12. Department of Commerce

Congress should close the Department of Commerce and, in particular,

- make the Bureau of the Census a small, independent agency;
- restrict the census to enumerating the population, make answering other census questions voluntary, bar statistical sampling, and scrub the planned annual American Community Survey;
- make the Patent and Trademark Office a small, independent agency or self-financing government corporation;
- eliminate programs that inhibit or subsidize trade;
- end all Commerce Department corporate subsidies and wealth transfer programs, including the Economic Development Administration, the Minority Business Development Administration, and the Technology Administration;
- eliminate the National Telecommunications and Information Administration; and
- phase out the functions of the National Oceanic and Atmospheric Administration, allowing them to be supplied by the private sector.

The Commerce Department, with 1999 expenditures of $5.46 billion, is a hodgepodge of programs that transfer taxpayers' dollars to special interests. Given its corporate pork flavor, it is hardly surprising that the department's late secretary Ron Brown made extensive trade junkets and promoted exports for companies whose executives were big contributors to the Democratic Party. Most of the department's operations should be discontinued as a way of cutting both bipartisan corporate welfare and political corruption. But Congress should not create the illusion of eliminating the department by transferring most of its operations to other departments or agencies while leaving those operations relatively intact. Most of the operations of the Department of Commerce are wasteful or not valid government functions and should be eliminated completely.

What to Keep

The Bureau of the Census

Article I, section 2, of the Constitution authorizes a census to enumerate the population of the country every 10 years in order to determine the distribution of members of Congress. But the long form of the 2000 census contained 54 questions and was sent to one in six, or about 20 million, households. Citizens were asked for a detailed breakdown of their income (question nos. 31–32), how they get to work (no. 23), when they leave and how long their trips take (no. 24). They were asked about their employment (nos. 25–30) and how much they pay annually for electricity, gas, water, sewers, oil, and coal (no. 45). Thus it is no surprise that the 2000 census cost more than $4 billion to conduct. Straightforward head counting took a back seat to other, unconstitutional aims.

Such aims were on display on the cover of the census form that told citizens that filling it out "helps your community get what it needs." Census Bureau TV commercials showed crowded schools with promises of more federal education funds and a waitress forced to take her child to work with promises of money for daycare. Most census questions are mandated by Congress because the federal government needs the information as a base from which to redistribute wealth or limit liberty in the name of a "good society." The census also is a form of corporate pork that provides market survey information to businesses at taxpayers' expense.

But Americans have become increasingly concerned with government intrusions on their privacy. Thus millions of citizens refused to respond to census questions that they rightly regarded as none of the government's business. Concerns about government spying were borne out by census takers who sought from neighbors personal information about individuals who refused to answer all census questions, or who demanded from rental offices access to the confidential records of apartment tenants. Citizens were also incensed when told they could be fined for declining to reveal personal information to the government. Several court cases challenged those penalties.

In the name of accuracy, the Census Bureau proposed to use statistical sampling to "adjust" the counts. The Supreme Court ruled that approach unconstitutional for the purposes of assigning electoral votes to the states.

Now the administration wants to use such sampling to adjust census numbers for other government uses. But a September 30, 1999, report by the U.S. congressional members of the Census Monitoring Board found gross discrepancies when 1990 census numbers were adjusted using a proposed administration statistical model and then compared to the Census Bureau's own 1990 postenumeration survey. That survey involved intensive follow-up counting to check the accuracy of the original count. Thus proposed sampling seems to be simply another way for the government to distort information.

Further, the Census Bureau is planning to replace the long form with the American Community Survey, an annual rolling survey of 2 million to 3 million homes. This is no improvement. It means the government will be on a never-ending quest for information about citizens. One piece of legislation in the 106th Congress, H.R. 4188, introduced by Rep. Mac Collins (R-Ga.), would have made answering all but the enumeration questions voluntary. Such a move would be the minimum needed to protect individual privacy. Better still would be to eliminate all census questions other than those needed to enumerate citizens, and to scrub plans for an American Community Survey. The stripped-down census office could then be made into a small, independent agency.

