controversy.

According to an Eximbank employee, "Gianturco and Du Brul radically altered the internal milieu of the Bank by asking questions such as: What resources do staff possess? How well is the Bank managed? On what basis are decisions made? These questions and others complicated the lives of "Sauer's boys" who did not reveal plans and worked with a fairly limited number of people. Sharing information, Sauer's boys believed, resulted in distortion of information. They believed in speaking as little as possible, avoided writing points of view which they felt were subject to misinterpretation, and if they were obliged to put anything in writing, they used the minimum number of words necessary to communicate what was absolutely fundamental."

During Du Brul's short term, U.S. exports increased as did the Bank's authorizations from \$8.3 billion for FY1975 to \$8.6 billion for FY1976. This increase, however, reflects increases in guarantee and insurance authorizations, not direct loans. The main reason for the decline in the direct loan area was the decrease in world wide demand for capital exports.

Du Brul's underlying philosophy, with which the Bank's policies fell in line, was a belief in the free market principle that the government should not provide export credits where the private sector can. Key leaders in the Ford Administration, including Treasury Secretary William Simon, favored a reduction of the role of government. A U.S. trade sur-

plus, weak dollar, and low inflation rate mitigated against Eximbank support by making exports more competitive.

As a lender of last resort, the Bank's actions under Du Brul were precise, prudent, and responsive only to clearly demonstrated needs for support. "Du Brul," an employee said, "was people oriented. He brought only his secretary to assist him and relied on staff for input. He travelled little, was fully aware of what was going on within the Bank, was capable of sizing up a problem rapidly, and knew exactly what he wanted to accomplish and how to accomplish it. His main concerns were (1) improving the financial position of the Bank and (2) streamlining operations. During 1976, Du Brul increased the net income of the Bank 43 percent, from \$81m in FY 1975 to \$115m in FY1976."

John L. Moore Jr. was sworn in May 2, 1977, as President of the Bank under the administration of President Jimmy Carter. After graduating from Harvard University, Moore attended Oxford as a Rhodes Scholar, entered Harvard Law School, and became a partner in the Atlanta law firm of Alston, Miller, and Gaines. Moore was more of an activist than Du Brul, much to the relief of commercial bankers and exporters who found it difficult to get transactions approved under Du Brul. Moore reflected the Carter Administration's policy objective of increasing exports to developing countries.

Shortly after assuming the presidency of the Bank, Moore reduced the Bank's interest rates to show his willingness to meet foreign competition, took a more relaxed approach to determining the credit worthiness of buyers, and avoided imposing country limits. Specifically Moore tried to promote exports to the growing economies of Asia and Latin America as

a means of helping sagging U.S. manufacturing industries and tried to sell U.S. planes to Europe.

Moore's liberal emphasis on drumming up Bank business was so sharply counter to Du Brul's conservative stance that controversies about whether the Bank should play an active role or a passive role and concerning a definition of the Bank's mission began to surround the Bank. Both Houses of Congress delved more deeply into the Bank's affairs; renewal of the charter and appropriations proceedings became less casual and more detailed. At the heart of the debate were questions about the Bank's size, scope, and functions. "Moore," said a staff member, "was brilliant. If he received information, he never forgot it. Moore also reflected upon the effects of actions on staff; yet, he had serious problems."

Moore's tenure at Eximbank was plagued by politics. In an attempt to establish a minority banking program in which minority owned banks would be encouraged to participate in export financing, Moore wrote letters to exporters requesting a total sum of \$150 thousand to administer the program. Moore's request was fraught with conflicts. Moore requested contributions from firms that utilized Eximbank resources, and implied that the proposed program for minorities might repay political dividends.

Another problem concerned Eximbank's decision to grant a low interest loan to Ansett Airlines, an airline controlled by Rupert Murdoch. The transaction drew questions after The New York Post, published by Murdoch, endorsed President Carter's renomination. Though there was disavowal of political intervention before the Senate Banking Committee by Eximbank representatives, Congressmen called Exinbank's handling of the Ansett case "sloppy."

Concerning internal matters, Moore did not have an easy time either. Day to day administration was not his forte. Matt Schaffer, a 30 year old anthropologist who was active in the 1976 Carter-Mondale campaign, was appointed senior vice-president of the Bank. Schaffer's appointment was resented by staff who said Schaffer was "incompetent and idiotic." Staff also criticized Moore for travelling more than 200 days per year. Subordinates had trouble reaching him no matter how important the matter. "Morale," one staff member noted, "was extremely low, and the Bank was floating along without any evidence of direction under Moore."

After the 1980 election, Moore resigned and Donald E. Stingel, a board member, became acting director of the Bank until William H. Draper III, a venture capitalist accustomed to making his own decisions and a success in the world of American business, was named chairman in July of 1981. Stingel, in unbanker like fashion, attempted to accelerate lending. Shortly after Draper assumed the presidency of the Bank, he stated "I am not presiding over the death of the Eximbank."¹⁷³ Nevertheless, it is clear that the Reagan Administration plans to diminish the Bank's role substantially. During Reagan's first term in office, the Administration was not successful in making cuts in Eximbank's programs largely due to the efforts of Malcolm Balridge, Secretary of Commerce who was interested in promoting U.S. exports. Whether or not David Stockman will succeed in eliminating the Bank's direct loan program in FY1986 is questionable.

¹⁷³ Lawrence, Richard, "Eximbank Role May Shift But Not Lessen," Journal of Commerce, July 23, 1981.

The issue will be battled out between the appropriations and reconciliations committees in April and May 1985.

William H. Draper III is an energetic team player who will not pull away from the Reagan administration's budgetary proposals designed to cut the deficit. Draper insists that the administration's proposed program will provide adequate means to keep U.S. exporters competitive in the export credit race and make a contribution to lowering the deficit. The 1982 OECD Agreement, he feels, improved the U.S. position in the race. Businessmen claim the Agreement is being violated and that even within the confines of the agreement there are significant loopholes. Draper, exporters point out, is very much on the defensive and out of touch with international trade situation. "As president of Eximbank, he has not shown enough interest in supporting exports; he is more interested in getting the Bank in the black and finding a creative and acceptable solution to ending the direct credit program," a representative of a major exporting firm commented.

An observer from a government agency noted that "Draper plays an active part of the Executive Branch's political machine and Vice President Bush's campaign." He also plays an active role in policy decisions-so active that he reportedly makes up his mind on crucial issues before they are even presented to the board.

Internal control under Draper is largely intuitive. Draper is willing to listen to anyone, but unwilling to share decision making. The Bank conveys the impression that it is on an individualistic, wayward management course. Draper runs the Bank as an extension of himself, setting its standards according to his own viewpoint and the viewpoint of the

administration he represents. He is reportedly more concerned with ends than means and the outer dynamics, rather than the inner dynamics, of the Bank.

When Draper is in Washington D.C. a daily 8:30 meeting which generally lasts 1-1 1/2 hours is held with directors and senior staff. A senior staff member stated that "although the meetings may be tedious and unproductive at times, they give managers a sense of the depth and breadth of issues, reduce levels of bureaucratic red tape, and result in highly creative responses to problems." Other staff members characterized the meetings in the opposite way. One staff member said, "The daily meetings are a waste of time. Although ideas are solicited at the meetings, Draper's strength and will leave little room for participatory decision-making." Even if Draper were willing to accept advice and analyze options, an exchange of ideas at daily meetings would not likely occur because meetings run against the grain of the institution which is a collection of separate fiefdoms with ties to officials who resent intrusion and an open airing of problems.

An employee referred to Draper's strong intuitions and ability to go beyond the ordinary definitions of problems to generate solutions; however this same employee's reasoning was flawed by the observation that Draper is reluctant to fiddle with internal issues such as reorganizational measures. "Draper," he stated, "notes problems, but he is wary of the value of changing organizational structure because he believes it creates internal disruption." "He is uncomfortable about changing the internal identity of the Bank. He values order and regularity within

Eximbank despite the fact that he is working for a President who wishes to radically change the Bank," a vice president ironically concluded.

The majority of staff feel that Draper is a highly personable, approachable president with an active positive outlook. "He knows staff by name, possesses flair, skill and courage to translate the recognition of a tight budgeting situation into action, and is more concerned with external than internal affairs," a veteran employee observed. His accomplishments, thus far, include the 1982 interest rate and concessionary lending agreement with OECD nations, a healthier financial profile, more complete political and commercial insurance risk coverage, and refinement of the medium term credit facility...coherent accomplishments within the frame work of the new conservatism of the Reagan Administration.

At the heart of Draper's Presidency of Eximbank is the following dilemma: How to save the Bank from the Reagan Administration's budget cutting knife but not in a visible enough manner so that it looks as if Draper is not supporting the President. It is unlikely that Draper's contradictory style of central decision making, good will, and positivism will resolve this dilemma and relieve the tension surrounding his term..a term characterized by both domestic political and economic constraints.

Hopefully, the preceding discussion has resulted in an understanding of the central roles, powers, and purposes of the presidents of Eximbank in achieving organizational efficiency and effectiveness. Several processes and forces which are critical in shaping the presidency of the Bank such as the process of selecting presidents have not been taken into account; however, the questions of when and of where presidents have exerted leadership have been addressed. Presidents have (1) directed the efforts

of staff toward the achievement of goals; (2) designed organizational systems; (3) represented the Bank to external forces; (4) acted as agents of change; (5) acted as system regulators; and (6) made critical decisions. Although they attempted to achieve a balance between stability and viability in view of external and internal pressures for change (by conveying a clear and consistent sense of where they wanted to go and achieving credibility concerning their ability to get there), they did not always adapt to environmental advantages and disadvantages they faced.

ORGANIZATIONAL CLIMATE

Certain features of the Bank remain the same over time regardless of who is president of the Bank. Others, including climatic features, vary in degrees of favorability and unfavorability. The notion of climate is subject to individual and group reversals in attitude following shifts in personnel, job designs, salaries, roles, rules and regulations, and so on. Climate is a subjective variable which describes how people perceive the Bank; it affects power relationships and attempts of leaders to modify the Bank. Recently, works as Peters and Waterman's In Search of Excellence and Deal and Kennedy's Corporate Cultures have included the concept of climate within the broad area of organizational culture.¹⁷⁴

¹⁷⁴ See Thomas J. Peters and Robert H. Waterman, In Search of Excellence (New York: Warner Books, 1982) and Terrence E. Deal and Allan A. Kennedy, Corporate Cultures (Reading, Massachusetts: Addison-Wesley Publishing Company, 1982).

Because aspects of organizational culture include language, beliefs, knowledge, artifacts, behavior patterns, a principal dimension of culture, climate, will be discussed to render a more complete portrait of the behavior of Eximbank.

The organizational climate or perceived environment of the Bank is the personality of the Bank as defined by its members. Richard M. Steers emphasizes three aspects of organizational climate: its perceptual aspects its unique characteristics in relation to the actions and behavior of management, and the influence of climate on employee behavior.¹⁷⁵ Given these aspects, the following components of climate, developed by Campell and Beatty, were considered interesting, relevant, and tangible enough to be discussed in relation to the Bank:

- Task Structure
- Reward Punishment Relationship
- Decision Centralization
- Achievement Emphasis
- Training and Development Emphasis
- Security versus Risk
- Openess versus Defensiveness
- Status and Morale
- Recognition and Feedback

¹⁷⁵ Richard M. Steers, Organizational Effectiveness: A Behavioral View (Santa Monica, California: Goodyear Publishing Co. Inc.), 1977, p. 101.

- General Organizational Competence and Flexibility¹⁷⁶

These components bridge concepts between people and the organizations in which they work. For example, G. Litwin and R. Stringer have found that work satisfaction was highest in affiliation-induced climates, relatively high in achievement-induced climates, and low in power-induced climates.¹⁷⁷ Interestingly enough, Eximbank's climate or internal culture contains elements of all three climates described by Litwin and Stringer. Thus, the following discussion of climate will not be easily summarized or neatly integrated. Widely differing perceptions of climate emerged. This adds considerable complexity to the topic of climate and to assumptions about feelings and sources of well being within Eximbank.

Tasks are not spelled out by the Bank as a whole; however, they are well spelled out by individual departments. Training and education activities are directed toward explaining narrow technical skills and are not formalized. Employees learn the ropes at departmental levels. Employees are generally recruited by vice presidents and deputy vice presidents. Selection of young MBAs is the general practice and is based on technical qualifications and homogeneity. Vice presidents and deputy

¹⁷⁶ J.P. Campell and E.E. Beatty, "Organizational Climate: Its Measurement and Relation to Work Group Performance," Paper presented at the annual meeting of the American Psychological Association, Washington D.C., 1971.

¹⁷⁷ G. Litwin and R. Stringer, "The Influence of Organization Climate on Human Motivation," a paper presented Conference on Organizational Climate Foundation For Research on Human Behavior, Ann Arbor, Michigan, 1966.

vice presidents assign new employees to aspects of lending activities. Employees report directly, on a line basis, to heads of departments.

A few variations in the pattern were mentioned. Among these is the hiring of employees who rotate for months among departments before moving on to permanent assignments. Consistent job rotation, however, is not used as a training device or as an opportunity for advancement.

The foregoing same structure has the advantage of each department clearly delegating tasks without blurring effects and clearly fixing accountability for performance. This self contained structure can build degrees of departmental unity, and esprit de corps which can be inimical to the Bank's overall interest and raise questions of equity in terms of staff, capital, and equipment. It can lead to dependence of line workers on departmental heads to carry out work.

Rewards and punishments, staff agreed, are based on vice president's abilities to secure a reasonable proportion of total rewards available. In the past, several employees said, rewards were tied to Warren Glick's recommendations. They noted that several lawyers were promoted due to the efforts of Glick shortly before his resignation as General Counsel. The criterion mentioned most frequently for promotion, transfer, and merit increases was loyalty. Loyalty, however, cannot be technically appraised, introducing a dark cloud over the performance appraisal process. Several staff felt that quality of work, rate of work, cooperation, and initiative were irrelevant next to loyalty.

The majority of rewards distributed by the Bank are extrinsic and include fringe benefits, merit awards, promotion, and travel. Few professionals mentioned intrinsic rewards. Punishment consists of deferring

rewards and reprimanding employees for specific behaviors in formal bureaucratic style.

Routine decisions are made at the division levels. Important decisions are reserved for top management. "Staff views", a vice president noted, "are rarely taken into account. Good, sound business decisions are believed to come from one part of the Bank: the top of the pyramid. Recent efforts to solicit staff views such as a recent strategic planning session, are shams."

Staff has a limited desire to do a good job. Under the Reagan Administration it is not surprising that morale and the willingness to contribute are low. Low morale is revealed by criticism, lack of consensus in regard to objectives, negative attitudes toward programs and policies, and uncertainty concerning the survival of the Bank. On the other hand, employees appeared to be concerned with the quality of work within narrow limits. Joe Kelly, writing in Organizational Behavior, describes low morale and high productivity of German work units at the end of World War II, thus supporting the notion that the structure and process of the group may function while morale is low.¹⁷⁸

"The Bank is in the middle ages as far as training and development" a senior staff member concluded. "Managers were sent to management training sessions years after assuming managerial positions, three employees have held job rotation assignments with private firms, and one employee was sent off for university training," noted another employee. "Training,"

¹⁷⁸ Joe Kelly, Organizational Behavior: An Existential Systems Approach (Homewood, Illinois: Richard D. Irwin, Inc., 1974), pp. 316-317.

an employee pointed out, "upsets the status quo. Why train people who will return to the Bank and not be able to apply skills and experiences gained during training?" Another employee mentioned that "training is costly and the Bank is stingy when it comes to parting with money for training purposes. Besides, the Bank encourages resistance to change and rewards people who are set in the Bank's ways." Another official pointed out that management is not capable of regarding training as a rescue operation to be applied to the incompetent, let alone a tool of expansion.

Several employees agreed that travel is an excellent way to train loan officers and economists and would result in increased interest and motivation. Staff travel, however, limits board members' travel, does not influence the basic nature of the job, and may disrupt the flow of work. As a job enrichment technique, it is not used.

Pressures on the Bank, as a result of Executive Branch plans to eliminate the direct credit program, have resulted in feelings of insecurity, anxiety, and cynicism on the part of many employees. More than a dozen employees admitted they regularly mail resumes, make contacts, and go to private placement agencies as part of the job game. Several employees said they prefer not to work for commercial banks. Several employees were attending evening classes to improve their knowledge and skills. Older employees expressed concerns about retirement policies. Not surprisingly they feel that their odds for finding jobs are poor, and that they are compelled to work at the Bank until retirement.

Within the Bank, mistakes are covered at departmental levels. Most employees said that information is reviewed and approved at departmental levels before reaching board members with the exception of one division.

"Department heads," an employee explained, "value group cohesiveness. Agreement and acceptance are norms that people are expected to conform to closely.

When an economist or loan officer disagrees with his department head and the board becomes aware of the conflict, the board concludes that the right hand is unaware of what the left hand is doing. A particularly astute employee pointed out the negative consequences of high cohesion, such as conformity to group norms even if they are low performance norms, hostility, maintenance of basic distributions of power, and partial understanding of the organization by board members.

Morale and status within the Bank are two edged swords. However dull and repetitive, they perceive their jobs to be preferable to any other alternatives in the private sector that they could realistically attain. Whatever employees feel about their pay levels and or their superiors, their professional identity with the Bank is strong enough to keep the vast majority in place. Among those who leave are people who have been presented with attractive opportunities elsewhere. Among those who stay are those who find no other opportunities or those who simply enjoy working for the Bank. The author asked every staff member interviewed why he or she stays at the Bank. Responses to this question included:

- Job opportunities are limited elsewhere
- My spouse is employed in Washington, my children attend excellent schools, the interest rate on mortgage is low, etc.
- The Bank has all the pluses and minuses of small town;
- Stable work environment
- Comfortable and pleasant environment

- Staff members are not blamed for bad decisions. There are, in fact, no bad decisions, only deals that work and deals that do not work
- Risks are spread over a large base (taxpayers, not shareholders) and accountability is diffused
- Being a Bank employee is worthwhile function; being a government employee is not...most of the time employees function as Bank employees
- Technically competent colleagues
- Race horses work for the Bank, not mules
- Buying time and space until retirement
- Recognition
- Variety of tasks
- Size of the organization
- The Bank is not as bureaucratic as Commerce Department, the Department of Health and Human Services, etc.
- Roles change when new chairman are appointed
- Enjoyment and appreciation of staff
- Strong organizational identification and commitment
- Sense of belonging and contributing
- Challenging work
- Informality and access to organizational members including board members
- Friendliness
- Tradition
- Excellent reputation
- Variety of programs
- Equitable salary
- Quality of staff and quality of performance
- Acquisition of experience

- Individual autonomy and discretion
- Steady professional evolution
- Irrational attachment to the Bank
- Time in federal government service

The reasons listed above are not consistent and coherent, but they provide insight into the notion of climate. Role identification as bankers, rather than civil servants, is a highly valued norm. The feelings that colleagues are qualified and that performance is high, that growth possibilities exist, and that the Bank is a pleasant place to work create positive feelings. The Bank's reputation as the best agency in Washington D.C. is also a positive underlying force despite disconcerting signs of stress and strains under the current administration.

