

# THE HERITAGE LECTURES

536

Downsizing  
Government:  
Eliminate  
The Commerce  
Department

*By Senator Spencer Abraham*



The Heritage Foundation was established in 1973 as a non-partisan, tax-exempt policy research institute dedicated to the principles of free competitive enterprise, limited government, individual liberty, and a strong national defense. The Foundation's research and study programs are designed to make the voices of responsible conservatism heard in Washington, D.C., throughout the United States, and in the capitals of the world.

Heritage publishes its research in a variety of formats for the benefit of policy makers; the communications media; the academic, business, and financial communities; and the public at large. Over the past five years alone The Heritage Foundation has published some 1,500 books, monographs, and studies, ranging in size from the 927-page government blueprint, *Mandate for Leadership III: Policy Strategies for the 1990s*, to the more frequent "Critical Issues" monographs and the topical "Backgrounders," "Issue Bulletins," and "Talking Points" papers. Heritage's other regular publications include the *Business/Education Insider*, and *Policy Review*, a quarterly journal of analysis and opinion.

In addition to the printed word, Heritage regularly brings together national and international opinion leaders and policy makers to discuss issues and ideas in a continuing series of seminars, lectures, debates, briefings, and conferences.

Heritage is classified as a Section 501(c)(3) organization under the Internal Revenue Code of 1954, and is recognized as a publicly supported organization described in Section 509(a)(1) and 170(b)(1)(A)(vi) of the Code. Individuals, corporations, companies, associations, and foundations are eligible to support the work of The Heritage Foundation through tax-deductible gifts.

*Note: Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.*

**The Heritage Foundation**  
214 Massachusetts Avenue, N.E.  
Washington, D.C. 20002-4999  
U.S.A.  
202/546-4400

# Downsizing Government: Eliminate the Commerce Department

By Senator Spencer Abraham

As the Co-Chair of the Dole Task Force on Eliminating Government Agencies and the Senate sponsor of the Department of Commerce Dismantling Act, I am extremely pleased to have the opportunity this morning to discuss our efforts to eliminate the Commerce Department. I also want to take this opportunity to thank The Heritage Foundation for putting forward detailed proposals for eliminating several Cabinet departments; many of your suggestions have found their way into the four Cabinet elimination bills that the task force has developed.

In my mind, no issue better symbolizes the dramatic changes that have occurred since the November elections than the ongoing efforts to eliminate departments of the federal government. Just a year ago, members walking the halls of Congress were discussing the merits of making the Environmental Protection Agency a Cabinet-level department. Today, Morton Kondracke is predicting on “The McLaughlin Group” that, contrary to prevailing opinion, the Department of Commerce will not be eliminated this year. I don’t agree with his prediction, but I like his choice of topics.

Our task force was set up to examine ways to dismantle four Cabinet departments: Commerce, Energy, Housing and Urban Development, and Education. These four departments alone employ more than 74,000 bureaucrats and have combined budgets of \$70 billion—133 times more than the entire federal government spent at the turn of the century. We must target these departments if we are truly to restrain the growth of government, reduce the tax burden on American businesses and workers, and balance the budget.

The goal of our task force is not simply to “zero out” these Cabinet departments, but rather to examine rational approaches to consolidate, privatize, and/or devolve back to the states their functions. In our efforts, we adopted the following four principles as our guide:

- ① Those programs deemed unnecessary or wasteful are terminated;
- ② Those programs duplicative of other departments or agencies are consolidated;
- ③ Those programs that serve a valid purpose are transferred to more appropriate agencies; and
- ④ Those programs which can be better performed outside the government will be privatized.

By applying these guiding principles, our Cabinet proposals both reduce the federal spending on, and increase the effectiveness of the truly vital functions of, each department.

Now let me turn to our efforts to dismantle the Commerce Department—the only department slated for elimination in the congressional budget resolution. As former Commerce Secretary Mosbacher notes, the department is “nothing more than a hall closet where you throw in everything that you don’t know what to do with.” In my judgment, no other de-

---

Senator Abraham, a Republican, represents Michigan in the United States Senate.

He addressed a meeting of The Heritage Foundation’s Washington Policy Roundtable on July 26, 1995.

ISSN 0272-1155 © 1995 by The Heritage Foundation.

partment better symbolizes the waste and duplication prevalent in the federal government than Commerce.

First, many of the department's functions are either duplicated or outperformed by other government agencies and private industry. Its own Inspector General notes that the department has evolved into a "loose collection of more than 100 programs," while the GAO states that Commerce "faces the most complex web of divided authorities," sharing its "missions with at least 71 federal departments, agencies, and offices."

Second, its bureaucracy is bloated, its infrastructure is in disrepair, and more than 60 percent of its resources are dedicated to noncommercial activities. For example, almost 60 percent of the department's \$3.6 billion budget is consumed by the National Oceanic and Atmospheric Administration (NOAA)—the nation's weather and ocean mapping service.

Third, many of its programs are simply a waste of taxpayer dollars. A prime example is the notorious Economic Development Administration. At some point in its history, 40 percent of the EDA's loans were in default, while economic assistance grants were being distributed to such economically troubled areas as Key Biscayne, Florida. Even when it is effective, the EDA duplicates the efforts of numerous other programs in other departments.

Today's Department of Commerce cannot be "reinvented." Its problems can be solved only if it is dismantled. Using the four guiding principles I mentioned earlier, our Commerce legislation would do the following:

**First**, we would eliminate unnecessary, duplicative, and wasteful programs such as the EDA, the Minority Business Development Agency, the U.S. Travel and Tourism Administration, the Technology Administration, and the National Telecommunications and Information Administration.