The Patent and Trademark Office

Article I, section 8, of the Constitution grants the federal government authority to register and protect patents. Protection of intellectual property is crucial for a free-market system in which "knowledge" products such as computer software are becoming more important than traditional, manufactured goods. Registration and other user fees charged to patent filers and holders finance patent office operations. Since 1990 the number of patents issued annually has grown by 71 percent, with a record 169,808 issued in 1999. The average time that elapses between an inventor's submission of a proposed invention to the Patent Office and that office's notification of him or her that the patent is approved or that revisions to the application are necessary is about 16 months. Inventors understandably want a faster approval process.

Unfortunately, in fiscal years 1998 and 1999 the Clinton administration and Congress diverted funds both from a user surcharge and from normal user fees to purposes other than patent protection. When the surcharge expired, the administration sought an increase in normal fees. Fortunately, Congress barred such an increase.

User fees are supposed to be spent to process patent applications. They are not petty cash for politicians to use for other purposes. If the Patent Office takes in more in fees than it spends, one of two things should occur. Either the Patent Office should cut fees assessed users, or it should be allowed to spend the funds to streamline the patent process to cut down on approval delays.

The Patent Office should at least be spun off from Commerce as an independent agency. It is even worth exploring the idea of making the Patent Office into a self-financing, independent government corporation. Both of those approaches could insulate the office from future raids on its fees.

What to Eliminate

Most of the offices and functions of the Commerce Department should be eliminated immediately or phased out. It is important to actually shut down offices, not just perform a legislative sleight-of-hand, retaining most of the department's activities and functions by transferring them piecemeal to other departments and perhaps cutting back on some overhead.

The offices to be closed and the functions to be eliminated should include the following:

Export Subsidies and Trade Restrictions

The federal government performs three distinct trade functions. The first is removing foreign trade barriers, which is the principal job of the U.S. Trade Representative's (USTR's) office. The second is promoting trade through various handouts to businesses, export subsidies, trade shows, and other forms of corporate pork. The Commerce Department's International Trade Administration (ITA), with a fiscal year 2000 budget of $300 million, performs some of those functions, as do the Export-Import Bank and the Overseas Private Investment Corporation. This second function and its associated agencies should be eliminated.

The third function is restricting trade. Tariff barriers are administered by the U.S. Customs Service. Other import restrictions are handled by the Commerce Department, while antidumping and other trade laws are handled both by the ITA and the International Trade Commission.

Import restrictions are protectionist measures that limit consumer choices and push up prices in order to help privileged American enterprises. All such restrictions should be eliminated.

If these functions are retained, the Commerce Department offices that administer them should be transferred to the Department of the Treasury where most were located until 1980. It would be a mistake to follow the advice of those who would fold Commerce's trade functions into the USTR. Having the same agency both negotiate market openings with other countries and administer America's many trade restrictions would pose a clear conflict of interest. Placing all trade functions in one agency would make that agency an easier target for American protectionists to influence. The result of combining trade protectionist and liberalization functions in one agency would be to seriously undermine the country's ability to negotiate future market openings.

Economic Development Administration (EDA)

This office, which was projected to spend $413 million in 2000, should be eliminated. This 1965 Great Society welfare program was meant to generate jobs in poorer parts of the country. But by some calculations, EDA's definition of "poor" would qualify 90 percent of this prosperous country for its handouts. This office simply dumps taxpayers' dollars into wasteful public works and other projects.

After nearly four decades, there is no indication that the EDA effectively creates jobs, and it certainly is not needed in a rapidly expanding economy. Employment problems in poorer, inner-city areas have little to do with lack of government funds. Government tax and regulatory policies, the poor quality of government schools, lack of school choice, crime, and other factors are far more important. Further, EDA is fiscally irresponsible. Only $60 million of the $471 million in loans it made in the 1970s was ever paid back. This program should be zeroed out.

Minority Business Development Agency (MBDA)