Several points need to be made. First, organizational climate is a transitory concept which exists on the individual level or group level. For example, the climate in the claims department was positive; enthusiastic, motivated employees were preparing to travel to Mexico to recover payments. Employee satisfaction in the direct lending area was low in view of decreasing demand for services and proposals to eliminate the program. Attitudes and feelings in the policy analysis division were low due, in part, to the division's reduced role under Draper's reign. Second, individuals who had more individual autonomy and discretion such as vice presidents spoke about the open, friendly, trusting work atmosphere. One's position in the hierarchy, with few exceptions, affected one's perceptions of climate. Third, if an employee worked in an area that required routinized financial analysis and processing of forms rather

than assessment of risks associated with diverse projects, perception of climate appeared to be more negative. Fourth, policies and practices of management appeared to strongly influence climate. In divisions known for autonomy, feedback, recognition and easy access to superiors, climate was much better than in divisions characterized by rigidity, rules orientation, centralization, and formalization. Employees in the latter divisions said they remained in the organization because of retirement benefits, acquisition of experience, and time vested in government service and lamented that transfers are hard to come by.

Recognition and feedback are attuned to the personalities of vice presidents. Within some divisions, employees were not able to see direct links between actions and rewards. Feedback, in certain divisions, is not even an annual event because performance appraisals are not considered feedback. At the other extreme are divisions with well timed, solicited feedback which takes into account both the needs of subordinates and superiors. Running parallel to feedback channels are grapevines. A number of employees remarked about the widespread use of grapevines as a major source of communication. Although grapevines can provide accurate information, an employee signaled out several rumors transferred through word of mouth. He commented on the amounts of energy devoted to grapevines and noted that safeguarding information has probably led to an increase in leakage of information.

The final dimensions of climate, organizational competence and flexibility received low marks from all employees. Employees complained that the Bank is unsure of what its goals are, stated that the Bank is unable to anticipate events, and pointed out that the Bank does not make attempts

to develop skills in people before, during, and after crises. This picture was identified and presented again and again: Bank managers are unable to diagnose and evaluate factors that impinge on the Bank. Important examples drawn were: (1) anticipating events is an uncommon activity; the Bank reacts more than it acts; (2) managers do not use information at hand to effect change; (3) decisions are made over and over again as if they have been programmed; and (4) policies and processes are unclear and illicit rather than clear and explicit.

Although the climate construct is subjective and is only one of several reasons why employees are satisfied or dissatisfied with their jobs, the notion of climate is a force that needs to be dealt with if the Bank intends to more effectively pursue objectives, particularly new objectives. The notion of climate provides understanding of alternative reactions employees have to both stresses and gratifications of work within Eximbank. It also directs our attention to employees' senses of well being, their perceptions, and their experiences; and what we find is that: there is increased concern about an uncertain future of Eximbank; employees' happiness, satisfaction, and self-esteem are dependent upon what is happening at given points in the development of the Bank; and happiness is largely contingent on high involvement in work and the quality of relationships with people at work rather than extrinsic factors such as money.

INSTITUTIONAL MYTH

A central feature of the polity of the Bank is the creation and maintenance of an organizational myth that has moved Eximbank beyond the planned, rational aspects of organizational life into subjective, interpretive realms. This myth stands above accounting, finance, and other technical considerations. It is part of the institutional process by which values are infused into the organization. It is the claim that the Export-Import Bank of the U.S. is a commercial-type bank rather than a government agency. This distortion of reality and its effects on the political and economic structures and processes of the Bank frame the Bank's past and future.

No employee or outside actor has been immune to seduction by the commercial banking myth and its implications. Employees act out this myth to achieve status, the board draws upon the myth to justify decisions; exporters blame the myth for the Bank's unresponsiveness in meeting subsidized foreign competition, and commercial bankers utilize the myth to differentiate the Bank from other government agencies. As Selznick points out, "the myth reflects inner needs and outer demands."¹⁷⁹

From the Bank's inception as a government corporation, staff have worn three piece pin-stripe suits and behaved with sobriety and discipline. Management has impressed visitors with the spacious offices of the president and directors, and prescribed and reinforced discreet banking behaviors for staff. Devices like the Board of Directors, glossy annual

¹⁷⁹ Philip Selznick, *Leadership in Administration*, p. 52.

reports which resemble private corporate reports to shareholders, dubious accounting procedures, and annual meetings with commercial bankers and exporters are symbolic rituals of the commercial banking system that instill trust and confidence and bind the Bank to cultural forces of which it is a part.

The myth reinforces the notion that efficiency in economic transactions is the highest good, superseding abstract notions of development assistance. The myth has also committed managers to a costly contribution: surpluses to the Treasury Department as a result of profitable operations. Profitability, in turn, has boxed in the vision of managers, failed to prepare managers for unexpected environmental demands, and has contributed to a simplification of economic and political events. Profitability implies that the Bank is fully integrated into the business environment and should respond to forces impinging upon it in a bankerlike fashion. The myth integrates internal operations of the Bank. Perhaps its most important function has been to ward off successive administrations' suggestions for change and incremental policy directives.

While this commercial banking mythology determines and guides actions, ideology, and presentation of the Bank it breeds serious problems. Efficiency, for example, is a value in conflict with meeting subsidized foreign competition. Under the conservative leadership of William H. Draper III, the Bank's interest rates were raised twice to prevent losses and to avoid seeking Congressional appropriations for funds. In 1983, however, Congress viewed self sufficiency as a secondary goal. The 1983 legislation mandated that while the Bank should consider the cost of money in setting interest rates all Eximbank programs should be competitive with

export finance programs undertaken by other governments. Needless to say, the objectives of profitability and competitiveness contradict one another.

Another problem is within the Bank, patterns, rules, regulations, and procedures are seldom written down or fully understood. There is no need to write them down because the organizational myth is adequate to the task of ensuring that activities will be performed according to commercial banking standards rather than governmental standards.

Keeping the myth intact is a remarkable achievement considering the conflict generated by the notion of a self-sufficient Eximbank, the disparity between the vision of the Bank, as contemplated by its founders fifty years ago and what the Bank is now, and the unfolding of events over which the international banking community has little or no control.

Although Eximbank lacks some of properties ordinarily associated with commercial bank, such as the receipt of deposits and drive up windows, it is, in fact, a bank...a government bank, not a commercial bank. It was the expectation of its founders that it would behave like a commercial bank; that is, it would use economic considerations in granting loans; adopt and reinforce commercial banking ideals and exhibit congruence with the commercial banking community's ideology. Even though the Bank was formed during Franklin D. Roosevelt's administration as an NRA offshoot, it was, from the beginning, a conservative institution guided by conservative men who were acceptable to Washington and Wall Street.

The Bank has been bound to the commercial banking myth by the historical practices which reinforce employees' views of reality, limit em-

ployees' thinking about the future, and cast the Bank in a commercial banking mode:

- Presence of a fulltime board of directors who meet regularly; this means that the design of the organization reaffirms commercial banking values
- Building and maintenance of a staff of elite employees who have no competing loyalties, who acquire specialized export finance experience, and whose views accord with the ideals of the Bank
- Unwillingness to engage in bureaucratic struggles with other agencies in order to prevent incongruities
- Safeguarding of information which would constitute violations of confidence or interfere with the conduct of internal operations
- Perpetuation of the Bank's credit worthiness in order to build and maintain standing in the international financial community
- Conditioning of loans on ability to repay -- a type of analysis destined to strengthen the Bank's technical capacity and to put a commercial banking stamp on the way things are done
- Creation of PEFCO and FCIA, programs that respond to contemporary banking requirements beyond Eximbank's structure but are, nevertheless, embodied in it
- Cultivation of banker-client relationships to increase the degree of contact and reinforce the commercial banker identification
- Opposition to soft loans thus preventing organizational drift
- Evolution of relationships with international financing agencies to ensure congruency with the ideal as enunciated by contemporary banking system
- Centralization of decision making and decentralization of technical opportunities in order to prevent decision making at subunit levels
- The creation of a formal climate which stifles innovation by new employees.

The above factors strongly affect the character of the Bank and define its operations, commitments to structure, personnel, distinctive competence, and relationships with the environment.

Whether this myth is so solidly held that only revolutionary change will alter or end it or whether events such as the Reagan administration's proposal to decrease the activities of the Bank will modify it remain to be seen. Organizations hold myths in a scale of importance representing commitment. The position of myths on the scale is determined by a host factors including the cost of commitment, benefits of commitment, and available alternatives.

It is somewhat ironic that Eximbank, in successfully perpetuating the commercial banking myth, has provided critics with an impetus for altering or eliminating the Bank. Regardless of whether the Bank's business is perceived as hard loans to exporters or as foreign aid, the Bank is caught up in the complexities, contradictions, and cross purposes of a trade system that has not been well defined. Eximbank's retreat into self sufficiency locked the Bank into a commercial banking mentality and an almost free enterprise approach to banking. However, in view of the U.S. trade deficit, the debt crises of developing countries, and export financing by other nations, it is difficult to see how the world's trade problems will be solved by the new conservative philosophy and by free enterprise. Robert Reich writes:

The new conservative parable virtually ignores the fundamental transformation of the world economy and society. It overlooks key relationships between domestic poverty and the stagnation of family incomes, between the stagnation and changes in the global economy, between these changes and political instability around the globe and between this instability and Soviet opportunism.¹⁸⁰

¹⁸⁰ Robert Reich, "Toward A New Public Philosophy," Atlantic, Vol. 255, No. 5, May, 1985, p. 75.

SUMMARY

The internal polity of the Bank has been discussed in view of four factors which (1) both enhance and detract from the development of agency goals and directions; (2) provide stability and instability, control and lack of control; (3) are passed down through successive generations; (4) legitimize the Bank; and (5) transform the Bank from an organization to an institution. All of these factors are tied implicitly to the achievement of goals and are formed at two levels: the first is in the realm of symbols, values and myths and the second is in the realm of pragmatic, utilitarian politics.

Patterns of politics within the Bank are not generally supportive of change because the dimensions dealt with in this chapter come together in powerful ways to curtail reform. Any reform which considers one dimension without taking account of the others is likely to fail. For example, if an innovative president were to recommend new policies and ideas, the proposed changes would have to be compatible with both the hierarchial structure and the stale climate of the Bank. There is no guarantee that any change will work unless internal forces are supportive of change. Yet, change appears inevitable. This situation creates problems for many individuals who find their desires to maintain the status quo opposed by the logic of external activities of which they are a part. The question remains as to whether change can be successfully introduced into the internal political milieu of the organization which is connected to the external environment by a thin thread.

CHAPTER VII - INTERNAL ECONOMIC STRUCTURES AND PROCESSES

INTRODUCTION

Internal economic structures and processes relate to the tasks and technologies of the Bank, management information systems and accounting rules and requirements, the technical core, and inducements to coordinate activities. These "systems" can be viewed as resources which are allocated in order to produce outputs; they can, if altered, transform relationships among departments or precipitate internal conflict. For example, interaction between the Legal Department and Treasurer Controller's Department often depend on the coordination of activities to complete respective tasks effectively. Prospects for internal conflict would be greater, if one of these departments were unilaterally dependent upon the other. If the power balance were to shift, the dominant unit would have less incentive to cooperate with the subordinate unit. Conflict potential is also increased when management emphasizes the separate performance of each department and rewards each department differently. Several Bank employees suggested that Mr. W. Glick, the Bank's ex-legal counsel, favored the legal staff and promoted several lawyers prior to leaving the Bank. Not only were the promotions viewed as favoritism; in addition they were seen as degrading of the Bank's evaluation system and established reward criteria. Finally, management information systems were cited as a source of difficulty. Willful withholding of information was perceived as a means of concealing self-interest and increaseing

disparities among staff and management to attain and maintain power. These factors, which will be discussed in Chapter VII, clearly belong among the "essentials" of economic structures and process; other phenomena remain.

TASKS AND TECHNOLOGIES

James D. Thompson in Organizations in Action classified organizational technologies and tasks into three technological types, on the basis of the degree of task interdependence. Long linked technology, according to Thompson, is characterized by sequential interdependence among task elements. For example, operation A must precede operation B which must come before operation C before the desired outcome or object is achieved. The mass production assembly line is the most frequently used example of a long linked technology. Intensive technology, Thompson's second type draws upon a variety of techniques to achieve a certain output, "but the selection, combination, and order of application is determined by the object itself."¹⁸¹ The intensive technology is often illustrated by the example of the general hospital. Thompson's third technological type, the one that describes the nature of the work for which the Bank is responsible, is classified as a mediating technology.

Mediating technologies link clients together who are interdependent. The dominant form of workflow independence is pooled. Each part renders

¹⁸¹ James D. Thompson, Organizations in Action (New York; McGraw Hill, 1967) pp. 39-50.

a discreet combination to the whole and parts of the system are relatively independent of one another, placing few demands on coordinative processes. In the case of Eximbank, transactions must conform to standard term and to uniform processing and accounting procedures. Standardization enables divisions to define and classify categories of risk, and classify clients into categories. Within the direct loan division, transactions are less standardized. Flexibility to determine and select alternatives is an important ingredient of successful task accomplishment.

Processes attached to specific types of loan transactions are directly and appropriately related to distinct departments. Certain departments such as the policy analysis and legal departments are concerned with a wider range of the Bank's activities. However, in the direct loan area economists with responsibility for Asia and the Middle East are not influenced by economists from Latin America or Europe. In certain departments, leverage of other departments is slight or non-existent. Workers tend to take a narrow view of jobs that are particular to their departments.

The individuals who are concerned with specific tasks do not understand how things fit together. Professional staff, in other words, are highly specialized. "Traditionally, Eximbank officers have strong knowledge of specific areas of banking and if they are asked to handle problems in an area in which they are not competent, they refer the problem to someone who is competent", a commercial banker noted.

Mediating technologies place low demands on decision making and communication. Decisions are made at higher levels of representation and

communication is limited. As noted, the Bank has a bureaucratic structure, symbolic of the way banks have traditionally organized to achieve internal equilibrium and stability.

Nevertheless the Bank's structure is tied to high standards of performance. Although it is rarely articulated, the Bank's employees are custodians of public funds and the public expects to be assured that those who distribute funds know what they are doing and are, in fact, doing what they say they are doing. The public expects the Bank to provide a service and would like the Bank to pay its own way. Perhaps bureaucratic characteristics that pervade the Bank are compatible with the notions of service and public accountability. Although bureaucratic characteristics are related to the notion of public interest, they do not allow the Bank to operate in the spirit of an aggressive player in the official export financing game, and they box the Bank into a safe, well-marked path. public.

MANAGEMENT INFORMATION SYSTEMS AND ACCOUNTING RULES AND REQUIREMENTS

Reflecting the public's concern for accountability, the Bank is subject to certain reporting requirements required of all federal agencies. Generally, there is little room for the exercise of discretion in these areas. For example, reports on withholding taxes from employees, reports summarizing health benefits of employees, and reports of cash transactions are periodically required by law and involve standard definitions of terms. The Bank is also subject to internal accounting procedures and control systems often referred to as management information systems.

Formal management information systems of the Bank are generally tied to financial controls and include a variety of data such as profit and loss statements.

Reports reflecting the accounting, statistical, financial, and operating data of the Bank are presented in uniform reporting formats. Generally, they display data on the Bank's activities by country, by area, and by program. Delinquent loan data, terminated credit data, and balances of outstanding letters of credit, and authorizations fall into this category.

Reports used most widely within the Bank contain statements of loans and authorized credits, guarantees, and insurance and summaries of Eximbank's exposure. They are used as reference reports, to answer specific inquiries or to provide a comprehensive picture of the Bank's activities. Most users of the reports are concerned with particular areas of activities or particular countries.

The daily cash report, intended to reflect the cash balance available in Treasury for disbursements on loans and credits and delinquency reports, is relatively unimportant to staff. Reports concerning the status of applications are valuable tools. Statements of terminated credits are interesting in terms of historical information. Statements of credits authorized provide ideas of the Bank's current activities, but they are not considered a relevant reports which need to be readily available.

A review of material made available to top management was not possible; however, current financial data, program data, planning data, historical data, statistics, and area reference data appear to be the main types of data furnished to the board. How exploited these data are or how useful

in reaching decisions is unknown, but Eximbank employees suspected that their efficacy as managerial tools is limited.

Several employees said that the Bank's management information system needs to be overhauled to meet the requirements of the times. Intriguing logic has prevented reform in this area: a sophisticated management information system would, it is believed, create more problems than it can solve. It would be costly because information would be shared. More people would participate in events that affect them. Managerial authority would be weakened. The advantage of keeping an older information system alive is that it limits inputs into decision making and confirms rather than questions activities. Managers feel uncomfortable about seeing changes in scenery and fear losing their sense of direction. Even the most people-oriented managers, such as Draper, insist on retaining control over information and have reason to suspect that access will weaken control and lead to turmoil. The major result is a myopic view of problems, rationalization of conventional behavior, and reinforcement of the status quo.

It would be unrealistic in the extreme to assume that a management information system with congruence between organizational goals, structure, and behavior consistent with management ideology would be or will be adopted. However, the practice of closely guarding information is slowly receding. There are steady pressures to move the Bank outward and extend its horizons and a growing awareness within the Bank of the importance of adopting different management information systems that look forward, not backward.

The usefulness of an internal management information system depends on timeliness, on the data that meet the information requirements of central management, and on presentational techniques which enhance the significance of the data. To ensure the utilization of data, collaboration and coordination are needed...concerted efforts that involve more than the commitment of this administrative division.

Common complaints about the Bank's information system included the fact that information stored and retrieved is aged information. "A new information system is needed to confront new problems, rather than recycling old problems," an employee noted. Several employees pointed out that control of information maximizes status and influence. In the Bank, hierarchies of information access exist. Technical information exists at lower levels and more general information, a critical and scarce resource that is not widely shared, exists at the Executive level. In other words, information is a power source which, when placed in context, can lead to poorly informed decisions.

External information requirements involve preparation of masses of information useful to people elsewhere in the government or people outside the government. Careful preparation of information, in certain forms, with certain details, is an exercise that reinforces Eximbank's administrative accomplishments and enhances its reputation as one of the most efficacious agencies in Washington.

