12. Special-Interest Departments: Commerce and Labor

Congress should

- eliminate corporate subsidies provided by the Commerce Department's economic Development Administration as well as allied independent bodies like the Small Business Administration, the Export-Import Bank, and the Overseas Private Investment Corporation;
- dismantle programs designed to inhibit trade, whether managed by the International Trade Administration or the independent International Trade Commission;
- end racial spoils programs, such as the Minority Business Development Agency;
- privatize weather forecasting and similar activities conducted by the National Oceanic and Atmospheric Administration;
- cut information collected by the Census Bureau back to the necessary minimum;
- dismantle the Commerce Department and manage the Census Bureau and Patent Office through a much smaller independent agency;
- eliminate federal training programs and the federal role in unemployment insurance;
- repeal federal regulations governing hours and wages, leaving Americans free to bargain over their terms of employment;
- take a position of neutrality between business ana labor, ending restrictions on employee-employer cooperation and negotiation;
- eliminate federal oversight of the workplace, relying instead on the combination of tort law, workers' compensation programs, and market incentives to promote safety;
- merge statistical operations of the Department of Labor with the Census Bureau; and
- close down the Labor Department, shifting any remaining functions to a revamped National Labor Relations Board.

The federal government was originally conceived as an institution with limited, enumerated powers. However, over time, interest groups and politicians have cooperated in vastly expanding federal powers. The result is a growing Leviathan with a bloated bureaucracy of some 14 cabinet departments and 3 million federal employees. Indeed, raising agencies to cabinet level has become a favorite tactic for conferring political status upon influential interest groups, such as business and labor.

The Departments of Commerce and Labor are essentially payoffs to two major interest groups—businesses and labor unions. The Bureau of Labor was established in 1884, from which sprang the Department of Commerce and Labor in 1903, which was split into two separate departments a decade later. Neither reflects an appropriate use of federal power.

Department of Commerce

The Commerce Department has rightly become a symbol of corporate welfare—federal subsidies for business. Among the most egregious are the Economic Development Administration and the Advanced Technology Program. EDA is an old congressional standby, through which Congress funnels money to businesses and localities in the name of promoting economic growth in distressed areas. Yet 80 percent of the country is eligible for agency subsidies, and major retailers and hoteliers have been prime EDA beneficiaries. EDA loans have proved to be about the worst paper available: of $471 million loaned during the 1970s, only $60 million has been recovered. The agency has sought congressional approval to sell off some of its bad loans for less than a dime on the dollar.

ATP, one of the fastest growing Commerce Department programs, represents corporate welfare reinvented. ATP is supposed to promote new technological developments, as if potential sales in a $6 trillion domestic economy alone did not provide corporate America with sufficient incentive to invest in promising new technologies. The United States has been the global leader in pharmaceuticals, for instance, without government handouts. This nation also dominates the computer and software industries and has played a leading role in the information age without needing assistance from Washington.

In contrast, government has demonstrated a remarkable ability to choose losers over winners. From the old Supersonic Transport to high-definition television, U.S. politicians backed losing technologies. In fact, American firms have leapfrogged French and Japanese efforts to create HDTV, leaving those nations with billion dollar bills for useless government research.

Moreover, ATP transfers provide a Who's Who in corporate welfare—BP Chemicals, Caterpillar Inc., DuPont Fibers, IBM, Texas Instruments, 3M, Xerox, and more. All received millions of dollars toward the development of products that they already had an incentive to produce. Such transfers would be unjustified were Uncle Sam flush with cash; they are scandalous at a time when Washington is running $150 billion annual deficits.

Independent bureaucracies like the Export-Import Bank, the Overseas Private Investment Corporation, and the Small Business Administration play much the same role but without even a pretense of promoting new, improved technologies. Instead, those programs underwrite American business doing what all businesses do—borrowing, investing, and trading.

Also deserving elimination are the Commerce Department's protectionist trade activities, administered by the International Trade Administration and the independent International Trade Commission. Tariffs are nothing but taxes on American consumers that enrich domestic producers and reduce the competitiveness of U.S. exporters. The anti-dumping laws, though promulgated with the rhetoric of fairness, are barely disguised protectionism—economically unsustainable regulations twisted to the advantage of domestic producers.

Like so many other federal agencies, the Commerce Department also promotes a racial spoils system. For instance, the Minority Business Development Agency uses taxes collected from all citizens to serve a small percentage of minority-owned businesses. Amazingly, in past years the agency has even given grants for "decreasing minority dependence on government programs." The best way to reduce such dependence would be to kill the agency, while improving the overall business climate through lower taxes and less regulation.

In recent years, the Commerce Department has become a symbol of something besides corporate welfare—political fundraising. Presidential campaign managers used to become postmasters general, in which position they hired campaign workers across the country for postal jobs. Now they become secretaries of commerce and work—organizing trade junkets, for instance—with all the party's funders. In the past eight years, the secretaries of commerce have included the finance chairman of President Bush's campaign, the chairman of the Democratic National Committee, and the chairman of President Clinton's campaign.

