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Murray L. Weidenbaum

*Washington University in St Louis*

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Weidenbaum Center on the Economy, Government, and Public Policy – Washington University in St. Louis  
Campus Box 1027, St. Louis, MO 63130.

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*Abolish the Department of  
Commerce Now*

Murray Weidenbaum

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Testimony to the  
U.S. House of Representatives  
Committee on Commerce  
Washington, D.C.

Contact:  
Robert Batterson  
Communications Director  
(314) 935-5676

## Abolish the Department of Commerce Now

Murray Weidenbaum

It may seem like an anomaly to urge eliminating the U.S. Department of Commerce at a time when its role and influence have become so visible. How can anyone oppose the continuation of a governmental department concerned with such important questions as international competitiveness, promotion of technology, economic development, and generation of key economic statistics?

Ironically, the heightened visibility of the Department of Commerce is a key to why it should be closed down. The current management of the Department boasts that it is especially effective in using its vast resources to help individual companies succeed in an increasingly competitive global marketplace — and they are seeking an inordinate 39 percent budget increase from fiscal 1994 to fiscal 1996.

Of course, the relatively few who benefit from the Secretary of Commerce personally opening doors for them think this is a great idea. Millions of other businesses, large and small, however, pay the taxes that finance these programs. They do not benefit from this personal attention. In a nutshell, this whole process is unfair.

American business, indeed the entire American economy, would be far better off if these government expenditures were not made and the savings used instead to reduce the deficit or cut taxes — and thus increase the availability of investment capital to the private sector. The current process is a classic example of the government's traditional tendency to rob (or at least tax) Peter to pay Paul.

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Murray Weidenbaum is chairman of the Center for the Study of American Business and Mallinckrodt Distinguished University Professor at Washington University in St. Louis. This paper is based on his testimony to the U.S. House of Representatives Committee on Commerce on July 24, 1995 in Washington, D.C. The views expressed are his own.

I propose to examine those supposedly high-value functions of the Commerce Department. Let us take up each of them to see if they justify the Department's existence, much less its expansion.

### **Promoting Technology**

In the last few years, the staid old National Bureau of Standards has been expanded to become the National Institute of Standards and Technology (NIST). It is a clear example of bureaucratic sprawl; the agency's outlays are budgeted to rise more than 300 percent just in the two-year period 1994-96. The traditional Bureau served as the guardian of weights and measures. This is a rather modest task which, perhaps, could be performed by a private sector organization, such as the National Academy of Science or the National Academy of Engineering.

It is the new activities of NIST that are truly objectionable. These rapidly rising outlays — in the guise of promoting technology — constitute the intrusion of "industrial policy" into the federal government's existing arsenal of business subsidies. We can recall that the basic problem with the industrial policy approach, and surely with NIST, is that the government selects the winners and the losers, choosing which specific industries and individual companies are to receive the contracts being awarded. There are alternative and far less intrusive ways in which technology can be encouraged — but none of them involves the Department of Commerce.

For example, tax credits for research and development leave the choice of technology projects with the individual business firm, which continues to bear the great bulk of the financial risk. It is sad to note that, in the last few years, Congress has been quicker to spend money than to extend the tax incentive. There is an even less expensive way of promoting technology — reduce the government's own numerous regulatory barriers that raise the cost and risk of new technological undertakings. The Environmental Protection Agency, the

Occupational Safety and Health Administration, and all the other regulatory brethren should be forced to go on a crash diet.

Alongside NIST, the Commerce Department has built another bureaucracy, the Technology Administration. The fiscal year 1996 budget tells us that this relatively new staff function "is the focal point within the executive branch for an industry-driven process to address issues of competitiveness." The United States already has an "industry-driven" process to promote competitiveness. It is called the private marketplace. The Technology Administration is a compelling example of the bureaucratic response to the issues of the day, which should be quickly eliminated.

There are several technical bureaus in the Department of Commerce that could well be slimmed down and then moved to other departments. For example, the Patent and Trademark Office's staff of patent attorneys and their assistants could comfortably be housed in the Justice Department. The National Oceanic and Atmospheric Administration (NOAA) is the large, but not economy-size, version of the old Weather Bureau to which has been added miscellaneous activities such as Marine Fisheries. NOAA's estimated 1996 outlays total \$2.1 billion. To the extent that these are properly public-sector functions — and that is a question worth examining — they could just as easily be assigned to the Department of the Interior, given its concern with natural resources.

