

Shrinking Government Bureaucracy Rethinking the Department of Commerce

Free Market Reforms to Reevaluate Commerce's Mission and Stop Government Favoritism

By Iain Murray*

The Department of Commerce's mission statement is a charter for government interference in markets. It employs 47,000 people directly¹ and spends about \$8 billion annually² on its mission to promote "job creation and economic growth by ensuring fair and secure trade, providing the data necessary to support commerce, and fostering innovation by setting standards and conducting foundational research and development."³

In practice, this means the Department exists to reward businesses for following its favored policies. It provides bailouts, handouts, and the spoils of redistribution. In effect, the Department of Commerce is a boon to rent-seeking businesses. That alone should be reason for its elimination. Even taking the Department at its word, all of its tasks, as laid out in its mission statement, are things that happen on their own in the general functioning of markets. In addition, the Department's activities that may yield some public benefit can be parceled out to other agencies as per the following recommendations.

Break up the National Oceanic and Atmospheric Administration. The single biggest Department of Commerce agency outside of census years is the National Oceanic and Atmospheric Administration (NOAA), which houses the National Weather Service. NOAA soaks up \$5 billion of the Department's \$8 billion annual budget.⁴

NOAA is actually a strange hybrid of National Aeronautics and Space Administration (NASA) and the Environmental Protection Agency (EPA). Like the EPA, NOAA was created as part of President Nixon's department reorganization in 1970. Nixon said it was needed "for better protection of life and property from natural hazards ... for a better understanding of the total environment ... [and] for exploration and development leading to the intelligent use of our marine resources."⁵

NOAA today boasts that it is a provider of environmental information services, a provider of environmental stewardship services, and a leader in applied scientific research. Each of these functions could be provided privately, likely at lower cost and higher quality.

NOAA today consists of six main offices:

1. National Weather Service;
2. National Ocean Service;
3. Office of Oceanic Atmospheric Research;

* Iain Murray is Vice President for Strategy at the Competitive Enterprise Institute.

4. National Environmental Satellite Service;
5. National Marine Fisheries Service; and
6. Office of Marine and Aviation Operations.

Together, these form a colossal operation that has become one of the main drivers of the climate change alarm industry and as such has become harmful to future U.S. prosperity. Its mission's emphasis on prediction and management ("to understand and predict changes in climate, weather, oceans, and coasts, to share that knowledge and information with others, and to conserve and manage coastal and marine ecosystems and resources") seems designed around the fatal conceit of trying to plan the unplannable.⁶ That is not to say NOAA is useless, but its current organization corrupts the useful functions. It needs to be broken up.

Make the National Weather Service (NWS) an independent agency with a view to privatization. The National Weather Service should be spun off from the Department of Commerce with a view to eventual privatization. Every day, we rely on weather forecasts and warnings provided by local radio stations and colleges that are sourced not from the NWS, but from private companies such as AccuWeather. Repeated studies have found that the forecasts and warnings provided by the private companies are more reliable than those provided by the NWS.

In fact, those private weather services are the result of gradual privatization of the government's weather functions. In the past, the NWS provided radio bulletins and even wrote weather forecasts for local newspapers.⁷ It is not necessary for the NWS to do that today, especially as privatization has improved the quality of weather forecasts.

The most frequent argument we hear against privatization is that the NWS provides the data the private companies use, as if privatization would entail dismantling data-gathering services. Privatizing the NWS would not mean the end of data gathering. The goal of privatization is to improve services, not abolish them, by making them more responsive to change and innovation, while removing the burden for their upkeep from taxpayers, and placing it on customers. In a sense, the NWS is currently a taxpayer subsidy to AccuWeather, The Weather Channel, and others.

The NWS should be moved to a "trading fund" status, in the model of the United Kingdom's privatization. The NWS has a valuable product for which it should charge to cover its costs. With a budget of \$1 billion and an output of 1,500,000 forecasts and warnings annually, the service would only have to raise about \$600 per forecast to cover its costs.⁸ With multiple competing radio, TV and print outlets demanding its products, as well as companies like Amazon that rely on just-in-time delivery, the charge for a forecast would probably be small change for these operations, and no cost to the casual consumer. The taxpayer would be better off by \$1 billion a year.

Once the NWS achieves trading fund status, it should move toward full privatization. The service could be privatized as a single enterprise or broken up and sold to existing companies, startups, or shareholders through an IPO. All these arrangements have proved successful in multiple privatizations around the world. The exact form of privatization

would be decided as a result of the move to trading fund status, which would help identify the operation's profit and cost centers.

Privatizations generally lead to significant increases in investment and infrastructure spending, so the product we all rely on would be improved.

There will be few, if any national security implications. The armed services all have their own weather functions. Any security issues that arise can be addressed during the move to trading fund status. For example, there are some antiquated rules that prevent private operation of weather radar that can be revised with appropriate consideration for defense and air traffic control concerns.