The Bank's financial statements are audited yearly by the General Accounting Office (GAO) pursuant to 31U.S.C.9105. Periodically, GAO may evaluate a certain aspect of the Bank's business and administration such as fiscal procedures used in transaction processing, personnel practices,

etc., usually at the request of a member of Congress or a Congressional committee. Where errors or irregularities are found auditors monitor corrective actions. In reporting findings, GAO comments on the status of controls, calls attention to the Bank's shortcomings, and includes management's responses and comments in the report. Audit reports may also include recommendations for improving operations. The Bank is obligated, by statute, to report from time to time on steps taken to comply with recommendations. While GAO's primary responsibility is to report findings to Congress, it provides management an independent evaluation of how well operations are managed, warnings of problems, and recommendations for improvement. GAO has (with the consent and cooperation of the board), evaluated the Bank's accounting systems, records, and assets, formulation of credit, and competitiveness. A spokesman from GAO noted that although there are numerous procedural requirements, the Bank meets these specifications in a timely, effective way.

Personnel policies are regulated by the Office of Personnel Management (OPM) and the Merit Systems Protection Board who issue regulations, publish the Federal Personnel Manual, and determine qualification standards for individual positions and groups of positions. Reports to OPM provide a better understanding and sense about the Bank.

In a similar manner, the General Services Administration (GSA) issues hundreds of pages of procurement regulations and federal property management regulations. These regulations concern the assignment of space, management of records, provision of automated data services, policies on contracting goods and services, etc. They are supplemented by GSA's Federal Travel Regulations, the Federal Standardization Handbook, and

several other publications produced by GSA, the National Bureau of Standards, and the Department of Commerce.

Budgeting processes, as mentioned earlier, are directed by the Office of Management and Budget which issues circulars, bulletins, and letters to agency heads throughout the fiscal year and requests large sums of data to grasp the financial state of affairs of the Bank.

This inventory of government directives and instructions is supplemented by Executive Orders of the President (which can be Eximbank specific or general), regulations of the Department of Labor, Justice, Treasury and so on which may require replies to queries.

Controls imposed by government wide rules and regulations are supplemented by the Export-Import Bank Act of 1945 and subsequent statutes governing the Bank's operations. Both sets of controls (1) influence the structure and processes of the Bank including certain features of management information systems and other control mechanisms, and (2) contribute to the Bank's defense of the status quo, reluctance to introduce new management techniques, de-emphasis on planning, mechanistic structure, and inability of the Bank to adjust its thinking and actions to the demands of a period in which foreign export financing and the U.S. trade deficit are paramount considerations.

On the surface, it would appear that other agencies' requests add to, rather than detract from, the flow of information but nothing could be further from the truth. Government examiners may learn more about technicalities of Eximbank; but, a great deal of the information generated is a ritualistic exercise rather than the provision of information to enrich the policy making process.

Direct outgrowths of the Bank's style of banking and its responsibility to the public as a government agency are a sense of restraint and the practice of measuring success by not giving anything away including much information about the Bank, its functions and its own corner of the marketplace.

PROTECTION OF EXIMBANK'S TECHNICAL CORE

James D. Thompson, in Organizations in Action, discusses buffering strategies and types of structures used by organizations to protect internal operations, what he referred to as the "technical core."¹⁸² Although the technical core of the Bank is tied to the Bank's internal economy, strategies used to protect the technical core fall into the grand arena of the internal polity of the Bank. Such strategies lead to conflicts, competitions, advancements, and withdrawals. Under the direction of Walter Sauer, Eximbank made a conscious decision to avoid politics and seal off core technologies from the environment. "The more visible the Bank, the more will be taken away," is a phrase attributed to Sauer. Normally, institutional leaders seek ways and means of projecting and promoting the organization in an outward direction. Sauer was more interested in preserving it in the 1950's or early 1960's. To achieve his purposes, he warded off new policies and practices to the extent possible.

Protecting the domain of the Bank and not allowing environmental contingencies to upset the internal economic and political operations of the

¹⁸² Ibid, p. 20, 21, 51.

Bank was accomplished through (1) the "buffering" technique of assigning new employees to experienced employees who train them before they assume major responsibilities; (2) the "smoothing" technique of reducing fluctuations in the environment such as negotiating export credit agreements within the OECD framework; and (3) the "rationing" of organizational outputs when demand exceeds capacity such as adopting stringent criteria or raising interest rates.

Thompson discusses a fourth strategy, "forecasting." It is a productive strategy which involves anticipating changes that cannot be buffered, smoothed, or rationed. Despite the efforts of the policy analysis department which does an excellent job of monitoring changes and evaluating the implications of changes, the Bank does not appear to anticipate change and often seems to ignore it even when evidence piles up. Perhaps forecasting goes against its professional image of caution, maintenance of the status quo, and stability.

The organization does, however, perform a number of boundary spanning activities to link the Bank to its task environment and to undertake transactional and coordinative functions necessary to accommodate the many interests involved in the performance of the Bank's tasks. These boundary spanning functions have, to a large extent, kept the system intact for the past half century. Mile's notion of an organizational boundary is the "region in which elements of organizations and their environments come together and in which activities are performed of such a nature as to more effectively relate the organizations to the outside

world. A boundary region is inferred from activities performed of a particular type: boundary spanning activities."¹⁸³

Within the Bank a rather obvious boundary spanning unit is the Congressional Relations Office. The Congressional Relations Office carries on a number of functions within the system, but it is the contact point of the Bank with Congress; it continuously tracks Congressional activities.

The Personnel Office is also an important boundary spanning unit. It recruits human resources needed at different levels of the organization with a set of well defined criteria. In this sense it functions as a protective input filter.

The Administrative Department interfaces with GSA to obtain required equipment and machinery and to make sure that it meets performance standards and other government wide requirements.

The Policy Analysis Department is a source of information regarding the activities of those who operate outside the Bank. It broadly scans the environment for developments in economic conditions which will affect the Bank's policies and programs, interprets the meaning of information in terms of opportunities and constraints that the information poses for the Bank, and communicates to board members in the form of memos.

The Board of Directors represents the Bank to its environment for the purpose of shaping opinions and behavior of exporters, commercial banks, Congress, foreign borrowers, and other governmental agencies. Board

¹⁸³ Robert H. Miles, Macro Organizational Behavior (Santa Monica, California: Goodyear Publishing Company, 1980) p. 7.

members often give speeches to outside groups or give interviews to the press, serving as the face of the organization.

Although, the Public Affairs Office of the Bank also performs a representational function, it propagandizes and educates through a steady flow of information to the media, principally the press. Loan officers, economists, engineers, lawyers, contract administrators and employees of the Treasurer-Comptroller Office ensure that transactions occur; that is, they perform activities necessary for the acquisition of inputs (loans, insurance, guarantee applications) and the disposal of outputs (loans, insurance policies, guarantees). They also perform linking and coordinating functions with exporters, commercial banks, and foreign borrowers.

The two principal factors that have led the Bank to create and maintain boundary spanning roles and activities are the technology and environment of the Bank. The Bank employs a mediating technology to link clients to the organization. Organizations with mediating technologies tend to have a large number of boundary roles, particularly for transactional, linking, and coordinating functions.

Features of the external environment also exert an influence on the types and amounts of boundary spanning roles and activities. The Bank's boundary spanning structure is differentiated; it corresponds to the complexity of the external environment which includes hundreds of exporters, hundreds of commercial banks, diverse borrowers, numerous Congressional committees, several government agencies, and so on. The more stable the external environment the more stable and routine the activities performed by boundary spanning units. The more turbulent the external environment, the more non-routine and complex the activities

performed by boundary spanning units. For example, if a Congressional initiative to alter the functions of the Bank is underway, the Congressional relations officer will be required to fulfill the boundary spanning role in an intense and dynamic manner reflecting the demand of the situation at hand.

When staffing decisions are made, it is important to select persons who are able to adjust their behavior to the situation or issues at hand, especially in the case of direct loan officers and economists. A senior Eximbank official discussed the qualities required of a loan officer: knowledge and experience in financial analysis skill; ability to communicate with bankers, exporters; and foreign borrowers; ability to write well, foreign language skills; good judgement; ability to review and integrate the activities of others; and savoir faire in representing the institution in international finance circles.

INDUCEMENTS

Inducements, utilized to achieve coordination and cooperation among staff were discussed in Chapter IV. Costs and benefits of inducements will be focused upon in this chapter in light of the government pay structure and job classification patterns at Eximbank. The compensation system of the Eximbank is far less attractive than the systems of commercial banking. The Career Services Director of the Hopkins School of Advanced International Studies, Maureen Golden, reported that eighteen 1984 SAIS graduates were recruited by banks including American Express International, Chase Manhattan, Irving Trust Co., and Bank of Boston with

salaries ranging from \$28,000 to \$40,000.¹⁸⁴ Eximbank, as a government agency, however, does not normally recruit younger MBAs at those salary levels. Its pay structure cannot compete with that of the private sector because its capacity to pay is limited. Yet, it is capable of attracting and retaining a highly qualified workforce. Considerations that contribute to recruitment and retention according to employees, are:

- A feeling that the work is interesting and important
- Job prestige
- Opportunities to develop special abilities such as export financing analytical skills

When asked what considerations would influence employees to change jobs, employees responded:

- Salary considerations
- Enhanced occupational status
- Opportunity to make a meaningful contribution and to participate in decision making processes
- Better benefit programs

The real meaning of the above considerations varied from individual to individual. The majority of employees complained about the static pay structure. Several interviewees pointed out that widespread disenchantment with the Bank is due to Reagan Administration efforts to curb the Bank and recent waning of managerial opportunities. More and more Eximbank professionals perceive themselves as caught in a situation

¹⁸⁴ SAIS Calendar, Vol VI, No. 5, March, 1985, p. 4.

where chances for opportunities to advance are restricted. An Eximbank employee described the situation in the following way:

Many of the younger employees are yuppies who are seeking rapid increase in professional status. They have recently acquired MBAs, and Eximbank is their first job. They rapidly accelerate within the Bank to a plateau. In fact, there is a hell of a plateau at the Bank before rising to the top of the pyramid. The Bank is now starting to hire people born during the sixties. Generally, these people are winners who have received positive aid in developing their talents. Now, they are disquieted, puzzled, and dissatisfied. They cannot understand why they are not at the top of the heap. They are trying to increase the probability of becoming members of the managerial ranks by studying in the evenings and by improving their on the job skills. Unfortunately, due to low attrition, there are many persons whose tickets to the train on the way to the top, will be punched before their tickets. There appears to be no answer to this problem. Job enrichment techniques will not satisfy this demand or fill the gap between expectation and reality.

The gap between expectation and reality is not reduced by management of the hiring process in which the Bank is informed of the interests of employees and employees are informed of the Bank's interests. The Bank's management does not give the issue enough attention and does not make full use of personnel staff services. Limited information based on conversations with employees suggests that the majority of people employed by the Bank have little and unrealistic information about prospective careers and processes by which decisions are made within the Bank.

An employee stated that management ignores the needs of workers. "In Search of Excellence", he stated, "is not applicable to the Bank. In fact, it is a blue print of how things are not done at the Bank. It is an opposite picture of how the Bank operates. In the long run certain

institutional factors such as comraderie cannot compensate for lack of management, opportunities and inability to pay."

SUMMARY

The systems discussed in this chapter can be used to shift power to enhance position of those in control, to achieve coordination of tasks, to maintain the Bank's core functions, and to maintain the Bank's ecological niche. They are deeply rooted in the consciousness of managers so that even conceiving alternatives is difficult. Because organization and operation of these factors are fundamental to internal control, they are unlikely to change unless there is a power struggle and new political relationships evolve. This generally happens if an organization is facing direct threats to its survival. In the case of the Bank, internal changes have been and continue to be incremental; incrementalism results in continuity and stabilization by keeping changes modest and not deviating from standard procedures and practices. This observation is consistent with the mechanistic structure described in chapter VI, a structure that maximizes formalization and centralization of economic and political power.

Although the anachronistic nature of certain systems such as the management information system is apparent, transition is difficult because the hold on the way systems are viewed still exists. As yet, the outlines of new internal economic systems are unclear, but hints of transformation are discernible. Old and new coexist and it is difficult to perceive the future of economic structures and processes, but, current developments suggest changes will take place. A recent survey of personnel, designed

and conducted by employees, may lead to improvements in the system of inducements. And automated information systems have potentially important impacts on management information systems.

CHAPTER VIII - EXTERNAL ECONOMIC STRUCTURES AND PROCESSES

INTRODUCTION

External economic structures and processes are related to external resources and demands. Wamsley and Zald state that "the economic environment of agencies deals with supply and price schedules and behavior used to obtain factors of production and exchange of output at organizational boundaries assuming or holding constant organizational and program legitimacy."¹⁸⁵ The theme of this chapter is that external economic structures and processes contribute to what goes on within the Bank, to the form that the Bank takes, and to the consequences of its actions.

This chapter spells out (1) what is produced by Eximbank; (2) how production is organized; (3) how output is distributed; (4) how goods are rationed; and (5) how productive capacity is maintained. An exploration of external economic structures and processes begins with a description of the trade context. Attention is then turned to shifts in Eximbank's support. Export credit programs of Japan, France, and West Germany are the next concern. They are regarded as input factors supplying stimuli to the Bank. Project assessment as a means of rationing production is then concentrated upon. Eximbank's relationship with a borrowing nation, Brazil, is then focused upon. Brazil is viewed as a recipient of

¹⁸⁵ Gary L. Wamsley and Mayer N. Zald, The Political Economy of Public Organizations (Bloomington, Indiana: Indiana University Press, 1973) p. 21.

Eximbank's services or an output organization. An examination of the impacts of Eximbank on U.S. suppliers follows. Finally, the financial condition of Eximbank is discussed in light of the fact that the Bank's activities and financial position vary according to the economic conditions with which it is confronted.

INTERNATIONAL TRADE CONTEXT

Before discussing export financing economic structures and processes and the challenges they present to Eximbank, it seems useful to set the stage by listing the following trade facts:

- The U.S. is the world's largest economy, market, exporter, and importer. It produces 24% of the world's industrial goods.
- U.S. two way trade totaled more than \$450,000 million in 1983, with exports of \$200,500 million, imports of \$258,000 million, and a deficit of \$57,600 million.
- The U.S. exported 5.9% of its Gross National Product (GNP) in 1983. The Federal Republic of Germany exported 25.9% of its GNP, Japan 12.7% of its GNP, and Britain 20.1% of its GNP.
- Exports account for 25% of U.S. production of goods and 25% of U.S. agricultural output.
- On the average in 1983, 25,000 U.S. jobs resulted per \$1,000 million of U.S. merchandise exports.
- About one out of eight U.S. jobs in manufacturing is due to exports.
- From 1891 through 1970 the U.S. had trade surpluses. Since 1970, trade deficits have occurred in every year except two.
- The U.S. trade deficit is expected to be about 120,000 million to 130,000 million in 1984.
- The U.S. share of world trade dropped from 18% to 13% from 1960 to 1981.

- Canada was the U.S.' leading market in 1982 followed by Japan, Britain, and Mexico. Canada was also the U.S.' leading supplier followed by Japan, Mexico, and the Federal Republic of Germany.
- Capital goods is the U.S.' leading export sector followed by industrial supplies and materials, foods, and beverages.
- U.S. exports of business services are 1/5 as large as U.S. exports of goods.
- In 1982, U.S. exports of business services accounted for 1.3% of U.S. ' GNP. Travel services receipts and passenger fares accounted for 1/3 of that total.
- Exports of travel and passenger fares accounted for 600,000 U.S. jobs in 1982.
- The surplus in U.S. high technology exports (e.g. electronic components and communication equipment) declined 23% from \$22,000 million in 1982 to \$17,000 million in 1983.¹⁸⁶

A vital trade statistic, missing from the above list, is the percent of exports receiving government support for 1980. Government support means providing below market rate interest loans or guaranteeing loans made by commercial banks. Table 8.1 shows the percent of exports receiving government support in 1980.

¹⁸⁶ Sources include Commerce News, a daily news bulletin issued by the U.S. Department of Commerce and International Trade Administration, Business America, May 14, 1984.

Table 8.1

Percent of Exports Receiving Government
Support by Country, 1980

<u>Country</u>	<u>Percent of Support</u>
Japan	43.0%
Britain	37.3%
France	30.3%
U. S.	8.2%
West Germany	7.5%
Italy	7.2%
Canada	6.4%

Source: David T. Cook, "Business Unhappy with U.S.
Policy on Export Financing, Christian
Science Monitor, July 11, 1982.

U.S. trade balances with Japan, France, Britain, the Federal Republic of Germany, and Italy also merit examination. They reveal deteriorating U.S. terms of trade which are relevant to understanding the roles and goals of Eximbank. Table 8.2 shows a listing of U.S. trade balances with twenty countries 1984.

Table 8.2

U.S. Trade Balances

Listing of U.S. Merchandise Trade Balances

General Imports, c.i.f. value;
Domestic and Foreign Exports,
f.a.s. value

U.S. Surplus Positions	\$ billions	U.S. Deficit Positions	\$ billions
		World Total	-123.3
1. Netherlands	+3.2	1. Japan	-36.8
2. U.S.S.R.	+2.7	2. Canada	-20.4
3. Egypt	+2.5	3. Taiwan	-11.1
4. Belgium/Luxemburg	+2.0	4. West Germany	-8.7
5. Australia	+1.9	5. Mexico	-6.3
6. Saudi Arabia	+1.6	6. Hong Kong	-5.8
7. Pakistan	+0.8	7. Brazil	-5.6
8. Turkey	+0.8	8. Indonesia	-4.7
9. Iraq	+0.5	9. Italy	-4.1
10. Morocco	+0.5	10. South Korea	-4.0

Source: U.S. Department of Commerce, "World Trade Outlook," Business America, Vol. 8, No. 5, March 4, 1985, p.5.

The value of the dollar has confounded expert opinion by rising and remaining strong; the high dollar lowers import prices and raises the import share of domestic expenditures. "It has also contributed to depressed primary commodity prices in terms of purchasing power over goods imported from the U.S. so net exporters of primary commodities that import a great deal from the U.S. like Brazil, have profited less from the recovery in industrial countries than they normally do at this stage of the

business cycle."¹⁸⁷ Table 8.3 summarizes price and currency changes over the last six years.

Table 8.3

Prices and the Foreign Exchange
Value of the Dollar

(Percent Changes, Annual Rate)

The Value of the Dollar	Time Period		
	78(Q3)to80(Q3)	80(Q3)to81(Q3)	81(Q3)to84(Q3)
Real*	0.6	19.6	5.1
Nominal	-0.6	17.4	6.5

* The "real" U.S. trade weighted index of the dollar against 15 countries reflects adjustments of each of the currencies for internal changes in prices of nonfood manufactures.

Source: Morgan Guaranty Trust, World Finance Markets.

An examination of these trade facts in terms of the American context tells us something about the importance of trade and causes us to realize that reforms proposed for the U.S. trade system, including Eximbank, are tied to the actions of other nations, whether for good or ill.

¹⁸⁷ World Development Report (International Bank for Reconstruction and Development: Washington, D.C.), p. 31.