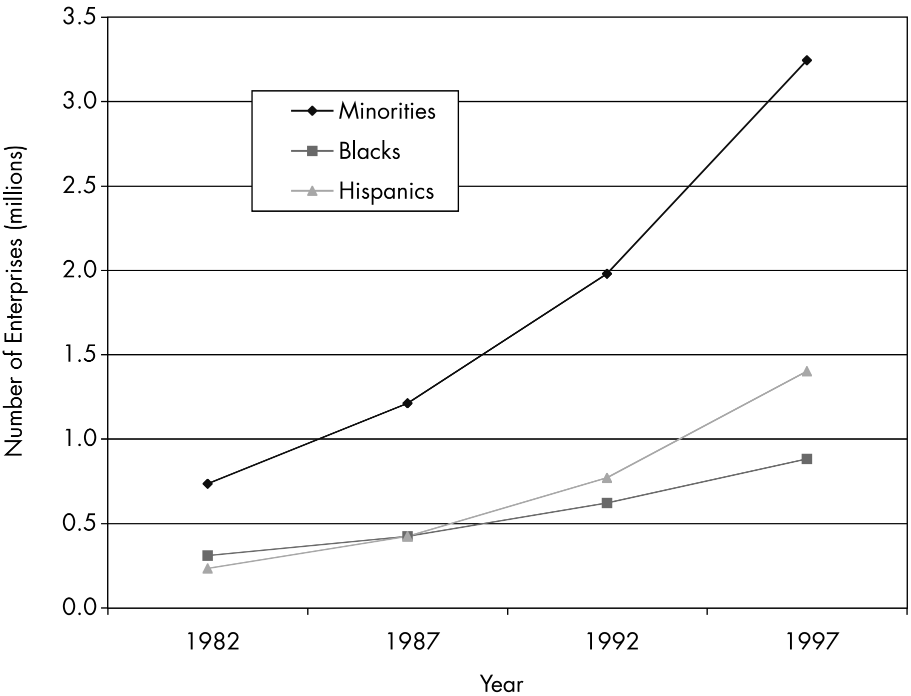
This agency should be eliminated. Established in 1969, it provides information on establishing businesses and assistance in securing financing. But this agency, with an estimated 2000 budget of $26 million, does little to help minority businesses. In any case, the government should not distribute race-based preferential aid. Further, the program duplicates activities of the Small Business Administration and of private business groups.

The number of minority businesses tends to increase during strong economic times without government handouts. For example, the total number of minority-owned enterprises grew from 736,064 in 1982, to 1,211,017 in 1987, to 1,979,056 in 1992, to 3,245,127 in 1997, a 341 percent increase during that period (Figure 12.1). The number of individuals employed by minority-owned enterprises rose during that period from 445,840 to 3.87 million, an impressive 768 percent increase. Receipts of those enterprises surged from $34.2 million annually to $494.7 million, an impressive 1,346 percent jump.

The number of black-owned enterprises grew from 308,260 in 1982, to 424,165 in 1987, to 620,912 in 1992, to 881,646 in 1997, a 186 percent rise. The number of enterprises owned by Hispanics soared 499 percent from 1982 to 1997.

There is no evidence and it strains credulity to suggest that the approximately $30 million spent each year by the MBDA had anything to do with this progress. Rather, the growth tracks well with other economic indicators. For example, real gross domestic product grew from $4.6 trillion in 1982 to $7.67 trillion in 1997. The total number of employees in the United States grew from 99.5 million in 1982 to 129.6 million during that period. A strong economy is more important to the growth of small businesses, minority owned or otherwise, than is government aid.

Figure 12.1
Minority Business Growth



The most severe burdens on small enterprises are imposed by federal, state, and local governments. An annual survey by the National Federation of Independent Business always documents this fact. The 2000 survey, for example, ranked federal taxes as the second most serious problem faced by small businesses, unreasonable government regulations as the fourth, Social Security taxes as the fifth, state taxes on business income as the sixth, workers' compensation costs as the seventh, and federal paperwork as the eighth. The top-ranked problem was the cost of health insurance. Those costs are high because of federal controls on the health care market, which stifle competition, and state government mandates.

If Congress wishes to help all small businesses, it should eliminate the MBDA and reduce or eliminate business taxes and unnecessary regulations.

National Telecommunications and Information Administration (NTIA)

NTIA was created by a Carter administration executive order. Its stated purpose is to be the executive branch's principal voice on domestic and international telecommunications and information technology issues. Its two official functions are to manage government-owned spectrum, most of which should be auctioned to the private sector, and to provide advice and expertise within the executive branch on domestic and international telecommunications policy.

