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PART

IV Export-Promoting Policies

Introduction

Like other countries, the U.S. government pursues export-promoting as well as import-restraining policies. The two papers in part IV analyze the two most important of these; namely, the tax incentive policy provided through legislation allowing U.S. firms to create Domestic International Sales Corporations (DISCs), and the policy of providing export credits at below-market rates through the Export-Import Bank.

Utilizing a general equilibrium model, Mutti and Grubert estimate the net export increase from DISCs to be about 3 percent—a figure that is somewhat lower than the increase estimated by the U.S. Treasury Department using a partial equilibrium approach. The distribution impact of the program, according to their calculations, is a wage decline for unskilled workers and a wage increase for skilled workers. Furthermore, they find a net welfare loss for the country of roughly .04 percent of national income.

Fleisig and Hill focus on estimating the amount of the subsidy involved in export credit programs. On the basis of alternative assumptions about whether interest rates are fixed or floating, they estimate that the subsidy element in the U.S. Export-Import Bank's direct loan program was between $213 and $992 million in 1980. The total for all major lending countries ranges from $1.5 billion to $3.5 billion as of 1980, depending on the fixed or floating rate assumption. They conclude that from between half and all of this subsidy is transferred to the foreign borrowers.

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