SHIFTS IN EXIMBANK SUPPORT

During the past four years, a noticeable shift in Eximbank program support has taken place. Step by step adjustments to the world economic situation have taken place; changes that have not been the product of a well worked out plan or conscious design on the part of directors have marked these years. They have been primarily responses to changes in the international financial system such as the size and distribution of current account imbalances and interest rates, regulatory controls, and political factors. In other words, Eximbank exposure has been reassessed and there have been changes in flows of output or the provision of services. The financing of large projects and capital equipment sales have slowed down as a result of global financial problems including the international debt crises of 1982-1983, the high valuation of the dollar on foreign exchange markets, foreign challenges to U.S. markets, and retrenchment by the Bank itself in response to operating losses. The counterpart to decreased direct lending is increased political and commercial risk insurance and guarantees. The export credits division has been the most active division of the Bank since 1981. Table 8.4 shows dramatic changes in the mix between Eximbank's direct loan programs and insurance and guarantee programs for 1981, 1982, 1983.

Table 8.4

Program Mix (%)

	Direct Loans	Insurance and Guarantees
1981	42%	58%
1982	38%	62%
1983	9%	91%

Source: Office of Public Affairs, Export-Import Bank of the U. S. , 1984.

Clearly the factors mentioned in the previous paragraph have transformed the Bank from a lender of heavy capital goods and major project construction to a provider of insurance and guarantees although much of the Bank's expertise has traditionally been in evaluating development projects.

The chief means by which applications for long term financing of projects were handled was by a loan officer from one of the Bank's geographical areas, an economist, an engineer, a lawyer, and, in some cases, a policy analyst. Meanwhile, spurred by its intents to forswear subsidies and balance the federal budget, the Reagan administration is busy trying to end the Bank's long term financing role. The direct loan programs's overriding problem, in the opinion of Eximbank staff, is not decreasing demand; demand is expected to increase as the world economy improves; it is the Reagan Administration's threat to eliminate the program.

In 1985 a contentious debate in Congress over the fate of the program will occur. The Administration contends that the spiral of spending does not favor continuance of the direct loan program. Efforts to introduce

an interest match program has been characterized by staff as a conspicuous attempt to move costs from the unified budget to the credit budget "in order to attain a quick result that looks good on paper." Employees noted that the proposed program will cost the taxpayer more, in the long run, than the direct loan program.

The Bank suffered through identity crises before. As shown in Chapter IV, the original purpose of the Bank was to facilitate trade with the Soviet Union; however, this purpose was never fulfilled because of the problem of Soviet debts. After World War II, with the emergence of the Marshall fund and the World Bank, the Export Import Bank of the U.S. shifted its energies away from the reconstruction of Europe into direct loans to Latin America, Asia, and European nations for the purchase of electric power facilities, airplanes, and manufacturing plants. With the formation of FCIA in the 1960s and private bank participation in diverse programs, the Bank moved steadily into the insurance and guarantee businesses. Regardless of the outcome of the Reagan administration's 1985 budgetary proposals, steady pressure from the Republican administration, coupled with domestic support for budgetary cuts and economic upheaval in much of the Third World, will almost certainly keep the Bank's balance skewed in the direction of supplier credits.

On the other hand, if China, the world's largest country, were to start building its infrastructure it is hard not to imagine that U.S. exporters would like to cash in on big ticket projects and that Eximbank would be singled out to underpin the endeavor. Since the 1960s, exporters have watched with keen interest the development of a commercial relationship between Beijing and Washington and have witnessed a modest growth in U.S.

exports to China. Exporters hoped that President William H. Draper's trip to China in late 1984 would add a new dimension to the relationship. If China were to use commercial export credits rather than official export credits, modernization plans might drift astray because the cost of capital under less advantageous commercial financing would be greater.

Not surprisingly, after the 1982-1983 debt crisis commercial banks have worried more about country risk and have pulled back from project financing in countries haunted by inflation and stagnation. They appear to be searching for business opportunities with shared risks, credit guarantees, underwriting, and advisory services. U.S. exporters' searches for innovative financing mechanisms to facilitate trade are equally pressing. Counter trade and clearing arrangements, soft currency transactions, and intercompany financing are some of the most talked about mechanisms. There is an irony in the way bankers and exporters, champions of free enterprise, in their pursuit of customers and profits, are looking for governmental support. Both commercial banks and official export credit institutions are pursuing systematic approaches to cofinancing exports in view of constraints on official aid and the cautious approaches of commercial banks to increasing their exposure.

Few would disagree that during the history of the Bank a wide range of political and economic events have influenced the Bank's priorities and replaced some activities with others. Nevertheless the Bank faces its next fifty years with signs of brittle joints, clouded vision, and even loss of memory; all symptoms of an older institution rather set in its ways. This is a state in which many organizations exist and points to the need to adjust to change or to suffer negative consequences.

EXPORT CREDIT PROGRAMS OF JAPAN, FRANCE AND WEST GERMANY

Changes in the power and influence of official export credit institutions of other countries have exercised new demands on the Bank and raised questions that go to the heart of the functions of the Bank. To counter foreign competition of countries such as Japan, France, and Germany no neat institutional prescriptions exist. Possibilities for countering export financing measures depend on Congress, the Executive Branch, political parties, interest groups and the uncoordinated activities of a vast number of actors. Such is the nature of reality.

An important aspect of the issue is competition with Eximbank's counterparts, especially countries with commitments to trade as a means of securing full employment. In an ideal world official export credit subsidization programs would be unnecessary and undesirable. Price, quality, service and availability would determine sales. There would be no price fixing, no supply restrictions, and no rationing. Yet, countries provide export financing at below market rates in efforts to sell overseas.

Further complicating the problem are protectionism, beggar thy neighbor policies, and the ambivalent use of credit in trade. One day a country will use export credits and urge other nations to do likewise; on another day it will suspend credit and encourage other nations to do likewise. Rather than discuss the relationship of the Bank and diverse export credit agencies, the author will turn attention to Japan's Ministry of International Trade and Finance (MITI), will comment on French government export support, and will consider West Germany's successful ex-

port performance. Attention will be concentrated on these countries in order to bring out the full significance of the problem of foreign subsidization, to call attention to strengthening of trends to support exports, and to illustrate variations in procedures for providing subsidies. In the treatment of France's export credit programs, particular attention will be given to the subject of mixed credits or tied aid, a form of subsidization that has, for better or worse, become fairly common and highly controversial.

Japan

MITI, first of all, is a cabinet department with diverse functions including economic cooperation, R&D expenditures, exchange of capital, equipment investments, environmental problems, and imports and exports. Its involvement in the export sector is far reaching and takes varied forms.

At the top of MITI's structure is the cabinet minister, two parliamentary vice ministers, and an administrative vice minister. Below are bureau heads and section chiefs whose tasks are well defined. For purposes of decision making a ministry meeting with high officials occurs once a week, section chiefs meetings are held twice a week, and meetings by subordinates of section chiefs take place twice a week.¹⁸⁸

¹⁸⁸ Yoshihisa Ojimi, "A Government Ministry: The Case of The Ministry of International Trade and Industry", P. 102, a paper assigned to students in Robert Reich's class, Comparative Industrial Policies, Harvard University, 1983.

MITI employs about 14,000 persons including people in laboratories, a patent office, and regional branch offices. About one-fourth are in Tokyo and about one-fifth are civil servants who have passed the highest level of civil service examinations.¹⁸⁹

MITI's major purpose is to aid industrial development. The activities of industry and MITI are mutually supportive. As the patterns of economic growth change, MITI, experts feel, will move toward supplying precise information to industry and controlling industrial activities that are potentially harmful to society such as environmental pollution and safety issues.¹⁹⁰

There are two areas in which MITI's abilities to enact policies to increase efficiency are widest: international trade and small and medium size businesses. MITI grants credits, export credit insurance, and guarantees covering commercial and political risks to industries not for the purpose of supporting particular industries but for the attainment of broad objectives of interest to the economy of the whole. Export credits and guarantees are generally made available through the Japan Development Bank and the Export Import Bank of Japan for long or medium term export transactions and major projects. Other forms of support include tax incentives and guaranteed loans for working capital.

Japan's Eximbank usually coordinates financing packages with commercial banks, with Eximbank providing 60-70 percent of the financial portion of the contract. When interest rates rise, it may finance a larger share

¹⁸⁹ Ibid, p. 105.

¹⁹⁰ Ibid, p. 107.

of credits. AID to developing countries is provided by Japanese Overseas Economic Cooperation Fund (JOECF) and the Export Import Bank of Japan. JOECF provides soft loans to the governments of developing nations carrying interest rates as low as 1.75 percent per annum and maturities up to thirty years. Hard loans extended by JOECF typically have an interest rate of 5 percent, a maturity of 20 years, and a 5 year grace period. JOECF also extends commercial loans to Japanese corporations with interest rates ranging from 3.5 to 7.2 percent per annum with ten year repayment terms.¹⁹¹

John K. Wilhelm, in a paper entitled "Aid and the Trade War", noted that "exports provide a stimulus to Japanese economic expansion. Through skillful channeling of low cost loans, insurance, and government assistance in the overseas markets, industries are developed and up graded. The emphasis is on those industries that increase productivity. In addition to domestic financial support, Japan also has an active policy of phasing out activities with lower productivity and supporting their development by Japanese investors in selected less developing countries. The products of those investments are then exported to Japan. Japanese trade, foreign investment, and policies are an integral part of overall industrial policy. Export financing is available for products which the government is encouraging, i.e., those which yield high productivity. Imports of low productivity components of overseas Japanese investments

¹⁹¹ Eximbank Reauthorization Hearings before the Subcommittee on International Trade, Investment, and Monetary Policy of the Committee on Banking, Finance, and Urban Affairs, 98th Congress, 1st Session on HR2540 and HR2541, April 18, 19, 20, 1983, p. 188.

are favored. Mixed credits facilitate Japanese market penetration. The Japanese aid program stakes out lucrative markets for select industries. For instance, Japan has given priority to public utilities, communications, power generation and distribution systems. Japanese Official Development Assistance (ODA) are indicated below:

Categories of Japanese Bilateral
Official Development Assistance
(Percent of Total)

	<u>1977</u>	<u>1978</u>	<u>1979</u>
Capital Projects	74	67	74
Technical Cooperation	9	11	11
Nonproject Aid	17	22	15

It is important to note, adds Wilhelm, that the categories of projects which constitute the majority of Japanese Official Development Assistance are in areas where the subsequent procurement of spare parts and equipment on a commercial basis is very high."¹⁹²

France

France is the most aggressive nation among the OECD nations in promoting exports. Like Japan, France's industrial policy is tied to trade, aid, and investment policies. France's export program is an entitlement program; it is not subject to budgetary constraints.

¹⁹² John K. Wilhelm, "AID and the Trade War", unpublished paper, 1981.

The French export sector, as mentioned, is a priority sector; due to weaknesses of the French capital market and commercial banking sector, export support is considered necessary to activate the banking system. Three institutions, the Bank of France, BFCE (Banque Francaise du Commerce Exterieur), and COFACE (Compagnie Francaise d' Assurance pour le Commerce Exterieur) provide official export credits under the watchful eye of DREE (Directorate Relations Economique Exterieur), a policy making ministry under the French Ministry of the Economy.

A high degree of government involvement in the export sector can be traced back to the World War II reconstruction of Europe period. Supporters of Eximbank frequently cite the need to neutralize French competition, which is often manifested in the form of mixed credits, as a major reason for intensifying Eximbank's programs. Mixed credits (called tied aid credits in the OECD export credit terminology) is an export financing technique developed by France in the late 1950s which mixes or blends commercial or official export credits with concessional foreign assistance credits. France reported using fourteen mixed credits in 1979 and seven more during the first half of 1980. These credits were extended to countries in Africa, The Middle East and Latin America and that a total export value of \$2,395 million with concessionary aid totalling \$265 million. The typical interest rate was 3.5% with a twenty year repayment period. Mixed credits accounted for 10% of official credit extended by France in 1979.¹⁹³ An Eximbank official stated that over ninety nine cases of mixed credits were reported during 1982; however, staff maintained that

¹⁹³ Op.Cit. , Eximbank Reauthorization Hearings, p. 180.

the number of reported cases is far below the actual number of cases since Britain, Japan, Belgium, and Canada are matching France's mixed credits. The OECD estimated that officially supported export credits cost its members \$5.5 billion in subsidies for 1980.¹⁹⁴

France is famous for and has been severely criticized for the use of mixed credits; however, the French maintain that mixed credits stretch their aid monies and are beneficial to both loaner and recipients. The official U.S. position on mixed credits has been to oppose them on the grounds that support for exports should be kept separate from concessionary foreign aid and that subsidizing credits leads to credit wars that distort trade efforts.

To try to neutralize the use of mixed credits by foreign governments in support of exports, the Export Import Bank Amendments of 1983 established two separate but related Tied Aid Credit programs in Eximbank and the U.S. Agency for International Development (USAID). The tied aid credit programs are (1) intended to be flexible; (2) expected to contribute to the recipient countries' development objectives; (3) are to be used defensively to neutralize mixed credit offers by foreign governments; and (4) are to be expeditiously administered.¹⁹⁵ For the U.S. program to be effective, tied aid credit commitments need to be available to exporters on a standby basis or on short notice, often less than 10

¹⁹⁴ Memorandum, Phillip A. Kennedy to Richard W. Heimlich and William K. Krist, Office of the United States Trade Representative, July 23, 1981.

¹⁹⁵ Export Import Bank Amendments of 1983, PL 98-181, Sections 644 and 645.

days. Exporters' complain that the programs are not accompanied by designated funds and adequate administrative support. Exporters also blame Eximbank and AID for failure to define and implement the programs.

In September, 1984, William H. Draper III, President and Chairman of Eximbank stated:

"Low interest rate aid loans which should be used for humanitarian and developmental projects are being mixed with export credit agency financing to subsidize the export of products that can not be justified in pure aid terms. The United States is pressing for an international agreement to sharply restrict the use of mixed credits. I am a firm supporter of aid--extended on terms and for purposes which constitute legitimate development assistance. On the other hand, I am firmly opposed to the use of aid practices and funds to compete unfairly for commercial orders. Mixed credits distort trade and they distort trade because they are inefficient and expensive uses of scarce resources."¹⁹⁶

In October, 1984, Eximbank and the Agency for International Development (AID) concluded their first mixed credit offer to allow U.S. manufacturers to compete for the \$25 million sale of locomotives to Botswana. Principal competition for the sale was from a Canadian exporter backed by a mixed credit from the Canadian government. The U.S. offer included the combination of an AID grant with the Eximbank loan at the lowest interest rate permitted under OECD guidelines.¹⁹⁷

Techniques used by countries to extend mixed credits vary. Lines of credit to regular recipients of mixed credits to be used in conjunction

¹⁹⁶ "Eximbank President Attacks Misuse of Funds by Foreign Governments", Exim News, September 27, 1984.

¹⁹⁷ "Eximbank and Aid offer mixed credit to Botswana", Exim News, October 25, 1984.

with harder credits are extended or funds are set up to finance cases of mixed credits on a case by case basis.

International control over mixed credits was first tried in 1978 under an OECD Arrangement Participants in the arrangement are Australia, Canada, Finland, Norway, Japan, Portugal, Sweden, Switzerland, members of the European Economic Community (EEC) and the U.S.. The 1978 Arrangement required that tied aid credits with a grant element of between 0 and 15 percent be notified to other participants at least 10 days before issuing the commitment. Tied aid credits with a grant element of between 15-25 percent must be notified at the time they are extended.¹⁹⁸

The Arrangement is flawed. Unfair commercial advantage appears at lesser levels of granting percentages and a grant element of 25 percent may or may not be considered development assistance. There are no controls in that there are no legal and financial sanctions. The only controls are notification procedures which are easily bypassed. In addition, notification of ten days is insufficient for countries to put together enough attractive features into mixed credit packages designed to match the competition. This is especially true of the U.S. where a separate source of funds or war chest for such purposes does not exist and where two agencies must work together to develop a suitable package.

The official U.S. position on negotiating mixed credits is to raise the level of notification up to 35 percent grant element and to rely on recently created funds of nations such as Japan to make it too expensive

¹⁹⁸ OECD Trade Directorate, "Arrangement on Guidelines for Officially Supported Export Credits," 78.4 (1st Revision), 1978.

for nations to initiate mixed credit deals or to preclude mixed credit financing except to extremely poor countries.¹⁹⁹

Even though mixed credits may be viewed as a means of drawing financial resources into developing countries, as a means of export promotion, and as a stimulation to capital flows, the Reagan administration opposes the use of mixed credits on the grounds that mixed credits are heavy duty subsidies; that mixed credits raise bureaucratic problems and introduce administrative bottlenecks; that mixed credits confuse the basic purpose of foreign assistance and export promotion programs, and that mixed credits lead to severe distortions in trade patterns at the expense of all countries.

Exporters, on the other hand, feel that because the U.S. lacks a mixed credit program with teeth in it, mixed credits distort trade patterns at the expense of U.S. exporters. It is interesting to ask the question: If mixed credits reduce the effectiveness of foreign aid and export credit programs, why do so many countries use tied aid credits? Is the Reagan administration critique supported by evidence?

A macroeconomic purist perspective contends that mixed credits, by pushing the grant element from 15 to above 25 percent, reduce the gains of the credit to the exporting country. The exporting country's taxpayers literally give away money. During a graduate course at Georgetown University taught by Mr. James Cruse, Vice President for Policy Analysis, Eximbank, and Susan Whitsitt, Senior Policy Analyst, Eximbank, a case

¹⁹⁹ Memorandum, R. A. Cornell, Deputy Assistant Secretary, Department of the Treasury, to Phillip Kennedy, William Krist and Richard Heimlich, July 31, 1981.

study illustrating the economic costs and benefits of mixed credit financing was distributed to students. Actual incremental costs to Eximbank were shown from matching mixed credit offers by France, Austria, and Japan. All of the offers included grant elements in the range Eximbank has stated would be eligible for considering an Eximbank concessional offer (i.e. under 30%). Table 8.5 shows the costs involved in matching the offers.

Table 8.5
Financial Costs of Matching Mixed Credits

	Total Cost	Net Present Value	Blended Rate	Grant Element	Exim Loss	Change Over I	Absolute Loss
I. Match French Offer	203,567	97,590	5.48	21.21	88,838	80,303	562,792
II. Match Austrian Offer	195,872	82,546	5.22	20.27	77,670	69,135	97,624
III. Match Japanese Offer	214,838	74,712	4.47	33.45	137,666	129,131	NA

Assumptions:

Export value = 138,000,000
Total cost = principal, interest, fees (nondiscounted)
Net present value, discount factor = 12% (Note: the discount factor is far below market value)
Eximbank loss = difference between receivable rate and Eximbank borrowing cost (net cash loss)-
based on 11.84%, March 1, 1984 borrowing rate
Change over I = based on a receivable rate compared to 9.5 Exim interest on a 75%/10% standard
package with fees
Absolute loss = assumes per period of future loss is funded by additional borrowing
Japan offer = assumes 40% export credit and 60% concessional

These data, although certainly suggestive, are insufficient as a measure because when the notion of costs and benefits is expanded to include a wider range of noneconomic data, a different picture emerges.