Turn specialized centers like the National Hurricane Center and the National Environmental Satellite Service into charitable trusts. For organizations like the National Hurricane Center that perform highly specialized and valuable research, we suggest an alternative form of privatization that was used in the privatization of scientific organizations in the UK. One such agency, the Building Research Establishment (BRE), was privatized as a charitable trust, rather than as a for-profit body, and has become one of the world's leading research led consultancies providing expert advice on better buildings and related products and services.⁹ Certain industries, such as insurers, would have an interest in the success of such a body and would likely become major funders.

NOAA's other main weather-related function is the National Environmental Satellite Service, which operates several satellites and collects data from military and civilian services, both domestic and international. These civilian-operated satellites could easily be managed by private entities (many TV services around the world operate from satellites managed by private entities) and could be privatized as a company either owned by all the new weather companies combined or as a charitable trust.

The various data centers provide an academic function and are used by academics internationally. They would be more appropriately funded and run by academic bodies, and therefore should be transferred to universities. The prestige of housing such bodies should be attractive enough to universities to be able to secure funding to run them.

Transfer the National Ocean Service to the United States Coastguard and the U.S. Geological Survey. The National Ocean Service is largely a survey organization. Its various survey functions could be transferred to the U.S. Coast Guard and U.S. Geological Survey.

Privatize National Marine Sanctuaries or transfer them to their respective states. The National Marine Sanctuaries and other oceanic resources should be transferred to the states or privatized by sale, as they could earn significant income through recreation activities.

The National Marine Fisheries Service should organize the privatization of the nation's fisheries and bow out gracefully. As experience around the world shows, fisheries are managed best not by bureaucrats but by the fishermen who have a direct ownership stake in their long-term health. Where fisheries have been genuinely privatized, such as in New Zealand, with the fishermen's property rights guaranteed, fish stocks have rebounded along with fishermen's profits.¹⁰

Privatize the Office of Oceanic and Atmospheric Research. The Office of Oceanic and Atmospheric Research provides the theoretical science, as opposed to the applied science of the National Hurricane Center. It consists mainly of seven research laboratories, six undersea research centers, and several joint research institutes within universities. Where appropriate, these should be merged with their applied science counterparts and privatized as charitable trusts.

An example of a successful laboratory privatization is the Laboratory of the Government Chemist (LGC) in the UK. Before privatization, LGC had a topline revenue of £15 million (\$19.4 million) and a staff of 270.¹¹ Today it has revenue of £222 million (\$287 million) and a staff of 2,000.¹² It has successfully acquired several European laboratories and is a world leader in analytical chemistry. The environmental business is here to stay, thanks to consumer demand. There is no reason why environmental laboratories cannot be privatized.

Break up the Office of Marine and Aviation Operations and reassign its assets to other NOAA agencies during this process. The Office of Marine and Aviation Operations, which provides the ships and planes used by NOAA agencies, should be broken up and its assets reassigned to the various agencies.

Residual NOAA functions left over after this process can be transferred to the EPA or NASA if they are still felt appropriate and Congress is unwilling to terminate them.

Merge the Census Bureau with other statistics agencies such as the Bureau of Justice Statistics and the Bureau of Labor Statistics to create a National Statistical Agency and privatize as many of these agencies' functions as possible. The Census Bureau has a genuine constitutional role, but its current functions far exceed its constitutional requirements. The Bureau should concentrate on its mission of keeping track of the headcount for congressional apportionment and abandon its accumulated functions of asking more and more intrusive questions, which are normally used to redistribute wealth along demographic lines or provide market research to businesses free of charge.

The Census Bureau should be merged with the various federal statistical agencies, such as the Bureau of Economic Analysis, the Bureau of Justice Statistics, and the Bureau of Labor Statistics. Many of these provide important indicators such as the murder rate, unemployment levels, or inflation indices. Given that much of this data could be compiled and provided privately, privatization of these functions should be seriously considered.

Make the Patent and Trademark Office a performance-based organization under the Office of Management and Budget. The Patent and Trademark Office also has a valid constitutional function. In 2000, it became a performance-based organization. This categorization was introduced to improve the delivery of government services while providing good value to the taxpayer. The Office of Personnel Management recommends separating service operations from their policy components by placing them in separate performance-based organizations. These report to the agency or department head with whom they negotiate to set out the “goals, measures, relationships, flexibilities, and limitations for the organization.” In the absence of a Department of Commerce, it would need to be housed somewhere. All PBOs might be transferred to the Executive Office of the President, preferably as part of the Office of Management and Budget, which would negotiate and monitor the performance of these organizations.