**Second**, we would transfer the various functions of NOAA—which comprises the lion's share of the department's budget—to more appropriate agencies and departments, or to private institutions. For example, seafood inspection would be transferred to the Department of Agriculture, which already carries out most food inspection programs. Marine and estuarine sanctuary management would be transferred to the Interior Department, which already manages some fisheries.

**Third**, we would transfer many of the Commerce Department's trade programs to agencies where their functions may be better performed. Nineteen distinct federal agencies are charged with promoting U.S. exports, but only 8 percent of total federal spending on trade promotion is directed by Commerce. Secretary Ron Brown may argue that Commerce leads federal efforts at export promotion, but almost three-quarters of the export promotion funds go to the Department of Agriculture, not Commerce.

Unfortunately, the very traits that make Commerce a likely target for elimination—its hodgepodge of unrelated agencies—also make navigating its elimination through the legislative process extremely difficult. Commerce offers something for everyone, and our efforts have stepped on a lot of toes. In the end, however, I believe we will prevail for the simple reason that, while one can justify many of the programs under the Commerce umbrella, there is no justification for the umbrella itself. It's an accident of political evolution, not the product of sound policy.

For that reason, dismantling the department presents us with the unique opportunity to rationalize many of the functions currently under its jurisdiction, including those functions related to trade. Let me say at the outset that I am a big proponent of free and expanded

trade. During my campaign for the U.S. Senate, I endorsed the North American Free Trade Agreement, a politically difficult position to take coming from an industrial state like Michigan. In fact, I was the only candidate from either party to do so. Expanded trade does increase American jobs and living standards.

Clearly, establishing contacts and building trade relationships is important. But just how effective is the current structure of our federal trade programs? Opposition to dismantling Commerce comes from two sources—bureaucrats in the department who stand to lose their power and prestige, and certain portions of the business community who are concerned about our proposed reforms of the department’s trade functions. Their principal concern is that Commerce is essential to promoting American exports abroad. In fact, in testimony before a House committee the other day, Secretary Brown claimed that the Commerce Department is a “job creator” that builds the economy by increasing exports.

You might have heard the claim that trade advocacy and counseling efforts by the Commerce Department “returned \$10.41 to the federal Treasury for every dollar invested in export promotion.” According to the Department of Commerce, this number and others like it are based upon undefined estimates. As the Heritage Foundation’s Joe Cobb pointed out in testimony Monday before the House Commerce Committee, “estimate” means “made up.” Other economists agree. Robert Shapiro of the Progressive Policy Institute and former economic advisor to Bill Clinton argues that there is “no economics” to the notion that export promotion creates jobs. Shapiro states, “All you can do with them is increase jobs for companies with the clout to get the subsidy. But that’s at the expense of industries that don’t have the clout. You’re just shifting things around.”

None of this is to say that the federal government has no role in promoting international trade. My legislation begins the important process of consolidating our trade functions by transferring them to more appropriate agencies, thereby increasing their efficiency and effectiveness. As former Commerce official Wayne Berman points out, “You shouldn’t negotiate open markets in one department and then try to exploit those open markets in another department. It ought to be a focused, well coordinated effort.”

The Commerce Department Dismantling Act embraces this view by transferring over 70 percent of the International Trade Administration, including the Import Administration and the Foreign Commercial Service offices, to the USTR, creating one office where our trade agreements are negotiated and enforced. In addition, the legislation creates a series of Industry Advisory Boards composed of representatives from the private sector to provide advice to policymakers and to ensure that industry has a “voice” in any administration.

Another trade-related agency my bill affects is the Bureau of Export Administration. As it is currently situated, the Export Administration is criticized for two failings. According to the defense community, it does a poor job of analyzing risks and protecting U.S. security interests. Meanwhile, businesses criticize the Administration for being unresponsive to many requests by industry, often sitting on applications for extended periods of time instead of notifying the exporter of possible problems.

Given these criticisms, I see legislation to dismantle the Department of Commerce as an opportunity to make the Export Administration more responsive through two basic reforms: First, setting a time limit for granting export licenses and second, formalizing, either legislatively or through report language, the inter-agency process by which licensing concerns are raised. These two reforms would make the BXA a much more effective partner with businesses while protecting our national security.

In conclusion, let me say that the 104th Congress has a historic opportunity to stop the growth of government and move us toward the limited central government envisioned by our Founding Fathers. Given this opportunity, it would be a tragedy if one of the flagship efforts of the new leadership, the effort to eliminate the Department of Commerce, is defeated. It will be impossible, in my judgment, to successfully address the massive growth of government and balance the budget if we cannot even address dismantling this department and redesignating its core functions to other agencies. If we lack the will to do this, it will be virtually impossible to implement the reductions in social service programs that will be necessary to achieve balance.

My point is this: If we cannot dismantle the Department of Commerce simply because 8 percent of total federal spending on trade promotion must be spent by the department, then where can we cut spending? In my judgment, if we don't dismantle one of the least defensible Cabinet departments, then we won't make the tough decisions to limit spending for other sympathy-engendering spending programs.

In closing, I believe the goals of the Dole Task Force on Eliminating Government Agencies and those of American industry are the same—limited government, efficient regulation, low taxes. In that sense, the elimination of the Department of Commerce is more than just a symbol for eliminating government waste; it's a key step in downsizing government for the benefit of all Americans. I hope that we can work together to make the elimination of this department a reality.

◆ ◆ ◆