The economic costs shown on the preceding table neglect the existence of foreign aid credits. They assume mixed credits are a substitute for commercial banking credits at market rates and ignore the fact that

France, Japan, Austria and the U.S. have foreign aid programs. Winning the sale may be construed as a benefit in the sense that the sale is an additional component of foreign aid, that the sale is a deterrent to the use of predatory export financing practices, that the sale expands economic and political influence, and that the sale allows the defense of markets. It may be misleading, therefore, to judge mixed credits in terms of the amount of capital necessary to match foreign offers. To an extent, the potential credit is a function of expectations about adverse consequences of not matching a credit and a wider definition of benefits.

Several members of Congress have proposed legislation to boost mixed credits and support for them appears to be growing cumulatively. In October, 1984, shortly before the November election, Senator Charles H. Percy of Illinois introduced a bill to establish a \$200 million war chest, called the Fund for Countering Mixed Credits (FCMC), as well as a mixed credit coordinator in the White House to stimulate U.S. mixed credit efforts. Although Percy was defeated in the November 1984 election, the Percy plan was endorsed by Senator John Heinz, Chairman of the Banking Subcommittee on International Finance and Monetary Policy.²⁰⁰

Representative Nancy Johnson of Connecticut introduced a bill, H.R. 5985, on June 20, 1984 to establish a competitive tied aid fund in Eximbank. Johnson's bill was similar to another bill, H.R. 2541, introduced by Representative Stephen Neal of North Carolina. Both bills were

²⁰⁰ "Percy Presents Plan to Boost U.S. Exports With Mixed Credits", Press Release by Charles H. Percy's Office, Friday, October 19, 1984.

referred to the Committee on Banking, Finance, and Urban Affairs and were expected to be reintroduced, with requirements, in 1985.²⁰¹

Even though there is considerable current interest in the mixed credit issue, it will be foreshadowed by the Executive Branch's plans to dispose of the direct credit program. Evidence for such a position on the part of the U.S. seems consistent with the contention of prominent administration spokesmen (e.g., David Stockman) that authorities in the U.S. should not pursue an active trade subsidization policy. Several exporters said that they will concentrate immediate efforts on saving the direct loan program before venturing into mixed credit activities. The hiatus resulting from the administration's budgetary proposals will involve a postponement, scaling down, and perhaps even a cancellation of plans to establish a fund earmarked for the purpose of financing mixed credits.

West Germany

Although West German government is export oriented, its export credits have been modest. To a large extent Germany's export success is attributed to: (1) national government guidance and planned coordination between government, commercial banking, and business sectors of the German economy; (2) large amounts of capital allocated toward research and development; (3) the availability of a wide variety of commercial banking

²⁰¹ Letter to Mr. Fred Stokeld, International Division, U.S. Chamber of Commerce from Matthew Cook, Legislative Director for Representative Nancy L. Johnson, July 11, 1984.

export packages; and (4) Germany's healthy domestic economy with low inflationary rates, high rates of productivity and low interest rate.

Export financing support is provided by AKA (Ausfuhrkredit Gesellschaft) which provides preferential rate financing for medium term supplier credits and KFW (Kreditanstalt Fuer Wiederauffau), the government's development bank, which provides technical and financial assistance to developing countries and extends preferential rate financing for projects with long repayment terms. Export credit insurance is provided by Treuarbeit, a public agency, and Hermes, a private agency.

Mixed credit financing has been provided by West Germany on rare occasions; it is perceived as a form of government assistance to developing countries rather than official export support.²⁰²

PROJECT ASSESSMENT: THE ALLOCATION AND APPORTIONMENT OF BENEFITS

The role of Eximbank as a supplier of capital for development needs to be considered in this section of this paper. During its first fifty years, Eximbank supported \$160 billion in U.S. export sales to all continents.²⁰³ The sales financed government owned and privately owned steel mills, electric power plants, transportation and communication equipment and port facilities, adding weight to the argument that regards Eximbank as a significant institution for developmental aims. Table 8.6 lists the total number of credits authorized from 1961 through the first four months

²⁰² Op.Cit, Eximbank Reauthorization Hearings, pp. 199-202.

²⁰³ Export Import Bank of the U.S., Annual Report, 1983, p. 3.

of 1985. It includes regular bank guarantees, medium term credits, short-term credits, master policies, financial guarantees and guarantees to exporters.

Table 8.6
Number of Credits Approved
(1961 through the 1st 4 months of 1985)

FY	Number of Credits Approved
1961-1973	38,015
1974	4,350
1975	3,261
1976	3,311
TQ	802
1977	2,445
1978	2,401
1979	3,138
1980	3,444
1981	3,236
1982	2,247
1983	1,608
1984	1,344
1985 (4 months)	400
Sub. Trans. Net	7
-----	-----
Cumulative Total	70,009

Source: Export-Import Bank of the U.S.,
Office of the Treasurer-Controller.

The reader may pause here and ask whether there is a conclusive method for deciding which projects and which countries are suitable candidates for development programs. Deciding whether borrowers are satisfactory credit risks is a basic activity to which direct credit staff devote a great deal of time and energy. The assessment of projects entails both subjective and objective consideration. ~~An Eximbank loan officer dis-~~

cussed some of the key questions involved in the evaluation of project related loan applications:

- Has the entity requesting funds grown or decreased in real terms over the past several years?
- What does the foreign currency position of the company requesting funds look like?
- Will the project earn foreign exchange?
- How adequate are the technical and economic justifications and the supporting data?
- Are there potential adverse impacts on the U.S. economy.
- Who are the guarantors and how credit worthy are they?
- What are the connections between the project's physical and economic character and the project's financial plan?
- Is the proposed project supervision adequate?
- What is the relevance of the competition with respect to this case?
- What is the Bank's total exposure in the country where the project is under consideration?
- Do country economic conditions offer reasonable reassurance of repayment?
- What are the environmental impacts of this project?
- How will the project contribute to the development of the country?
- Are projected earnings of the project sufficient to meet operating, maintenance and administrative expenses; to make a suitable provision for the repayment of loans; and to set aside a sum for investment purposes?

Considering the large number of projects funded by the Bank, there have been many winners and few losers. Projects generally produce what they are expected to produce. Denials of loans are given informally before

applications are even considered by the board. Richard E. Feinberg, after analyzing loan denials by the Bank observed:

First, although numerous variables were considered, Exim, just as commercial banks, essentially was assessing a country as it would a firm, judging it credit worthy if its prospective cash flow looked sufficient to meet debt service and if its management appeared to be of good character. Second, certain countries, as well as some projects, are considered more appropriate for official aid projects. Third, there is a preference for projects that are "self-liquidating", that is, earn foreign exchange. Fourth, if the debt service burden of a country is high and the country is experiencing balance of payment difficulties a loan for industrial projects designed to serve primarily domestic market is likely to be looked upon unfavorably. Fifth, explicit attention is paid to the impact of a project on development such as the development of human capital. Sixth, Exim takes into account a borrower's track record with the Bank. Seventh, Exim is concerned with country exposure levels because it seeks to diversify risk. Finally, Exim is mandated not to compete with and displace private capital. The degree of foreign competition is also focused upon.²⁰⁴

While the factors of credit worthiness are easy to define, in practice, they cannot be precisely pegged. As mentioned previously, loan approvals contain an element of subjectivity. Under the Kern's administration, a large number of projects was considered viable and implementable. Programs which in previous years might not have been approved were approved, longer repayment terms were used, and borrowers were not required to provide excessively detailed information. This period of relaxation was short lived. When Du Brul became president of the Bank, lending criteria were analyzed and a shift from demand management to supply management took place, representing a setback for elements that favored an expansive

²⁰⁴ Richard F. Feinberg, Subsidizing Success (Cambridge University Press: New York), 1982, pp. 78-82.

lending policy. When John Moore replaced Du Brul an opportunity to liberalize and downplay the details of the loan appraisal process presented itself.

In addition to variations attributed to directors, who are generally responsive to the Executive Branch's points of view, outside pressures and external conditions affect the approval process. The State Department, it was noted, has espoused the view that particular lending activities are tied to foreign policy objectives. Over and beyond this source of influence are external sources of pressure including constituents and foreign competitors. Regarding the question of lending criteria the Bank faces a certain dilemma. It judges projects on their technical merits, yet, "special" circumstances are a customary part of the Bank's lending process. Since the distinction between trade problems, developmental problems, and balance of payments problems is far from clear, the Bank's role is ill defined. To the extent that the Bank's role is fuzzy, there is no best single set of criteria for approving loans.

EFFECTS OF EXIMBANK'S ALLOCATIONS AND APPORTIONMENT ON BRAZIL: A CASE IN POINT

A systematic appraisal of the Bank's lending policies and their impact on foreign nations, or any one foreign nation for that matter, has not been undertaken. Given the diversity of the Bank's projects, it is difficult to perform impact analysis. Although one cannot decisively claim that the Bank has influenced the development processes of borrowing nations, it can be said that the Bank has brought significant changes to

particular sectors of certain national economies at crucial phases of their development.

The proper question is whether particular transactions facilitated the development of certain sectors of the economics of nations. It should be noted that the economic, political, and social effects of the Bank are both positive and negative and that the impact of the Bank is, by definition, a two way affair that should take into account the views of the lender and borrower.

Because the subject is so vast, ways to show the effects of Eximbank are limited and data are somewhat obscure, it is virtually impossible to thoroughly examine the Bank's impacts on foreign countries. Better approaches might consider a limited number of impacts of specific transactions in relation to a particular country or categories of countries. Methods of assessing impacts are by no means straight forward. Before and after measures of performance, comparison of actual results with intended results, or comparisons of what would have occurred in the absence of the support of Eximbank might be applied. Perhaps a composite method, consisting of all three approaches, might best contribute toward impact analysis. In practice, it is impossible to apply these approaches objectively, thoroughly and systematically. Nevertheless, the following paragraphs will be devoted to describing a limited number of impacts on a particular country: Brazil. It might be useful to recall that without taking the viewpoint of the borrower into account the author is seeing only the tip of the proverbial iceberg.

Since the mid 1930s, the Eximbank has provided a substantial amount of financial support to the Brazilian government and to private Brazilian

firms.²⁰⁵ As the Bank's relationship with Brazil developed over time, certain functions grew in prominence and others declined. However, the transactions have left a profound cumulative effect upon certain sectors of the Brazilian economy. Brazil, a country with a population approaching 130 million was the country which received the smallest loan, a loan of \$550 extended to a private buyer for the purchase of a plow from a Georgia based firm; it also received one of the largest allocations, an insurance allocation of a 1.5 billion to support short and medium-term credit sales to Brazil. In February 28, 1985 total exposure in Brazil amounted to 2,017,944 billion dollars. Mexico was the only country in Latin America with larger exposure of 2,628,126 billion dollars.²⁰⁶

In the 1940s, 1950s, and 1960s Eximbank accounted for the majority of loans from governmental agencies to Brazil. Electric power, transportation, mining, and industrial development loans have had a strong impact on Brazil's development. They have facilitated economic integration, improved efficiency of sectors, strengthened administration and yielded high returns.

A series of loans to several Brazilian airlines had a catalytic effect on the development of the air transport sector of the country. The first

²⁰⁵ Brazil has also received more direct foreign investment (usually in the form of plant and machinery) than any other developing country. According to the International Monetary Fund, at the end of 1983, the stock of direct foreign investment in Brazil was \$22.3 billion. Mexico, the next largest recipient had a stock only half that size. About two-thirds of the direct foreign investment of Brazil in 1983 was new inflows while one-third was derived from reinvested earnings.

²⁰⁶ Export Import Bank of the United States, Office of the Treasurer-Controller, 1985.

aircraft credit was extended to Panair do Brasil in 1946 to finance up to 80 percent of the cost of seven aircraft and related spare parts and equipment.²⁰⁷ In 1953, an exporter credit of \$3,100,000 was authorized to assist Lockheed Aircraft Corporation in the sale of three Super-Constellation aircraft to Varig, the Brazilian flag carrier.²⁰⁸ In 1956, a credit of \$6,900,000 was extended to Panair do Brasil for the purchase of Douglas aircraft and spare parts. In the 1960s, 1970s, and 1980s the Bank continued to lend credit for the purchase of airplanes and related equipment on a fairly generous scale helping to gradually integrate the country by linking its major cities by air.

Eximbank also assisted Brazil in integrating its iron and steel industries. In May, 1941, the U.S. extended a \$45 million credit to Companhia Siderurgica Nacional, the national steel company of Brazil. The loan, which was guaranteed by the Banco do Brasil, was used to construct a steel mill at Volta Redonda. Since the opening of the plant in 1946, Eximbank mobilized more financial resources which have contributed to the rationalization and modernization of the Brazilian steel industry. In 1942, the Bank extended a credit of \$14 million to Companhia Vale do Rio Doce, located in the state of Minas Gerais, to finance the cost of equipment and services of engineers from the U.S. to develop iron ore production, to rehabilitate and to complete the Victoria-Minas railroad used to transport the ore, and to provide adequate port facilities to mine

²⁰⁷ Export Import Bank of Washington, Second Semiannual Report to Congress for the Period January-June, 1946, p. 25.

²⁰⁸ Export Import Bank of Washington, Seventeenth Semiannual Report to Congress for the Period July-December, 1953, p. 9.

and export the ore. Between 1942 and 1955 the Bank extended credits of approximately \$31 million to Comphania Vale do Rio Doce.²⁰⁹

As a result of Eximbank's contribution to Comphania Vale do Rio Doce, the level of private investment outlays for agricultural, industrial, and the transportation increased substantially. Comphania Vale do Rio Doce is a strong, influential organization, regarded by the Bank as one of the best managed industrial enterprises that the Bank has had a role in launching. As recently as 1982, in conjunction with multilateral lending agencies, Eximbank extended a loan to Comphania Vale do Rio Doce and U.S. Steel Corporation who entered into a joint venture to develop an iron ore export project at Carajas, Para, in the country's northeastern region.

During the 1950s, 1960s, and 1970s, the Export Import Bank of the U.S. financed the sales of U.S. equipment to several other steel companies including Cia. Siderurgica Belgo Mineira and Cia. Brasileira de Usinas Metalurgica to increase steel production in Brazil. Although the Bank has been accused of overinvesting in Brazil's steel industry, it is not clear that resources spent by investment in the steel field could have been spent more effectively by other industrial sectors.

Eximbank increased the installed capacity of petrochemical industry in Brazil. It extended loans to Dow Chemical, Celanese, Goodyear, and Monsanto subsidiaries in Brazil. Specific transactions included a June 1953 credit not to exceed \$2,500,000 to Cia. Brasileira do Estireno to assist in financing procurement of U.S. materials equipment and services

²⁰⁹ Export Import Bank of Washington, Twentieth Semiannual Report to Congress for the Period January-June 30, 1955, pp. 18-19.

for the construction of a plant for the production of styrene monomer, the principal raw material used for plastic production. Ownership of Cia Brasileira de Estireno is vested in Companhia Brasileira de Plastic Koppers and Industria Pneumaticos Firestone S.A., Brazilian subsidiaries of Koppers Company and Firestone Tire and Rubber Company.²¹⁰ In 1954, a \$1,500,000 credit was extended to Produtos Quimicos S.A. for financing of an insecticide and chemical plant in Sao Paulo, under the leadership of W.R. Grace and Company of New York. A significant part of the productive capacity of the plant was to be used in the production of DDT, industrial solvents, detergents, caustic soda and chlorine.²¹¹ Observers argue that Eximbank support was decisive in bringing about changes in the modernization process of the chemical industry that would otherwise have not occurred when they did.

A large volume of lending in Brazil has been the field of transportation (railways, roads, and ports). In 1946, on application of a U.S. supplier, the Bank authorized a credit not to exceed \$3,024,000 to finance the sale of railway equipment to the Paulista Railway Company of Brazil.²¹² Critical railroad loans included a 1947 credit of \$6,650,000 to the Sorocabana Railways covering equipment for the second section of the railway's electrification program and a 1948 credit of \$8,330,000 to

²¹⁰ Export Import Bank of Washington, Sixteenth Semiannual Report to Congress for the Period January 1 to June 30, 1953, p. 6.

²¹¹ Export Import Bank of Washington, Nineteenth Semiannual Report to Congress for the Period July 1 to December 31, 1954, p. 7.

²¹² Export Import Bank of Washington, Third Semiannual Report to Congress for the Period July 1 to December 31, 1946, p. 10.

assist in financing the sale of 130 steam locomotives to the Departamento Nacional de Estrada de Ferro in relation to an application submitted by Baldwin Locomotive Works.²¹³ Several of the transportation loans supported sales of equipment produced in Brazil by partially owned American firms. For example, a \$12 million loan the Sao Paulo Railroad was used to purchase diesel electric locomotives assembled by General Electric do Brasil, using components made by the G.E. parent firm. Similarly U.S. made components for the Rio de Janeiro and Sao Paulo subway systems were assembled in Brazil by a consortium of Westinghouse, the Budd Company, Industrias Villares (partially owned by the Dana Corporation) and a wholly owned Brazilian firm, Material Ferroviario. One of the most technically dramatic projects, the Santos-Jundai Railway, was supported by an Eximbank credit, in 1954. It assisted General Railway Signal Company of Rochester, New York, in financing the sale of interlocking control and signaling equipment for this undertaking.

The Bank also addressed road transportation. In 1948, for example, a loan of \$2,183,000 was extended to Companhia Municipal de Transportes Coletivos of Sao Paulo for the purchase of two hundred buses from the Twin Coach Company and in 1955 a loan of \$1,222,000 was extended to the Prefeitura Municipal de Porto Alegre for the financing of sixty motor buses.²¹⁴

²¹³ Export Import Bank of Washington, Fourth Semiannual Report to Congress for the Period January 1 to June 30, 1947, p. 8 and Export Import Bank of Washington, Sixth Semiannual Report to Congress for the Period January 1 to June 30, 1948, p. 4.

²¹⁴ Export Import Bank of Washington, Seventh Semiannual Report to Congress for the Period July 1 to December 31, 1948, p. 7, and Export

The Bank's electric power loans have gone to many of Brazil's largest power projects; in light of large capital requirements and the need for foreign exchange, this type of financing has been responsible for a great deal of the power generating capacity in Brazil today. In 1952, a power loan in the amount of 41.1 million was extended for the expansion of seven utility companies in Brazil, subsidiaries of the Brazilian Electric Power Company, a subsidiary of the American and Foreign Power Company.²¹⁵ In 1956, Centrais Electricas de Minas Gerais, S.A. received a loan of \$11,400,000 for the construction of a hydroelectric power facility and Cia. Hidro Electrica de San Francisco S.A. received \$15,000,000 for the expansion of power facilities.²¹⁶ During the 1950s public utilities' ownership moved from the private to the public sector and Brazil continued to absorb large sums of money via the hydroelectric power route.