Privatize the laboratories of the National Institute of Standards and Technology. The National Institute of Standards and Technology (NIST), which has a \$1 billion budget, consists mostly of research laboratories, which can be privatized along the lines described above.¹³ Where necessary, the privatized laboratories can retain statutory roles, which is common in privatized laboratories around the world. Notably, most countries’ representatives to the International System of Units, the metric system’s global governing body, are academics or even private individuals. These days, the American delegates are among the few bureaucrats.¹⁴

Abolish the International Trade Administration and transfer its remaining duties to the U.S. Trade Representative. Abolishing the International Trade Administration (ITA) would save taxpayers \$483 million a year. For the most part, the ITA organizes trade mission junkets, which benefit specific businesses and industries, and enforces antidumping regulations, which are a form of protectionism. Congress should abolish both of these functions. The ITA’s remaining functions, such as those related to enforcing international trade treaties, should be transferred to the office of the U.S. Trade Representative.

Abolish the Economic Development Administration and Minority Business Development Administration. Abolishing the Economic Development Administration (EDA) and the Minority Business Development Administration (MBDA) would save \$300 million. The EDA regularly wastes taxpayer money on hopeless projects. For example, the Cedar Rapids, Iowa, convention center, which the EDA is backing to the tune of \$35 million, is projected to lose \$1.3 million annually, according to the city’s own estimate. In another case, the EDA gave a \$2 million grant to a company that opened a new warehouse in Visalia, California, with the goal of creating 250 jobs. The firm took the grant and closed its existing warehouse in Brisbane, California, shedding 313 jobs in the process.¹⁵ The MBDA pursues similar projects.

Transfer the Bureau of Industry and Security to the U.S. Trade Representative’s office. The Bureau of Industry and Security is charged with several national security functions, such as enforcing export controls to prevent the spread of

weapons of mass destruction. Such functions would be better off housed at the office of the U.S. Trade Representative or the Department of Homeland Security.

Break up the National Telecommunications and Information Administration and transfer its management of assets to the General Services Administration and its auctioning of spectrum to the Federal Communications Commission. The National Telecommunications and Information Administration manages the federal use of the electromagnetic spectrum. Those functions should be transferred to the General Services Administration, while the auctioning of spectrum should go to the Federal Communications Commission. Others, like the grants for promoting children's educational television, should be abolished.

Notes

¹ Department of Commerce, "About Commerce," accessed July 17 2017, <https://www.commerce.gov/page/about-commerce>.

² Department of Commerce, "Statement from Secretary Ross on the President's Budget: A New Foundation for American Greatness," May 23 2017, <https://www.commerce.gov/news/press-releases/2017/05/statement-secretary-ross-presidents-budget-new-foundation-american>.

³ Department of Commerce, "About Commerce."

⁴ Department of Commerce, "FY 2018 Budget in Brief," p. 53, accessed July 17 2017, <http://www.osec.doc.gov/bmi/budget/FY18BIB/All508.pdf>.

⁵ Reorg. Plan No. 4 of 1970, 3 C.F.R. xx (1970), reprinted in 84 Stat. 2090-93 (1970), and in 35 Fed. Reg. 15627-30 (1970), and reprinted with amendments in 5 U.S.C. app. at 1557-61 (1994).

⁶ National Oceanic and Atmospheric Administration, "About Our Agency," accessed July 17 2017, <http://www.noaa.gov/about-our-agency>.

⁷ Don Hopey, "Panel says Weather Service still plays a key role," *Pittsburgh Post-Gazette*, January 21 2003, <http://old.post-gazette.com/nation/20030131forecastnat3p3.asp>.

⁸ Department of Commerce, "FY 2018 Budget in Brief."

⁹ BRE, "Our History," accessed July 17 2017, <https://www.bre.co.uk/history>.

¹⁰ Iain Murray and Roger Abbott, "Give a Man a Fish," *OnPoint* No.178, Competitive Enterprise Institute, May 17 2012, <https://cei.org/onpoint/give-man-fish>.

¹¹ Michael Walker, Department for Business Innovation and Skills, "Scientific Appeal to the Government Chemist," March 16 2016, <http://www.cieh.org/WorkArea/DownloadAsset.aspx?id=58987>.

¹² LGC Science Group Ltd., "Annual Report and Accounts," March 31 2015, <http://www.lgcgroup.com/LGCGroup/media/PDFs/AboutUs/OurResults/15-LGC-LGC-Science-Group-signed-accounts-31-03-2015.pdf>.

¹³ Department of Commerce, "FY 2018 Budget in Brief,"

¹⁴ Members of the International Committee for Weights and Measures, accessed July 17 2017, <http://www.bipm.org/en/committees/cipm/members-cipm.html>.

¹⁵ David Bier, "The Case for Abolishing the Economic Development Administration," *Issue Analysis* 2012 No. 6, Competitive Enterprise Institute, September 18 2012, <https://cei.org/issue-analysis/case-abolishing-economic-development-administration>.