But what the NTIA *actually* does is to duplicate the functions of the Federal Communications Commission. The FCC is an independent U.S. government agency charged with regulating interstate and international radio, television, wire, satellite, and cable communications and most other new communications technologies as they emerge. Both the NTIA and the FCC have offices concerned with developing new technology and offices to analyze and develop telecommunications policy—an obvious waste. Further, the executive branch has substantial influence over FCC policy. For example, the president appoints the FCC chairman. The executive branch does not need a shadow FCC. Given its duplicative nature, the NTIA should be eliminated, either by executive order or by congressional action, and any necessary, residual functions should be transferred to the FCC.

National Oceanic and Atmospheric Administration (NOAA)

Nearly half of the Commerce Department's budget, an estimated $2.4 billion in 2000, is spent by NOAA. That agency's best-known function is operating the National Weather Service. But most NOAA services can be provided by private companies.

For example, the National Ocean Service supplies mapping, charting, and surveys of land and coastal environments. The National Environmental Satellite Data and Information Service provides information and data on natural resources and the environment. The Geodetic Survey and the Coast Zone Management Program offer aeronautical services. While NOAA agencies offer some of this information to the public free of charge, they charge for other data. Such sales show that there is a market for such information, and private companies in fact already use satellites, planes, and other equipment to provide a wide variety of remote sensing, mapping, and charting services. This market would be even more dynamic if the government were not unfairly competing. Satellite and space-launch companies especially might see increased business.

Most of NOAA's activities can be eliminated immediately and associated assets and equipment sold off to private bidders. Since weather monitoring and forecasting can be performed by private-sector providers, the National Weather Service should also be privatized. A transition plan might be necessary to back the government out of the weather business.

The Technology Administration

The Technology Administration consists of three agencies: the Office of Technology Policy (OTP), the National Technical Information Service (NTIS), and the National Institute of Standards and Technology (NIST). Those agencies are at the center of the federal government's national industrial policy. Supporters of this policy claim that, without government planning, promotion, and direct financial support, America would cease to be at the cutting edge of industry and technology. The sheer effrontery of such claims is surpassed only by the mountain of evidence refuting them.

The private sector, not government planners and handouts, is the principal engine of this country's technological progress. The vast majority of the entrepreneurs who made America's communications and information revolution received no government assistance. Most Americans know how Steve Jobs and a few friends started Apple Computer in a garage, sparking the personal computer revolution. Most know how Bill Gates and a few friends, starting 25 years ago, revolutionized computer software. Their company, Microsoft, now is valued at nearly half a trillion dollars and has annual sales of more than $20 billion. It is ironic that a government that claims to be friendly to technology is trying to destroy one of the outstanding architects of the new economy.

Federal bureaucrats and political appointees have no unique abilities for picking winning companies and technologies. They work in rule-bound organizations, insulated from market forces, and depend on political largesse for their existence. Put bluntly, if they had entrepreneurial vision, they would actually produce new products for which consumers would clamor. They would put their own money, not taxpayers' dollars, where their mouths are.

The federal government's industrial policy record is abysmal. For example, in the 1960s the Supersonic Transport (SST) plane was considered a "crucial" commercial technology and gobbled up $920 million in taxpayer dollars. The result: Congress put the project out of its misery in 1973. The benefit to the public: None. And the planes subsidized by the British and French governments have been commercially unsuccessful.

In the late 1980s American businesses lobbied for $1.2 billion in federal subsidies to develop high-definition television (HDTV), pointing out that the French and Japanese governments were both giving their enterprises about $1 billion for such development. After wasting $200 million, the Bush administration pulled the plug on funding. The result: American firms had to work smarter. They invented a fully digital system that made the Japanese and European analog systems obsolete before they even went into production.

The federal government does a poor job at industrial planning, a function not authorized by the Constitution. There is good reason to eliminate the Technology Office with all of its component agencies.

Office of Technology Policy. OTP's mission is to develop and advocate national policies on technology and to promote so-called public-private partnerships and cooperation. Such arrangements further politicize an already overly politicized economy. The OTP's Partnerships for a Competitive Economy program, for example, is supposed to provide forums in which businesses, academia, state and local governments, and the general public "can build consensus around policy areas as diverse as regulatory reform, capital formation, and the need for a national technology infrastructure." But the government is the economy's major impediment, and the best response is for the federal government to stop overtaxing, regulating, and directing the economy.