The Export Import Bank of the U.S. also assisted Brazil in the management of its external debt. At the beginning of 1935, Brazil owed \$30 million to U.S. exporters for shipments to Brazil for which payment had been made in local currency, not dollars. The National Foreign Trade Council represented U.S. exporters in reaching an agreement with Brazil to liquidate the backlog by payment in each of the claims of \$25,000 and less and by issuance of notes payable over a 5 year period through the

Import Bank of Washington, Twentieth Semiannual Report to Congress for Period of January 1 to June 30, 1955, p. 18.

²¹⁵ Export Import Bank of Washington, Fourteenth Semiannual Report to Congress for the Period of January 1 to June 30, 1952, p. 4.

²¹⁶ Export Import Bank of Washington, Twenty Third Semiannual Report to Congress for the Period of July 1 to December 31, 1956, p. 38.

Banco de Brasil for larger claims. Eximbank agreed to purchase 60 percent of the notes for each exporter in the total amount of \$17 million. Later, Eximbank raised its commitment to \$27,750,000 to permit the purchase of notes with recourse against the U.S. exporters. A total of \$1,716,977 was presented to Eximbank for purchase.²¹⁷

In 1939, a second loan of \$19,200,000 was extended to Brazil to liquidate U.S. commercial arrearages. It was extended directly to the Banco do Brasil which repaid advances against the credit in two years.²¹⁸ In 1940, the Bank authorized lines of credit in the amount of 25 million to the Banco do Brasil to provide dollar exchange.²¹⁹

By 1951 Brazil began, once again, to experience a foreign exchange problems. In response, the government of Getulio Vargas stopped the transfer of earnings on foreign investment and the repatriation of capital. In 1953, Eximbank announced a loan of \$300 million to Brazil (payable in three years) for the repayment of commercial debts to exporters.²²⁰ This loan helped to deteriorate relations between Brazil and the World Bank. The World Bank had hoped to use the promise of development lending as leverage to bring about reforms in Brazil's economic policy. However, the Export Import Bank loan of 1953, which was used to shift the debt structure of Brazil, undermined the World Bank's position

²¹⁷ Earl Mazo, "The Export Import Bank of the United States," (an unpublished manuscript), Washington, D.C., 1975, p. 17.

²¹⁸ Ibid., p. 18.

²¹⁹ Ibid, p. 35.

²²⁰ Ibid., p. 88.

and lessened pressure on the Brazilian government for needed policy changes. The World Bank made few loans to Brazil in the period 1954-1959 and no loans during 1960-1965.²²¹

Eximbank's biggest bailout to Brazil occurred in September, 1983, when it approved the extension of a \$1.5 billion special insurance facility to support short and medium term credit sales to Brazil. The Brazil facility which was intended to restore trade flows between the U.S. and Brazil after the 1981-1982 debt crisis and to strengthen the confidence of U.S. commercial banks in Brazil provided for the financing of goods and services requiring repayment terms of up to five years. In early 1984, only \$3 million of goods and services had been financed under the arrangement which was considered costly, administratively cumbersome, complicated and not well attuned to the Brazilian business cycle by the majority of Brazilian importers. It can be argued, however, that the facility played a crucial part in restoring Brazil's credit worthiness, and that the Bank did, in this case, operate as a lender of last resort.

Few would disagree that Eximbank has played a relevant and useful role in Brazil's development process. Not only has the range of projects been impressive, but there were positive externalities tied to Eximbank's financing in Brazil. The Bank (1) helped to introduce better procurement policies; (2) fostered technical expertise; (3) improved planning and management techniques; (4) established coordinated regional efforts (e.g. regional hydroelectric power systems); (5) supported projects which

²²¹ Edward S. Mason and Robert E. Asher, The World Bank Since Bretton Woods (Washington, D.C.: The Brookings Institution, 1973, pp. 197-198.

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earned valuable foreign exchange; (6) maintained trade flows; (7) encouraged private investment; (8) strengthened institutions; (9) eased balance of payments difficulties; and (10) influenced Brazil's political and economic relations with the U.S..

Because Brazil offers only one case, there is a problem of generalization concerning impacts of Eximbank's programs on other countries.

IMPACTS OF EXIMBANK ON SUPPLIERS

The preceding discussion briefly mentions suppliers including Westinghouse and General Electric Corporation. Large projects, such as the ones referred to above, may have several suppliers; the Bank's top suppliers in 1982 were: Boeing Aircraft, General Electric, Caterpillar, Allis Chalmers, J. I. Case, Fluor, General Motors, International Harvester, Westinghouse-Union Switch, and Ford Motors.²²²

Not surprising there is an overlap between suppliers and concentration of loans by industrial sectors. Data in Table 8.7 shows that the mining and refining, construction, and transportation sectors receive the bulk of Eximbank's funds in 1982.

²²² Edwin W. Bowers, "Ex-Im Bank," Iron Age, February 25, 1983, pp. 24-26.

Table 8.7

Exports Supported by Eximbank
(Loans Authorized in FY1982)

<u>Area</u>	<u>Credits</u>
Construction	\$2.21 billion
Mining and Refining	\$2.45 billion
Electric Power	\$1.49 billion
Manufacturing	\$1.76 billion
Transportation	\$1.99 billion
Communications	\$595 million
Agriculture	\$496 million
Miscellaneous	\$1.16 billion

Source: Alan Murray, "Pressure Grows in Congress to Boost Export Subsidies As Way to Save U.S. Jobs", Congressional Quarterly, February 19, 1983.

The top ten suppliers have been attacked by economists and Reagan administration officials who claim that Eximbank subsidies do not favor foreigners at the expense of the American taxpayer, but, rather, favor big American business (principally the aircraft and nuclear industries) at the expense of U.S. taxpayers. Power plants, aircraft, and transportation equipment manufactured by American companies are perceived as favored items. Critics have also argued that Eximbank has financed exports that have no real competition and rushed into ill conceived projects in order to support big business and maintain product dominance in particular industries. Further complicating the case against exporters is the emotional job issue, the balance of payment argument, the foreign aid justification, and the capital market imperfection rationale.

If American suppliers do not obtain a ready supply of export funds to compete with the Japanese and French, suppliers argue that they will be

forced to source capital equipment and services abroad resulting in a loss of jobs in the U.S. export sectors and a transfer of technology to other nations. The main point, suppliers agree, is that Eximbank subsidies to suppliers are needed to match subsidies of other nations and to persuade other nations to concessionary financing. Until a general international agreement to limit or abolish export subsidies exists, the U.S. must continue to participate in the race because the economic stakes are so high.

But how high are the stakes for major U.S. suppliers? Robert Smith, Manager of Sales Project Financing, General Electric Corporation, reported that export sales comprised 14% of GE's total revenue in 1983 and 33% of its net earnings. Approximately 15% of exports were supported by Eximbank. Table 8.8, furnished by Smith, reports GE's export sales and earnings for 1979-1983.

Table 8.8
General Electric Company's
Export Sales and Earnings, 1979-1983
(\$ in Billions)

	1983	1982	1981	1980	1979
Export Sales	3.6	3.3	3.7	3.8	2.8
Total Company Revenues	26.8	26.5	27.2	25.0	22.5
% Export Sales to Total Revenue	14%	12%	14%	15%	12%
% of Export Sales with Eximbank Support ^a	15%	---	---	---	---
Net Earnings					
- International (includes Transnational company earnings)	0.7	0.7	0.6	0.6	0.5
- Total Company	2.0	1.8	1.7	1.5	1.4
- % International to Total Company	33%	37%	35%	42%	37%

^a The amount of Export Sales with Eximbank support varies from year to year depending on demand/supply characteristics, dollar exchange rate, etc.

Source: Robert Smith, Manager, Sales Product Financing, G.E.

Based on studies performed by Chase Econometrics Associates for the Aerospace Industries Association of America whose members foreign sales account for 56 percent share of the world market, financial benefits (in the form of tax revenues generated and transfer payments saved) that result from Eximbank support, exceed the costs by a factor of 24, even if borrowing costs are assumed to exceed Bank lending rates by a three percentage point interest rate differential.²²³ Each 1 billion in export sales results in:

²²³ Based upon the value of 42.5% funding, a 3% differential and 10 year repayment including loan and guarantee fees. Benefits and costs discounted to 1980 dollars at 15%.

- 92,000 jobs overtime
- 2.9 billion of U.S. economic activity
- 1.1 billion (present value) in government financial benefits
- This \$1.1 billion in governmental financial benefits is equivalent to \$1.75 billion on a current dollar basis and is made up of:
 - \$800 million in federal taxes
 - \$300 million in state and local taxes
 - \$500 million in social security receipts
 - \$150 million in savings in unemployment payments
 - Total = \$1,750

Fluor Corporation, a construction firm based in Irving, California, provided a breakdown of a typical engineering construction project during 1983 Congressional hearings. "Eximbank provided a \$164 million direct loan to Sonatrach, the Algerian national oil company in 1978. The credit covered 75 percent of all estimated U.S. exports associated with the project, carried an interest rate of 8.5 percent, and provided for repayment over ten years following a 4 year construction period. Eximbank's direct credit to Sonatrach provided a means for U.S. manufacturers, insurers, and shippers to export about \$4 for every \$1 of Fluor home office services. Thus, only about 20 percent of Eximbank's support actually went to Fluor while many other U.S. firms, including small businesses that otherwise might not export anything, went along for the ride. The project accounted for \$150 million of U.S. equipment exports. Based on the Census Bureau's estimate that each \$1 billion in exports supports over 30,000

jobs, this project's equipment alone provided work for over 4,500 Americans."²²⁴

The benefit-to-cost ratio of Eximbank support in terms of these high risk competitive industries is questioned because benefits have been defined in various ways. Each company has developed its own conditioned way of perceiving things from different frames of reference. It is difficult to say the actual number of orders that would be lost if Eximbank support were not available; however, reduced Eximbank support is viewed by exporters as forfeiture of key industrial markets.

Regardless of the approach to identifying Eximbank's benefits, once established, benefits become a basic and in some cases an indispensable part of the organization's ability to export. In other words, they become institutionalized.

FINANCIAL CONDITION OF EXIMBANK

The following section of this chapter deals with the financial condition of Eximbank, a source of concern in recent years. Because Eximbank's sources of funding, besides its capital and retained earnings, are derived from the main external sources: The U.S. Treasury through short-term borrowing and the Treasury's Federal Financing Bank.

Eximbank does not receive appropriated funds. To finance suppliers' sales, it borrows from the U.S. Treasury and from the Federal Financing

²²⁴ Eximbank Reauthorization Hearings before the Subcommittee on International Trade on HR2540 and HR2541, p. 403.

Bank (FFB) which, in turn, borrows from capital markets. The Bank's capital stock is \$1 billion and it has the authority, under its act, to borrow up to \$6 billion outstanding at any one time.

Since 1975 the Bank has supported a wide range of financing activities by borrowing from the Federal Financing Bank. During FY1983, Eximbank borrowed \$2,133 million at an average rate of 10.813 percent from the FFB; for its short term needs it borrows on a daily basis at a 91 day Treasury rate largely governed by the Treasury's current rate; the average interest rate for short term borrowings from the Treasury for the quarter ending September 30, 1983, was 9.71 percent.²²⁵

When the Bank borrows from the FFB, it expands the government's credit operations, drives up interest rates, and crowds out private borrowers, based on the government's high credit rating. The total amount of federal and federally assisted lending has risen 239% since 1974, reaching \$86.5 billion in 1983. The ratio of federal and federally assisted borrowing to total funds raised in U.S. credit markets ranged from 13% to 51% of total borrowing between 1974 and 1982. The borrowing participation ratio rose to 56% in 1983 due to both increased federal borrowing from the public to finance the total budget deficit and increased borrowing for guaranteed loans.²²⁶

Eximbank's direct loan activities accounted for 1.9 percent of all federal direct loan obligation in 1983. Its guaranteed loan commitments

²²⁵ Export Import Bank of the U.S., Annual Report, 1983, p. 31.

²²⁶ Office of Management and Budget, Federal Credit Programs, Special Analysis F, February, 1984, p. 4.

accounted for 10.3 percent of all federal guaranteed loan commitments in 1983.²²⁷

Table 8.9 shows borrowings from 1982 through 1984 from the Federal Financing Bank (FFB).

²²⁷ Ibid., p. 12.

Table 8.9

Eximbank Outstanding Borrowings (\$ million)
1982-1984

Date of Borrowing	FFB
3-01-82	83.0
3-01-82	691.0
6-01-82	347.0
6-01-82	652.0
9-01-82	363.0
9-01-82	253.0
12-01-82	369.0
12-01-82	233.0
3-01-83	375.0
3-01-83	55.0
6-01-83	376.0
6-01-83	261.0
9-01-83	383.0
9-01-83	183.0
12-01-83	387.0
12-01-83	113.0
3-01-84	390.0
3-01-84	508.0
6-01-84	383.0
6-01-84	267.0
9-04-84	410.0
9-04-84	126.0
12-03-84	413.0
12-03-84	162.0

Total Borrowings from FFB 7783.0*

Source: Export-Import Bank of the U.S., "Financial Highlights for the Period Ending January 31, 1985," Office of Treasurer-Controller, pp. 6-7.

* Total outstanding borrowings from the FFB amounted to \$15,852.2 million at the close of 1984. Outstanding Borrowings at the close of 1984 included \$15.3 million to PEFCO, \$3.5 million in certificates of beneficial interest, and \$10.7 million to U.S. institutions. Total debt outstanding amounted to \$15,881.7 million.

During FY1983, the net loss of the Bank increased to \$247,300,000 from \$159,800,00 in 1982 due to: increases in rescheduled and delinquent loans; previous Administrations' policies of lending at rate below borrowing rates which produced negative spreads, and net write offs of insurance and guarantee programs. The amount of the loss is misleading because the Bank includes delinquent loans and earned but uncollected interest or delinquent loans as receivable income. Delinquent loans in 1983 amounted to \$1,904,110,000, including delinquent loans made to China in 1946 and to Cuba between 1951 and 1958, compared to \$1,376,800,000 in 1982. Delinquent interest on loans in 1983 was \$186,000,000 compared to delinquent interest on loans in 1982 of \$149,000,000.²²⁸

The deteriorating profit performance of the Bank is accompanied by a deterioration in the Bank's overall financial position due to an increase in delinquent loans and purchase of guaranteed loans and insurance. The Bank tends not to write off delinquent loans, and when governments default on loans guaranteed by the Bank, the Bank typically purchases the loans and carries them as assets. Rescheduled loans totaled \$442,100,000 as of September 30, 1983.²²⁹ Should the present trend continues, it is only a matter of time until more countries seek official debt rescheduling, or possibly outright defaulting, on their outstanding Eximbank loans. Moreover, many of the countries are approaching credit limits with Eximbank.

²²⁸ Export Import Bank of the United States, Annual Report, 1983, p. 24.

²²⁹ Ibid., p. 24.

Although it is difficult to provide an adequate appraisal of the Bank's financial position, a measure of net revenues and assets of the Bank is its capital and reserves less rescheduled, delinquent and purchased loans and delinquent interest. If an allowance for loan losses had been deducted, the Comptroller General of the U.S. estimated "that total assets and accumulated income would be reduced by 1.0 billion to 1.5 billion. This would result in an accumulated income of \$0.3 and \$0.8 billion as of September 30, 1983 rather than the accumulated income of \$1.8 billion (Reserve for Contingencies and Defaults) as shown in FY1983 financial statements."²³⁰

The dilemma of the Bank's financial situation is complicated by the way data are reported. Reporting techniques appropriate to earlier banking activities to a large extent are outmoded. The insurance and guarantee programs are not separately accounted for in the Bank's annual report. In FY1983, the Bank paid \$98,300,000 in claims which is charged against income.²³¹ The other claims led to purchases of \$120,000,000 in assets for Exim's account. During FY1983 Exim rescheduled 70,000,000 in principal and interest installments, wrote off loans totaling \$5,400,000 and reserved 15,000 on loans previously written off. At the end of FY1983 principal and interest installments on the Bank loans past due 90 days or more totaled \$576,600,000. In August of 1983, the Bank received a settlement of \$419,500,000 from Iran of which \$394,600,000 was repaid in full, with interest, direct loans to Iran and \$24,900,000 covered claims

²³⁰ Ibid, p. 33.

²³¹ Ibid, p. 29.

against the Iranian government on the Bank's insurance and guarantee programs.²³²

The deteriorating financial position of the Bank has important implications. The Bank is sensitive to fluctuations in the world economy and politics. Its operations are subject to many changes of which it has little or not control. However, a reduction in net income cannot continue indefinitely without dooming the Bank to failure. Clearly the Bank is caught between its directives to be competitive and self sustaining. If lending rates are set too high, the overall costs of exports will prove to be excessive; if rates are too low, will be jeopardized. It is interesting to rate the financial future the Bank is facing. It is consistent with the broader financial trend that has characterized commercial banking and several U.S. industries in recent years. It is also consistent with the Bank's self-image as a commercial bank.

There are good reasons to change the Bank's financing and alter its net efficiency expectations. Budgetary methods and financial expectations growing from precedent usually contain undesirable features which should not be applied blindly; financial policies should contain provision for periodic re-examinations of standards and for necessary readjustments. If the Bank is to continue to play a part in project financing, reformulation of budgetary processes and accessibility to additional funds from other sources are likely to become crucial components of the Bank's sense of what is at stake and what actions are possible. In a 1981 report on Eximbank competitiveness and self sufficiency, the

²³² Ibid, p. 29.

General Accounting Office (GAO) stated: "We believe Eximbank's current financial dilemma has intensified to the point where Congress needs to clarify its intent. If the mandate to meet the competition is emphasized over self-sufficiency, some form of subsidy for the Bank's lending activity with public funds should be necessary. If Congress does not intend that meeting the competition should be given predominance in the current situation, then it should affirm that fact by indicating what it believes is acceptable lending policy."²³³

SUMMARY

This chapter explored a limited number of complex relationships involved in the external economic structures and processes of the Bank including credit worthiness of projects, uses of credit, interest rates, and sources of finance.

Although an examination of external economic structures and processes of the Bank reveals a great deal, external economics are tied to political structures and processes. More specifically, they are tied to what Congress and the Administration will do in terms of defining the role of the Bank and to what multinational organizations (World Bank, IMF, regional development banks) and governments will do. For example, the prosperity of many countries with debt rescheduling problems depends on the strengths of their political systems. The well being of these countries, in turn,

²³³ "To Be Sufficient or Competitive", General Accounting Office (Washington, D.C.: Government Printing Office, June 24, 1981), p. 35.

affects Eximbank's financial status. Eximbank's financial status impacts on both its ability to remain competitive and its ability to reinforce its capital base. A brief capsulization of Eximbank's external economic structures and processes cannot do justice to this topic. Although the process of understanding the Bank's external economics has become increasingly complicated, it can be argued that the competitive mandate has a critical political factor which has affected the Bank's economic conditions. The primary impact of this mandate has been its effect upon the Bank's sense of risk-reward relationships.