As for the National Telecommunications and Information Administration, the move to deregulation should reduce the need for this relatively recent creation (1978). Its 1996 budget request of \$88 million is more than double the amount it spent in 1994. Its proliferating grants programs sound like attractive candidates for the budgetary axe. If telecommunications research and development should be fostered by the federal government, the dollars will go further if the program has to compete for space in the National Science Foundation's budget. The present alternative means that a special interest bureau retains the responsibility of directing this portion of private-sector innovation.

## Promoting International Trade

There is one Commerce Department brainstorm that is particularly damaging, namely the idea that the United States is engaged in a "trade war" with the nations with which we otherwise maintain friendly relations. The Department's "war room" should be closed down.

Yes, trade (domestic as well as international) is competitive. After all, competition is the most effective protector of the consumer. Efforts to reduce our trade deficit should not ignore the fact that each import — and export — is a voluntary economic transaction. In wartime, we want to prevent trade with our enemies. In peacetime, we promote trade, thereby cultivating friendship. Apparently, the Commerce Department has forgotten that basic distinction.

Another fundamental distinction too often overlooked is that nations make war but, by and large, it is individual companies that export and import goods and services. Theirs is the challenge to maintain and enhance global market shares. Of course, the federal government could take many actions to make U.S. firms more competitive. Hardly any of them involves the Commerce Department. The competitive strength of American companies would be enhanced by less taxation, less government deficit financing, and a reduced array of expensive mandates and regulatory requirements.

To the extent that some small portion of the trade-oriented activities of the Department is informational rather than "industrial policy" subsidies, it could be performed by other departments. The overseas commercial attachés should be attached to the State Department. After all, they report to the U.S. Ambassador, who is a State Department official.

As for the Travel and Tourism Administration, that entire agency is a subsidy to a healthy industry that operated on its own before this bureau was established. It can do so again and save the taxpayer \$17 million in 1996.

## The Pork Barrel

The Department of Commerce operates its own pork barrel. It is called the Economic Development Administration (EDA). Requested funding for EDA is projected to increase a whopping 84 percent between 1994 and 1996. Grants by EDA have been politically popular because they are a way to finance local projects at someone else's expense — the national taxpayer. Currently, EDA provides eight different categories of grants and other financial assistance to the fortunate localities it selects. The most cursory examination of the budget justification shows the results of combining the worst aspects of the political and bureaucratic processes.

For example, the eighth category is devoted to "competitive communities." In these cases, EDA provides "transaction-based grants, through intermediaries, for private sector business projects that advance the competitiveness of local economies, bring together business, community, and public leaders to identify jointly the local economic challenges and develop the best strategy to meet these challenges."

This is a mouthful even for experienced practitioners of gobbledegook. If the leadership of a community wants to meet, it can do so without the disbursement of an EDA grant. EDA should not be cut back. It should be abolished. That overdue action would save taxpayers \$427 million in 1996.

A less visible pork barrel has been established in recent years — in the form of a tremendous proliferation of overhead staffs. This trend of enhanced governmental liberality stands in dramatic contrast to the contemporaneous efforts in the private sector to cut back on such activities and to flatten organizational hierarchies. Here are a few of the staffs currently budgeted for the Department of Commerce (they are in addition to the operating bureaus, each of which has its own set of staffs): Office of Policy and Strategic Planning; Office of White House Liaison; Office of Technology Policy; Office of Space Commerce; Office of Business Liaison; Office of Consumer Affairs; Decision Analysis Center; Office of International Policy;

Office of Manufacturing Competitiveness; Office of Technology Competitiveness; Office of Policy Analysis; Office of Macroeconomic Analysis; Office of Economic Conditions and Forecasting; Office of Business Analysis.

Of course, a host of bureaucratic luminaries — in addition to the Secretary and Deputy Secretary — is needed to supervise this galaxy of staff activities. The latest U.S. Government Organization Manual lists, for the Commerce Department, an extensive array of six undersecretaries, seven deputy undersecretaries, 13 assistant secretaries, 32 deputy assistant secretaries, plus an assortment of counselors, special assistants, executive assistants, an associate deputy secretary, an assistant deputy secretary, and one associate under deputy secretary. How gratifying it would be to the taxpayer to learn that this set of supernumeraries was stricken from the government's payroll.

### **Statistics**

The Department of Commerce also houses two statistical agencies, the Bureau of the Census and the Bureau of Economic Analysis (BEA). The numbers generated by these two professional groups are widely used throughout the nation, but there is no compelling reason for attaching them to the Commerce Department. In the past, the Departments of Treasury and Interior provided homes for bureaus not conveniently fitting in other departments. Treasury would be a more sympathetic location for the statistical compilers. In contrast, Interior might just leave them alone. A case can be made for either location.