When he moved from the DNC to the Commerce Department, Ronald H. Brown took with him several campaign fundraisers, including T. S. Chung, Melinda Yee, and Melissa Moss. It's remarkable that so many people had skills that were useful both in political fundraising and in managing the weather service and the Census Bureau. Brown's most celebrated hire, who made the reverse trip from Commerce to the DNC, was John Huang. Huang's duties at Commerce seem to be shrouded in mystery, but they enabled him to raise an impressive $2.5 million for the DNC within a year after leaving his government job. Of course, that total should be reduced by the amount that had to be given back to the donors—$725,000 at this writing.

Although the Commerce Department has become a taxpayer-funded sinecure for political fundraisers, the National Oceanic and Atmospheric Administration and the National Institute of Standards and Technology do provide some valuable services, such as weather forecasting. However, the private sector is capable of handling such tasks. Privatization could be achieved either directly or through a more gradual process beginning with contracting out.

The Census Bureau must keep track of population movements for the fair apportionment of Congress, but sophisticated statistical analysis obviates the need for the traditional decennial head count, and there is no justification for many of the agency's intrusive questions, which serve illicit political purposes (apportioning grants along ethnic and racial lines) or business goals (de facto marketing research for which companies should pay).

Department of Labor

Congress should be equally tough with the Labor Department. The agency's training programs have, in the main, proved to be abject failures. Scores of government efforts have had only minimal success in providing workers with more remunerative and permanent work. Whatever training Washington wishes to provide should be contracted out to private firms with appropriate incentives to ensure more positive results before payment.

Unemployment insurance discourages not only work but also private savings to cushion a period of joblessness. The program should be left with the states, which could decide if they wanted to create a substitute, experiment with different approaches (such as granting funds only after a period of unemployment during which workers would have to rely on their own resources, or offering a lump sum option to encourage recipients to consider furthering their education or creating a small business), or dispense with the program altogether. One of the virtues of federalism is allowing different communities to handle problems like unemployment differently.

Congress should also roll back federal regulation of the labor market. The minimum wage destroys jobs, since it prices out of work anyone who lacks sufficient education, experience, and skills to earn the minimum. Were that not the case, the government could make everyone rich by imposing a minimum of $100 or $1,000 an hour. Similar in effect is the Davis-Bacon Act, which requires the payment of union scale wages on federally funded construction projects.

Restrictions on overtime and other terms of employment are equally misguided. Employees and employers should be free to bargain over the terms of employment. Different workers are likely to prefer different packages of benefits; there is no reason for Washington to decide, say, the right overtime pay rate.

Similarly, the government should not be in the business of promoting labor unions or aiding corporations. Early in its history Washington favored the latter; more recently it has leaned toward the former. But, again, federal regulation, though justified as helping working people, actually interferes with the right of employees to choose the working conditions that they prefer. At the same time, restrictive regulations bar workplace flexibility—which benefits employees and employers alike—and penalize blameless companies for transgressing rules designed to give organized labor an unfair boost in representation elections. Among the reforms that are necessary are measures ending exclusive representation by one union, restrictions on labor-management cooperation, and the requirement that firms hire union organizers as employees.

Congress should also dismantle the Occupational Safety and Health Administration. Despite imposing annual costs estimated to run between $11 billion and $34 billion on the economy (the agency's nitpicking regulation is legendary), OSHA has not improved U.S. workplace safety. The rate of employee fatalities has been falling for six decades and is affected more by workers' compensation laws and tort litigation man by OSHA. (After all, it is not good business for companies to end up with dead or injured workers.) At the same time, there has been little drop in workplace injuries since the creation of OSHA. The most realistic assessment of the maximum benefit of OSHA regulation is about $4 billion, which falls somewhere between one-third and one-ninth of the cost imposed by the agency on the U.S. economy. Repeal, not reform, is warranted, leaving workplace safety constrained by a variety of more cost-effective mechanisms, including state workers' compensation statutes, private lawsuits, and market pressure.

Necessary tasks performed by the Department of Labor, such as collecting statistics and figuring the rate of inflation (Bureau of Labor Statistics), could be transferred to an independent Census Bureau. Oversight of private pensions (Pension Benefit Guarantee Corporation, a quasi-independent body) could be shifted to the Department of the Treasury, with the agency stripped of its role as guarantor—which poses multi-billion-dollar liabilities for taxpayers—and focused instead on ensuring that private companies fulfill their contracts with former employees.

The federal government has grown dramatically and inexorably because politicians desiring to expand their power have joined with interest groups desiring to benefit from that expansion of political power. Both the Commerce and Labor Departments are examples of government bureaucracies—amalgams of special-interest subsidies, officious government interference, and a few legitimate tasks—that should not exist. Congress should act accordingly.

Suggested Readings

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