It is argued more fully in the following chapter that the Bank needs to establish a manageable frame of reference rather than attempt to respond to conflicting objectives. This can be termed as understanding its niche or domain. It involves exploiting expertise, focusing on strengths, figuring out what resources are unique or at least capable of contributing to exports, and figuring out how to employ them.

CHAPTER IX - CONCLUSION

This thesis provided various windows from which readers can view Eximbank. The themes in each chapter could be expanded as separate works of book length. They constitute the author's interpretation of what appear to be key issues. By way of conclusion the following comments are suggested in hopes of pointing to the directions in which solutions to problems that the Bank is facing may be found and in which transitions may take place.

THE AGING PHASE OF THE LIFE CYCLE OF EXIMBANK

Eximbank is at the aging stage of its organizational life cycle as evidenced by a tendency to maintain the status quo, rather habitual responses to cues, fixed institutional arrangements, inability to adapt to external forces, and some inertia. It continues to function because it is the principal, official, U.S. export financing mechanism and, under certain conditions, it performs its role well, at a low transaction cost.

Aging of organizations is, by now, is a familiar tale, but what can be learned from it? Viewing Eximbank in a broad context, Eximbank is in search of a role. What is at stake is further organizational decline and survival of the institution in a form similar to its current form.

The exporting environment is characterized by dynamics rather than statics and some of the Bank's outdated modes of activity are not well suited to current requirements. Herbert Kaufman writes:

The fit between the environment in any period and the relatively rigid structural and behavioral patterns with which organizations are endowed determines which ones survive. The fortunate ones endure and grow; the luckless ones fall apart. But today's assets become tomorrow's liabilities, and the traits that save an organization at one point may constitute fatal defects at another. The process grinds on relentlessly.²³⁴

Whether the Bank itself is aware of the gap between its traditional practices and requisites of a meaningful program is doubtful. No significant steps in closing the gap have come from the Bank itself. As happens, a concerted effort to close the gap has come from exporters who are pushing for an expanded Eximbank and the Reagan Administration which proposes to change the orientation of the Bank more toward a guarantee and insurance facility rather than a provider of project loans, a sharp departure from past practices. Regardless of the motivation for change in direction, changes in policies, contexts and structures will occur.

The most telling sign of the Bank's attitude toward change and commitment to change are revealed in its behavior: following the line of least resistance by fully cooperating with the Reagan Administration. This may or may not be a smart political move aimed at achieving fiscal policy objectives and at preserving the status quo. It may, however, prove disastrous for the overall survival of the Bank. In essence, the Bank's response to the debate about its mission and activities does not begin to address the issues previously presented in this dissertation;

²³⁴ Herbert Kaufman, "The National History of Human Organizations," Administration and Society, Vol. 7., No. 2, 1975, pp. 143-144.

it fails (1) to identify realistically, let alone solve, the problems the Bank confronts; (2) to redirect resources; (3) to set new goals; and (4) to provide acceptable level of service. It is the response of an aging institution that is experiencing difficulty in coping with its environment.

Reorientation studies which the Bank has been sponsoring in conjunction with the Reagan Administration's proposal to eliminate the direct loan program have not been completed, but staff view the plans with uneasiness. To staff the proposed interest match program (I-Match) represents an abandonment of the Bank's original and valid mandate from Congress and the overlooking of good alternatives. Exporters and commercial bankers are also uneasy about the Reagan Administration's plans and the inability of the Bank to call a halt to the administration's initiative even though the plan, if implemented, would significantly alter the role of the Bank. Questions are being posed concerning the extent to which the Bank is an instrument of the President and Congress and whether the Bank has the necessary resources to make and implement effective decisions.

The Bank is dependent upon Congress for resources including the authority. In view of budgetary deficits, its relative ability to extract resources, and thus lessen its dependency, is limited. Growth in dollar amounts and the number of positions, two major indicators of resources, are likely to remain stable or decrease. Autonomy, as measured by budgetary discretion and permanent authorizations, also fares poorly. Francis Rourke presents four measures of bureaucratic power: clientele

support, expertise, leadership, and cohesion.²³⁵ The Bank has strong specific interest group support, a high degree of technical capacity and professionalism leaders who are appointed to positions as political rewards but who generally possess respectable amounts of knowledge about international banking business, and a high degree of cohesion as demonstrated by low employee turnover. Yet, these factors do not appear to favorably influence its ability to extract resources. Is it because the Bank, an aged agency in need of reform, is unable to adopt new policies and programs designed to replace those that are failing?

The Bank appears to be at a major turning point; it has lost the ability to: (1) perceive problems; (2) to impose values or wills beyond the office, where environmental demands challenge the Bank; and (3) to generate actions that are solutions to problems.

Whether Eximbank, at this stage of its life cycle, is able to devise strategies for renewal in response to an environment characterized by tight financial resources and a free market ideology remain to be seen. At this point, it is risky to predict whether the Bank will decline even further, slip into a coma, and die or will successfully develop into a stronger organization which is able to meet new demands emanating from its environment. Time will reveal the success of exporters' or the administration's attempts to alter the Bank as it reveals the dilemmas and consequences of the Bank's twilight years.

²³⁵ Francis Rourke, Bureaucracy, Politics and Public Policy (Boston, Massachusetts: Little, Brown, and Company), 1969, pp. 63-86.

INSTITUTIONAL INERTIA

Many of the values and ideals of the Bank's founders present dilemmas. Perpetuation of characteristics prevailing at the time of the Bank's foundation given rise to problems. The commercial banking myth, based on the profit motive, still summarizes the main ideal that the Bank attempts to embody. It is a force that has infused value into the organization and that has been responsible for a stable structure of coordinated action, commitment of employees, consensus, and legitimacy. However, it has limited innovation, prevented the Bank from formulating a game plan for change, and resulted in a de-emphasis on self examination.

One way in which the myth has been reinforced is through the recruitment of staff whose ideas are likely to fit with the conservative bias of the Bank. Vigilance over the selection and socialization of employees in the close, clublike atmosphere of subunits of the Bank assure congruency to the myth.

Another method of reinforcing the commercial banking myth is through the process of formalization. Formalization has (1) created an effective control mechanism for institutional factors; (2) blunted new sources of ideas and energy; (3) blocked mobility; (4) delimited areas of activity; (5) defined authority, communication flows, and points of responsibility; and (6) suggested role behavior and appropriate role relationships.

The myth was also institutionalized by a system of informal leadership which had the ability to control the flow and distribution of information and to obtain respect and support thus limiting the potential power of others and ensuring continuing control.

The author believes that the Bank is an institutional failure and an organizational success. Technically the Bank performs its everyday skills exceptionally well. Priority is given to technical matters in a well-ordered, paper-based financial system and institutional factors are static, inconsistent with the times, and counter to the workings of the real world. The Bank could only be an institutional success if it had exhibited more internal and external flexibility across the years and had maintained its hegemony. However, Eximbank has become unreceptive to the inputs and suggestions of staff and alienated from environmental forces. It has failed to call the commercial banking myth into question despite the fact that the environmental context is incongruent with its espoused ideal of self sustainment and conservative commercial banking ideology. As the trade environment changed, the expectations of the policy making environment changed. Congress has even called attention to what it feels is an anachronism and has mandated the Bank to spend less time and energy polishing numbers and worrying about balancing books and more time and energy meeting the competition.

Unlike Seznick's portrait of successful institutionalization process, the Bank has not exhibited congruence among its ideology, perceptions of organizational reality, views of self sustainment, and environment. As a result, it is not a progressive, forward looking, and vital institution.

Submitting the Bank to scrutiny in an effort to improve its success as an institution has not been achieved nor is it likely to be achieved in the near future. Certain norms, roles and values have long been held sacred. Why should valuable time be spent on examining institutional aspects of the Bank, when from a practical perspective, the Bank's staff,

by far its most important asset, supports functional requirements needed to achieve goals, augments the Bank's prestige both within the government and without, and masks the problems the Bank is facing? What changes are necessary to work through a de-institutionalization process? What constructive means are available to executive leadership to facilitate the process? How will a resilient and competent bureaucracy respond to a process of rejuvenation? Can the bureaucracy move from a reactive to a proactive mode of behavior? All of these questions are part of the institutional puzzle.

CORPORATE REMAINS

Eximbank was originally formed as a federal sponsored corporation in the District of Columbia. In an attempt to balance its independence with Presidential and Congressional requirements for accountability, its legal status was changed by Executive Order 7917, in 1939, and the Ramspeck Act of 1940 when it was brought under civil service laws. The Government Corporation Control Act of 1945 further limited the Bank's corporate freedom.²³⁶ Nevertheless, traditional corporate qualities such as discretion in matters of policy and operations and freedom in administration were investigated during the course of this research project to better understand corporate influences in shaping Eximbank's behavior.

²³⁶ C. Herman Pritchett, "The Government Corporation Control Act of 1945", American Political Science Review 40, 1946, pp. 495-508.

Although the Bank retains its traditional management form - a full-time board appointed by the President with members with equal voting power, the discretion of the board it is influenced by the board appointment process, especially of chairman and vice chairman. Presidents of the U.S., for the most part, have generally been successful in influencing the Bank's policies and procedures. The main point is that the board has tended to transform what was supposed to be an independent entity into a financial intermediary run by the Executive branch. In the process, the primary concern has often shifted from financing exports to maximizing foreign relations.

Since 1945, Congress has also strengthened its controls over the Bank. It has approved amendments concerning appropriations and expenditures, has intervened in programs, and has provided a great deal of oversight. Principal contributing factors in this development have been interest group pressure, public disenchantment with government, and White House influence.

The Bank's employment policies are also evidence of the desire to curb the discretionary powers of the Bank. Eximbank's hiring arrangements are subject to laws and regulations governing federal employees including personnel ceilings, general schedule rates of pay, and hiring, firing, award, promotion and demotion. People with different capabilities and different incentive systems have not fostered because systemization has occurred.

The Bank has not been able to withstand outside political pressures, contrary to the popular belief that corporations are politically neutral. In its early years, the Bank was an individualistic enterprise, but as

it began to mature, its style of managerial activity altered and the way in which affairs were conducted changed. At the risk of oversimplification, explicit requirements and prohibitions, programs, and guidelines concerning borrowing and lending were articulated and the administrative functions of the Bank grew in importance. Interest groups, Congress, and Presidents contributed to the process by transmitting directives, by shaping the Bank to their own ends, and by judging the propriety and success of expenditures.

As noted, Eximbank has also lost the traditional financial characteristics of a corporation. Although it retains a unique system of accounting, it is not removed from the annual Congressional appropriations process and does not possess power to borrow unlimited sums of money. Additionally it is subject to periodic General Accounting Office audits. Within recent years, financial controls have increased.

Although certain corporate characteristics including autonomy of management and financial independence have disintegrated, corporate characteristics including an aspiration to and a concern for business-like efficiency, freedom of internal administration, reduced burdens on the U.S. Treasury, and freedom to sue outside the U.S. have persisted. More importantly, a corporate-type mentality has endured. It helps to explain the motivations, attitudes, and assumptions which shape the staff's behavior and mask adverse conditions. Ironically, it also helps to explain why Eximbank has proved to be too rigid to be effective in pursuing its competitive mandate.

In recent years, the dominant corporate feature of the Bank has been an overriding concern with efficiency, not autonomy. "Autonomy," ac-

according to the Marshall E. Dimlock, "means concentrating managerial powers in the hands of competent people and giving them enough free rein to achieve desired results. It is the privilege of being left alone so long as you do not overstep the rules laid down in advance."²³⁷ In assessing the corporate heritage of the Bank, the author arrives at the conclusion that the Bank's degrees of freedom are narrow despite bureaucratic freedom from what the Bank called "the encumbrance of a layered decision making process found in cabinet departments."²³⁸

EXIMBANK'S INABILITY TO ADAPT TO ITS ENVIRONMENT

The last theme running through this thesis is that Eximbank is experiencing difficulties in adapting to its environment. Howard E. Aldrich discusses the population ecology model of organizational change and organizations' fitness for particular organizational niches. The model focuses upon the nature and distribution of resources in environments as the central force for change, examines organizations as representatives of types found in populations, and takes into account political and economic conditions with respect to the historical contexts of organizations.²³⁹ Aldrich's work directs attention toward the environment as a

²³⁷ Marshall E. Dimlock, "Government Corporations: A Focus of Policy and Administration," The American Political Science Review, Vol. XLIII, No. 5, October, 1949, pp. 899-912.

²³⁸ "Report on Government Corporations," Vol. 1, [National Academy of Public Administration,] August, 1981, Appendix 2, p. 9.

²³⁹ Howard E. Aldrich, Organizations and Environments (Englewood Cliffs: New Jersey, Prentice Hall, 1979).

major force for understanding Eximbank and for determining change within Eximbank. Katz and Kahn's notion of the organization as an open system which draws resources from its environment to assure its survival also focuses attention on the environmental perspective as baseline information.²⁴⁰ Finally, research which recognized the impact of organizations on their environments, including Karl Weick's The Social Psychology of Organizing raises the question as to whether Eximbank is predominately proactive or reactive with respect to its environment.²⁴¹

In an attempt to classify the boundaries of Eximbank, focal organizations consisting of Congress, the Executive Branch, commercial bankers, exporters, and foreign borrowers were defined-that is, organizations that supply inputs and receive outputs from the Bank. The Bank's environment, of course, consists of more than the environmental set referred to above; it includes the economy, the political system, and the American culture. Karl Weick points out that definitions of organizational boundaries can never be fixed because organizations enact their own environments or shape them.²⁴² The Bank, through the formulation of policies and programs, plays a role in enacting its environment, but a critical point to be made is that the Bank does not play as active role as one might expect of an organization operating in a turbulent field or as dynamic, rapidly changing environment. A turbulent field demands an overall form of organization

²⁴⁰ Katz, Daniel and R. L. Kahn, The Social Psychology of Organizations (New York: Joseph Wiley and Sons, 1966).

²⁴¹ Karl E. Weick, The Social Psychology of Organizing (Reading, Massachusetts: Addison-Wesley Publishing Co. Inc., 1969).

²⁴² Ibid., p. 64.

essentially different from hierarchically structured organizations such as the traditional bureaucratic structure of Eximbank.²⁴³

Although Eximbank tried to gain control of and intelligence from its environments through the use of boundary spanners such as the Congressional relations officer, policy analysts, and directors with commercial banking backgrounds, thus reducing uncertainty and co-opting interdependent organizations, Eximbank is highly dependent upon its environments which range from the stable to unstable. Part of the explanation for dependence lies in the fact that although Eximbank can be characterized as a loosely coupled system it is a reactive loose coupled system. According to Glassman, a reactive loose coupled system does not actively defend itself against the environment.²⁴⁴ Certain characteristics of the Bank such as its philosophy of insulation and myth of commercial banking separate it from the direct impacts of "the world out there", allowing environments limited access to the organization.

Burns and Stalker believed that if the wrong internal system is combined with the wrong external environment organizational performance will suffer.²⁴⁵ The Bank, as previously described, is a mechanistic system; when a mechanistic system is combined with turbulent rapidly changing environments, organizational performance will not be optimal. The Bank's

²⁴³ F. E. Emery and E. L. Trist, "The Causal Texture of Organizational Environments," Human Relations, 18 (February, 1965), pp. 21-32.

²⁴⁴ Robert Glassman, "Persistence and Loose Coupling," Behavioral Science, 18, March 1973, pp. 83-98.

²⁴⁵ Tom Burns and G. M. Stalker, The Management of Innovation, (London, England: Tavistock Institute, 1961).

structure, in other words, does not fit current environmental demands. The more rapidly environments change and the more uncertain they are, the greater must be the internal flexibility of Eximbank. The point to be remembered is that the Bank's survival depends, to a great extent, on its ability to control what it can and to closely monitor what it cannot. Both actions require flexibility, decentralization, dynamism and diversity.

It is the author's belief that the Bank needs to undertake an adaptive strategy to fill the official export finance niche effectively and to restore a sense of direction. Maneuvering the Bank into a central position in trade-related matters, retaining and expanding power by negotiating interorganizational relationships, allowing leadership to revitalize rather than dismantle the Bank and building stronger links to a wide range of exporters are some prescriptions for encouraging foreign purchases of U.S. goods and services. Indeed, as the affairs of U.S. business, government, and labor become more intertwined with those of other countries, there will be need for Eximbank to develop better mechanisms for financing U.S. products rather than eliminate existing mechanisms so that foreign buyers will be able to purchase what is most needed and what is most efficiently produced.

SUMMARY

The current debate surrounding the role of the Export Import Bank of the U.S. presents the threat of further erosion of the Bank but also an opportunity for the Bank to serve in an enhanced role in the field of

export financing. Over the years, the Bank has been of importance to the financing of U.S. exports even though it lost a great deal of political and economic power because it has been laggard in its response to exporter outcries for meeting foreign competition and because U.S. exports have tapered off in response to international economic events. Exporters, commercial bankers, and U.S. government officials, however, continually point out that although the Bank has relatively little impact on the majority of U.S. exports, it has a great deal of actual and potential impact on the financing of key exports at the margin and has provided access to the kind of long term export financing that other nations need.

In spite of the Bank's outstanding reputation, due to a great extent to its technically competent staff and small size, there are limitations on the Bank's ability to seize this moment and undertake reform on its own behalf. The most obvious limitation is the Reagan Administration's policy to weaken Eximbank. Prospects for weathering out the current storm appear to reside with Congress and legislative change.

The Bank is a conservative, task oriented and profit motivated bureaucracy. It functions well when tasks and procedures are clearly specified and when prospective profits are proportional to the risk assumed. If Congress is able to draft and pass laws which make export financing a more integral part of trade policy and give the Bank adequate direction, motivation, and resources, the Bank may once again embody the full range of functions generated in 1935 and perform them more effectively. The extent to which Congress will be able to contribute to coherent and comprehensive definition of the future role of Eximbank depends on the constituency orientation of legislators, shrewd assessments of

political priorities, and determination of the national interest. The likelihood that the Bank will play a crucial role depends on what kind of lessons the Bank has learned during the past fifty years.

Redefining the role of Eximbank involves Congressional acknowledgement of the fact that a government business partnership with respect to trade is a necessary and an appropriate relationship and a serious assessment of the following issues.

1. To what extent should the government be involved with the allocation of exports?
2. Does Eximbank need to exist?
3. Have Eximbank's functions declined in importance? If so, should the Bank assume new functions?
4. How should the Bank's outputs be evaluated? Do costs of maintaining the Bank exceed benefits?
5. What kind of legislation is necessary to enhance the role of the Bank and to eliminate export financing disparities?
6. What type of Congressional and presidential involvement in Eximbank are appropriate?
7. What controls constrain the freedom of the Bank to pursue novel export financing activities?
8. What factors have contributed to organizational drift?