Alternatively, Census and BEA could be set up as an independent statistical agency. The Bureau of Labor Statistics could be moved out of the Labor Department and join them, along with the statistical review functions of the Office of Management and Budget.

### **A Useful Precedent**

Conservatives urging dismantling the Department of Commerce may be akin to the notion of man bites dog. Given the current interest in curbing business subsidies, the



Commerce Department is the logical place to start — and to demonstrate the genuine desire to curb all government subsidies and other low-priority outlays.

But the point to emphasize is that Commerce is the place to start. An equally strong case can be made for subsequently closing down the Department of Energy. The supposed energy crisis that justified its establishment and its regulatory functions is no longer in evidence. Any regulations that linger on should be given an honorable discharge.

Subsidies are not limited to business. Very large subsidies are provided by other departments, most notably the Department of Agriculture. Few of these outlays go to small family farmers. Most of the largesse is received by giant agricultural enterprises. In a period of fiscal belt-tightening such as the present, farm subsidies are also an attractive target for the budgetary axe.

Along these lines, Labor Secretary Robert Reich has registered a newly found interest in cutting business subsidies which, in his usual scholarly manner, he refers to as corporate welfare. I agree that a strong case can be made for cutting these federal outlays. But why ignore the wasteful subsidies and other unproductive outlays in the Department of Labor?

A serious effort to curb subsidies should surely extend to the pernicious Davis-Bacon Act. That relic of the 1930s needlessly pushes up the cost of government construction. The required weekly reports by each government construction contractor exemplify the government's paperwork shuffling at its worst. Eliminating the Department's busybody Office of the American Workplace would also help achieve economy in government.

### **Conclusion**

I would like to conclude on a positive note. It is vital that government performs well the tasks that society assigns it. The problem today is that more responsibilities have been given to government than it can possibly perform to any degree of satisfaction. If the federal establishment were staffed with Newtons and Einsteins, it would not be up to the task.

Doubters should turn to pages of the United States Government Manual and see the almost endless array of agencies, bureaus, and divisions. The challenge is to focus the public sector's resources in the most critical areas and to leave to the private sector matters better handled there.

From this viewpoint, it is sad to report that the fiscal year 1996 federal budget recommends that the outlays of the U.S. Department of Commerce should rise from \$3.0 billion in 1994 to \$4.2 billion in 1996 (see table, page 9). This is a 39 percent increase in a two-year period. After a brief slowdown in 1997-1999, the Department's spending is projected to zoom to \$7 billion in the year 2000. Even after allowing for the decennial census in that year, this anticipated fiscal generosity leads to one conclusion: the Congress should halt this blatant attempt at empire building at the taxpayers' expense.

The effective way to reduce the cost and obtrusiveness of government is not just to make modest cuts in annual budgets. Although helpful, such marginal changes can readily be reversed in the future. The best approach is to eliminate entire departments, agencies, and bureaus that have outlived their usefulness. Abolishing the Department of Commerce would furnish a dramatic example of the Congress's ability to accomplish that difficult but necessary task.

**Expenditures by the U.S. Department of Commerce**  
Fiscal Years (dollars in millions)

| Bureau or Program   | 1994           | 1996<br>Projected | Percent<br>Change<br>1994-96 |
|---|----------------|-------------------|------------------------------|
| National Institute of Standards and Technology                | \$167          | \$740             | +343%                        |
| Technology Administration                                     | 6              | 13                | +117                         |
| National Telecommunications and Information<br>Administration | 42             | 88                | +107                         |
| Economic Development Administration                           | 232            | 427               | +84                          |
| Patent and Trademark Office (net of fees)                     | 49             | 88                | n/a                          |
| Export Administration   | 34             | 47                | +38                          |
| Bureau of the Census  | 250            | 315               | +26                          |
| Economic and Statistical Analysis                             | 46             | 56                | +22                          |
| Minority Business Development Agency                          | 41             | 49                | +20                          |
| General Administration  | 49             | 59                | +20                          |
| International Trade Administration                            | 234            | 266               | +14                          |
| National Oceanic and Atmospheric Adm.                         | 1,860          | 2,057             | +11                          |
| Travel and Tourism Administration                             | 25             | 17                | -47                          |
| National Technical Information Service<br>(net of fees)       | <u>2</u>       | <u>2</u>          | <u>n/a</u>                   |
| <b>Total</b>  | <b>\$3,037</b> | <b>\$4,224</b>    | <b>+39%</b>                  |

n/a = Not applicable because the agency funds most of its activities from fees.

Source: Budget of the United States Government, Fiscal Year 1996.