National Technical Information Service. NTIS is the largest central source of government-funded scientific, technical, engineering, and business-related information. Of course, the government should not be funding the plethora of projects that it does, and there is no reason that the federal government, as opposed to private parties, should collect and distribute such information. It is interesting that in recent years there have been controversies concerning federal agencies that base policies on scientific studies that they fund; the agencies claim that the underlying data for those studies cannot be made available to the public because the private-sector researchers have proprietary rights to the data. In October 1998, Congress passed, and the president signed, Public Law 105-277, known as the Shelby Amendment. The law requires that researchers funded by the federal government in most cases make their data available to the public.

Supporters will maintain that NTIS stands for open access to data, but the issue is government control of information. It is best that the government not be the agent distributing information.

National Institute of Standards and Technology. NIST's stated goal is to work with industry to develop and apply technology, measurements, and standards.

Industrial technical standards, however, are generally developed by the private sector. Recent examples are personal computers, software, and the Internet, which must function together and do so, not because of government coordination, but because the only way those industries can profit is to make sure their systems and services are compatible.

NIST runs the Advanced Technology Program (ATP) and the Manufacturing Extension Partnership (MEP). Those programs hand out money to private companies in the name of advancing technology. While the House has often tried to zero out the programs, the Senate, with strong backing from the Clinton administration, has always restored them. ATP expenditures in 1994 were $79.48 million. Funding reached $431 million in 1995. Under pressure from Congress, spending was held to $190 million in 1999. MEP expenditures grew from $35.08 million in 1994 to $128 million in 1999.

Those expenditures are examples of unneeded corporate welfare, wasted in a market that already produces world-class technology. Although many companies are willing to take those handouts, it is important to understand that the funds are used for projects that those firms would fund without government handouts or for projects that are the least important to those companies. Businesses that invest in new, promising technologies have limited funds that they allocate to the projects with the best prospects. If the government hands a company money, it will be able to fund projects that were formerly rejected.

Private firms invest billions of dollars in every kind of new technology. (It costs about $400 million and eight years for a pharmaceutical company to bring a new product to market.) There is no indication that ATP or MEP adds any net value to the economy.

It is also clear that those funds go to well-off companies with large research budgets. For example, in the past two years ATP has made grants to General Electric, Motorola, and Dow Chemical. Those are hardly new, poverty-stricken, desperately struggling businesses that cannot fend for themselves without ATP corporate welfare. The accompanying list of large corporations receiving funds suggests that political influence plays a part in distributing largesse, which is further reason for eliminating ATP and MEP.

Recent ATP Grants

- General Electric, with 1999 sales of $110 billion, as the lead contractor, received $3.13 million for combination methodology for coatings development, $2.25 million as the lead contractor for bulk GaN homoepitaxical device manufacturing, and $1.52 million for improving digital TV broadcast reception.
- Motorola, with sales of $30.9 billion in 1999, received $4.19 million to develop a microfluidics device for diagnosis of nosocomial agents and $4.19 million for wafer-scale applied reworkable fluxing underfill for direct chip attach.
- Dow Chemical, with 1999 sales of $18.9 billion, received $8.56 million for ultra-low dielectric constant materials for integrated circuit interconnects.
- 3M Company, with sales of $15.7 billion in 1999, received $4.18 million for its DataPipe project.
- Xerox, with 1999 sales of $19.2 billion, received $6.91 million for micro-opto-electro-mechnical systems manufacturing.
- Lucent Technologies, with sales of $38.3 billion in 1999, received $1.27 million for development of lead-free solder electroplating technologies.
- Cargill, with 1999 sales of nearly $50 billion, received $3.75 million for development of solvent-compatible polymeric membranes systems for liquid separation.

SOURCE: Department of Commerce, National Institute of Standards and Technology, Advanced Technology Program, http://jazz.nist.gov/atpcf/prjbriefs/listmaker.cfm.

Conclusion

The Commerce Department has grown into a government mechanism for distributing taxpayers' dollars to a wide variety of special-interest groups. None of those handouts is authorized by the Constitution, and none has any legitimate policy justification. They are some of the most blatant forms of unnecessary corporate pork.

Most of the Commerce Department's operations should be shut down immediately. Functions that might require a short transition period should be zeroed out in the budget on dates certain. And the department's two legitimate functions, protecting patents and taking the census, should be spun off into small, independent agencies, with the Census Bureau limited to counting individuals, not violating their privacy.

Suggested Readings

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