Subsumed within these issues are the four themes discussed throughout this thesis: (1) materialization of symptoms of old age that have been long in the making such as procrastination, unwillingness to hunt for new responses to situations and lethargic responses to the environment; (2) retention and discontinuance of corporate qualities; (3) institutionalization at the cost of effectiveness ; and (4) inability to manage complex organizational environmental relationships.

It is important to point out that making decisions is difficult and that Eximbank management, throughout the years, acted according to their own best judgment, fallible and limited as it may appear in retrospect. Managers did not violate hard and fast rules of conduct, of which there are none, nor did they purposefully precipitate the current crisis.

Another point is that there is no single cause of Eximbank's problems. For Henry Kearns, who expanded the lending policies of the Bank, there was a board of directors who failed to apply the brakes. For unanticipation of the mixed credit issue, there were roots in a delayed sense of timing and failure of simple foresight to grasp reality. It is difficult to address specific problems without consideration of broader ramifications such as organizational culture and structure. They help to illuminate the central theme of this thesis: the implications of a traditional organization in a rapidly changing environment. Since government organizations take their tone from policy makers, it is no surprise that two of the contributing factors of the current problems are Congress and the White House who mind a great deal of others' business, preserve ideas about free trade, fear change, and are obsessed with short range gains and simple solutions.

The crisis is also conceptual in nature. It is due in part to a faulty application of structural and organizational concepts. A common source of trouble is the inability to decentralize individual departments while maintaining centralized control. An example helps to illustrate this point. Senior vice presidents not only do not know what is going on in their divisions, they are unable to inform staff fully about what is happening throughout the Bank. When the Bank resolved to underscore the

Reagan Administration's interest match program as an alternative to the direct loan program, commercial bankers and exporters called staff to find out about how the interest match program would work. Staff had no inkling about how the program would work until rumors surrounding the program were overblown and resistance to the interest match program had accumulated so that requests could no longer be ignored or suppressed.

Although it may come as a surprise, there are instances where downward shift or a crisis has had positive affects on an organization. Regeneration, in certain cases, owes a great deal to the adrenaline of crisis.²⁴⁶ Optimal obtainment of objectives may occur if the Eximbank (1) reaches out but does not extend itself too far; (2) makes sure the chairman provides the kind of leadership in which the board can put full confidence and can become an effective body; (3) improves relationships with environments; (4) faces challenges in time; (5) identifies opportunities and problems; and (6) develops an entrepreneurial spirit. Considering that it often takes years to turn an organization around again after a downturn or a crisis, it is hoped that this thesis will contribute to detection of problems, an understanding of causes, and lessons for the future.

²⁴⁶ For an excellent discussion of an agency's successful response to external demands for change, see Daniel A. Mazmanian and Jeanne Nienaber's Can Organizations Change? This book focuses on the Army Corps of Engineers', an entrenched bureaucracy, attempts to achieve organizational change during the early 1970s.

APPENDIX A. BIBLIOGRAPHIC ESSAY

Eximbank's annual reports may be classified into four categories:

- 1934-1945: Unprinted Annual Reports
- 1945-1955: Semiannual Reports, 1-20
- 1956-1965: Semiannual Reports, by periods covered
- 1966-Present: Annual Reports

Annual reports generally consist of the chairman's statement, a review of operation, an authorization summary, authorizations by market, direct credits and financial guarantees, financial statements accompanied by notes, management's report, General Accounting Office Certificates of audit, and directors/officers. Extensive use of colorful charts, graphs, tables, and photographs, high quality paper, and offset printing help reveal patterns of economic and business activity. The foundation on which annual reports is built is the annual corporate report.

Current program guides for banker, exporters, and borrowers on Eximbank, FCIA, and PEFCO's are useful in depicting program characteristics, target groups, procedures, activity levels, contracts and so on.

Press releases from the Office of Public Affairs generally facilitate a quick comprehension of some of the major activities of the Bank during the past year. For example, the launching of a new program, the "Engineering Multiplier Program", major speeches by the chairman, and the completion of transactions came to the researcher's attention via press releases.

"Eximbank Record" formerly called "Eximbank Report" was published ten times yearly by the Office of Public Affairs until the Draper administration resolved to discontinue publication in view of budgetary cutbacks; it contains a variety of articles on Eximbank activities, staff, and the export community.

"Exim Staff Notes" is a monthly newsletter by the Office of Public Affairs and Publications. Contributors include representatives from each of the departments who submit notices about activities and staff.

Memoranda and periodic reports prepared by the policy analysis staff of the Bank are intended to provide perspectives on a variety of issues such as the budget environment which Eximbank is likely to operate over the next four years, issues surrounding the medium terms guarantee program, and alternatives for restructuring FCIA. The memoranda are distributed to the departments within the Bank. Under the Draper administration approximately 90% are initiated by the policy analysis staff and 10% are requested by board members. Under past administrations 50% may have been initiated by the staff and 50% by the board. The policy analysis staff provides conceptual and technical skills for analyzing a multiplicity of problems from an interdisciplinary perspectives. Background and source of the issues, policy problems, policy alternatives, and policy actions generally comprise the main elements of staff's papers.

Annual reports to the U.S. Congress on export credit competition and the Export Import Bank of the U.S. are prepared by the Bank in compliance with Section 2(b)(1)(A) of the Export Import Bank Act of 1945. The reports cover Eximbank's competitive position with respect to long term, medium term, and short term programs; survey U.S. exporters and commercial

banks; report efforts to reduce government supported export credit competitions via the OECD Export Credits Group and Berne Union; and discuss Eximbank loans for exports of energy-related services and products, foreign content support by Eximbank, and human rights considerations in conjunction with Eximbank's credits.

Press clippings from 1973-1983 provide a grasp of the environment of Eximbank. Articles from "World Trade News", "The New York Times", "The Journal of Commerce", "The Wall Street Journal", "Government Executive", "Dun's Review", "Business Week" and other newspapers and periodicals present a wide range of current and prospective issues facing the Bank.

Comptroller General Reports to the Congress published by the General Accounting Office from 1973 to 1982 pivot on basic issues such as financial constraints preventing the Bank from consistently offering competitive financing or the weakened financial position of the Bank and are generally made at the request of a member of Congress. Generally the reports recommend measures that Congress should consider to improve the operations of the Bank. Reports on Eximbank are generally detailed studies dealing with significant issues affecting the Bank. The reports' points of departure are requests from Congressmen on specific issues. Formulation of the issues is politically charged although analysts attempt to treat the issues with neutrality. Whether the studies have produced serious implications for the Bank and altered the course of the law as it relate to the Bank is unknown.

Executive publications on the Bank include Budgets of the U.S., reports of presidential commissions and task forces, and U.S. government agency reports. A particularly interesting publication by the Office of the

Management and Budget is "Federal Credit Programs", a reprint of pages from Special Analyses, Budget of the U.S. Government. The 1985 Federal Credit Budget shows that government credit programs (including direct loans, government guarantees of private loans, and loans by privately owned but government sponsored enterprises) have grown significantly in the last decade from 12%-13% of total U.S. capital activity in the first half of the 1970s to roughly 20% by 1980. This proliferation of programs, it is argued, direct resources away from a more efficient use to less efficient uses because government, in order to support credit programs, interfere in private capital markets through borrowing or guaranteeing the borrowing of other institutions. Eximbank's programs are among the five largest programs in both the direct loan and guaranteed loan categories.

Reports of the National Advisory Council on International Monetary and Financial Policies (NAC) written by the Treasury Department and printed periodically from 1946-1965 and then annually from 1961 to the present are administration's reflections on the Bank's policies and practices. NAC consists of Special Representatives for Trade secretaries of Treasury, State, and Commerce Departments, The Federal Reserve Board chairman, Eximbank's president, and the director of the International Development Cooperation Agency. Specific transactions of the Bank including proposals (1) involving a liability of \$30 million or more; (2) involving support for nuclear facilities; (3) involving transactions when reasonable assurance of repayment account or preferred creditor arrangements; (4) involving mixed credits; and (5) involving transactions with important implications which the majority of NAC members feel important enough

to review, receive particular attention from the NAC. NAC's annual reports reflect a sense of unity between the Bank and NAC members in pursuing branch policy objectives; it is difficult to detect a lack of census and sources of dissatisfaction with the Bank's operations through NAC's characterization of the Bank.

Legislative proceedings including hearings, bill, floor debates, and statutes widened the researcher's perspective, filled in holes in knowledge, clarified thinking, and improved the researcher's capacity to understand the Bank. Because of the vast number of legislative materials, authorizations, the Export Import Act of 1945 and its statutory amendments, oversight proceedings, and confirmation hearings on the nomination of board members were perhaps the most powerful sources within the body of literature on the Bank. Restrictions and expansions, arguments of adversaries and advocates, policy directives, future policy initiatives, and administration and exporter concerns, disputes concerning discretion and authority, and the troubling issue of cost and benefits are some of the parts of the fifty year saga of the Bank and Congress. In the beginning of this study, Ronald C. Moe, a specialist in government organization and administration for the Congressional Research Service and the Library of Congress and author of the Hoover Commission Revisited, suggested that this study begin and end with a careful review of legislative proceedings. "Field work", Moe stated "should complement the legislation". Moe's guiding premise is that Congress shaped the Bank and increasingly expanded its domain in some areas thought to be the province of the Executive Branch. Moe's advice pointed to the crucial role of Congress in relation to the Bank and to the importance legislative pro-

ceedings play in establishing links between secondary source materials and field notes.

APPENDIX B. INTERVIEW GUIDES

Questions for Vice Presidents of Eximbank

1. Please describe your functional responsibilities (e.g., in charge of processing L/T activity in A/ME)?
2. What is the main substantive problem(s) the bank is facing (e.g., coordination difficulties with other agencies, lack of external consensus on role of Bank, insufficient communications about EXIM programs/attitudes)?
3. Has the problem(s) changed in intensity over time?
4. What are the principal administrative/functional problems you are facing in carrying out your responsibilities (e.g., insufficient staff, inability to adequately reward good performers)?
5. How long has the problem(s) existed?
6. What measures or changes would ameliorate or resolve the administrative/functional problem(s) you have mentioned?

Objectives

1. What is the main objective(s) of the Bank?
2. Is it your perception that the Bank's objective(s) is shared by Congress? The Executive Branch? Other agencies (e.g., Treasury, Commerce)?
3. Is it your perception that the Bank's objective(s) is shared by private sector and advocacy organizations?
4. What is your perception of how well the Bank meets this objective(s)?
5. How did you familiarize yourself with the Bank's mandate/goals/mission? How do you keep abreast of changes (e.g., in-house memos, attending Board meetings, reading policy papers, staff meetings)?

Evaluation

1. What criteria do you use to determine whether your department is "doing its job" (e.g., number of new loan applications, amount of money lent)?
2. What factors (external, in yourself, in staff) do you consider critical to the efficiency, effectiveness, and productivity of your department (e.g., leadership, innovation)?
3. How do these factors contribute to or detract from meeting objectives?
4. How do you hold your staff accountable in performance?
5. What management tools do you use to affect performance?

Departmental Description

1. How does your department operate (e.g., processes, functions, activities, etc.)?
2. How long has it operated this way? Define any recent/pending changes.
3. What is your department's relationship to other public and private organizations that deal with trade related matters?
4. How does your department interface with other Federal agencies? Private sector organizations? Other departments within the Bank?
5. How much of your time is spent dealing with organizations outside the Bank (e.g., private banks, exporters, other Federal agencies)?
6. What discretion do you have to tailor the focus or direction of your work to meet changing demands?
7. How are new staff members socialized and trained?
8. Are there regular opportunities to work for diverse departments within the Bank?
9. Is there general encouragement that these opportunities be utilized?
10. Overall, is the Bank a good place to work? Why or why not?

QUESTIONS FOR EXIM STAFF

1. What abilities/skills are most needed to perform your job (e.g., perceptual ability, negotiating skills)?
2. To what extent do you deal with individuals (a) inside the Bank (b) outside the Bank?
3. What constraints (e.g., lack of resources, excessive rules) exist at the Bank?
4. Is information flow adequate upward, downward, and laterally within the Bank?
5. Provide some examples of both centralized and decentralized decisions within the Bank?
6. What organizational changes are necessary?
7. Do personnel changes at the senior management level alter your tasks, role, and responsibilities significantly?
8. How do you identify yourself with respect to your job (public servant, economist, banker)?
9. Are there informal lines of authority that function differently from formal lines of authority within the Bank?
10. Does your job challenge you?
11. How often are staff recommendations not taken into account due to political considerations, inputs from other organizations, etc.?
12. Are you adequately and equitably compensated by the Bank (e.g., salaries, feedback)?
13. Are there any internal or external forces that are pressuring the organization to change its policies/practices?
14. How integrated are the various departments of the Bank?
15. What are your major job-related goals?
16. What innovations have you observed during your career at the Bank?
17. Who assigns your work and who appraises your performance?

18. During your career at the Bank, what major changes have affected employees (changing values, increasing complexity of tasks)?
19. How long have you worked at the Bank?
20. What positions have you held at the Bank?
21. What is your academic background?
22. Before working for the Bank, what professional positions did you hold?

APPENDIX C. MEMBERSHIP OF THE CEE

Membership of the Coalition for Employment through Exports (CEE), April, 1984

A. Business Organizations

1. Aerospace Industries Association of America, Inc.
2. Air Products & Chemicals, Inc.
3. Allis-Chalmers
4. American Textile Machinery Association
5. ARMCO, Inc.
6. Avco Corporation
7. Bank of America
8. Bechtel Group, Inc.
9. BF Goodrich Company
10. Blue Bird Body Company
11. The Boeing Company
12. Bucyrus-Erie Company
13. Caterpillar Tractor Company
14. Chase Manhattan Bank
15. Chemtex, Inc.
16. Cincinnati Milacron, Inc.
17. Deere & Company
18. Dresser Industries, Inc.
19. Ducommun Incorporated
20. E. I. Du Pont De Nemours & Company

21. Empire Machinery Company
22. First Wisconsin National Bank of Milwaukee
23. Fluor Corporation
24. Frederick Electronics
25. GATX Corporation
26. GTE Corporation
27. General Dynamics Corporation
28. General Electric Company
29. Goulds Pumps, Inc.
30. Gulf & Western
31. Hobart Brothers Company
32. Hughes Aircraft Company
33. Lear Siegler, Inc.
34. McDonnell Douglas Corporation
35. Manufacturers Hanover Trust Company
36. Morgan Guaranty Trust Company
37. Morrison-Knudsen Company
38. National Association of Export Companies, Inc.
39. National Machine Tool Builders Association
40. Northrop Corporation
41. PACCAR, Inc.
42. Pennsylvania Engineering Corporation
43. Pneumo Corporation
44. Raytheon Company
45. Rockwell International
46. Rohr Industries, Inc.

47. The Signal Companies
48. Sperry Corporation
49. Stone & Webster Engineering Corporation
50. Sundstrand Corporation
51. Transamerica Delaval Inc.
52. United Technologies Corporation
53. Wean United
54. Westinghouse Electric Corporation

B. Labor Organizations

1. American Federation of Government Employees
2. Building and Construction Trades Department, AFL-CIO
3. Coalition of Labor Union Women
4. Communications Workers of America
5. Council of Engineers and Scientists Organizations
6. International Brotherhood of Electrical Workers
7. International Ladies' Garment Workers Union
8. International Union of Electrical, Radio and Machine Workers
9. The Seafarers International Union of North America, AFL-CIO
10. United Association of Plumbers and Pipefitters
11. United Automobile, Aerospace and Agricultural Implement Workers of America
12. United Brotherhood of Carpenters and Joiners of America
13. United Steelworkers of America

C. Governors

1. Governor John Spellman of Washington, Chairman of the National Governors' Association's Committee on International Trade and Foreign Relations
2. Governor Bob Graham of Florida
3. Governor Bruce Babbitt of Arizona
4. Governor William A. O'Neill of Connecticut
5. Governor George R. Ariyoshi of Hawaii
6. Governor John V. Evans of Idaho
7. Governor James R. Thompson of Illinois
8. Governor John Carlin of Kansas
9. Governor Harry Hughes of Maryland
10. Governor Rudy Perpich of Minnesota
11. Governor James B. Hunt, Jr. of North Carolina
12. Governor Victor G. Atiyeh of Oregon
13. Governor Dick Thornburgh of Pennsylvania
14. Governor J. Joseph Garrahy of Rhode Island
15. Governor William J. Janklow of South Dakota
16. Governor Richard Snelling of Vermont

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INDICES

Note: Eximbank is the subject of many articles in newspapers and magazines including The New York Time, The Wall Street Journal, The Journal of Commerce, Business Week, Fortune, and so on. The items are too prolific to list. Where appropriate, they have been incorporated into the text as notes. I wish to acknowledge the help of James Cruse, Vice President for Policy Analysis, The Export-Import Bank of the U.S., who provided press extracts for a ten year period, 1973-1983.

The following indices meet the needs of the author in quest of further information about Eximbank:

Business Periodicals Index

New York Times Index

Public Affairs Information Bulletin

Reader's Guide to Periodical Literature

Wall Street Journal Index

EXIMBANK REPORTS AND PUBLICATIONS

Export-Import Bank of the United States, Semiannual and Annual Reports.

1934-1945: Unprinted Annual Reports

1945-1965: Semiannual Reports

1966-1983: Annual Reports

Export-Import Bank of the U.S., Competitiveness Reports to Congress Under Section 2(b)(1)(A) of the Export-Import Bank Act of 1945, as amended.

1971-1980: Semiannual Reports

1980-1983: Annual Reports

Note: For a more detailed overview of Eximbank publications, see Appendix A.

STATUTES AND LEGISLATIVE PROCEEDINGS

Legislative materials, including bills, hearings, and statutes were important resources for the study. Many were obtained through Eximbank's Congressional Relations Office. Because of the volume of legislative

proceedings, use of materials is best understood as materials appear in reference footnotes. Additional materials may be identified through the following indices:

..Congressional Information Service (CIS) U.S. Serial Set Index, 1934-1969, Senate and House Reports and Documents

CIS Indices of Subjects and Names (1970-present)

CIS Abstracts of Congressional Publications and Legislative Histories (1970-present)

Monthly Catalog of U.S. Government Publications (Annual and Cumulative Indices)

Congressional Record, Session Indices, 1934 to present

GOVERNMENT REPORTS AND PUBLICATIONS

Government reports on Eximbank include:

1. Congressional Accounting Office Reports (Comptroller General Reports to Congress);
2. Congressional Budget Reports;
3. Presidential papers;
4. Reports of the Office of Management and Budget (OMB), National Advisory Council on International Monetary and Financial Policies, and papers and memoranda by agency representatives.

Government materials can best be identified in the text. They vary from reports of executive departments to circulars, memoranda, and miscellaneous materials.

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