

## 12. Departments of Commerce and Labor

### ***Congress should***

- end all corporate subsidies, particularly those from the Commerce Department, the Economic Development Administration, the Advanced Technology Program, and such related independent agencies as the Export-Import Bank, the Overseas Private Investment Corporation, and the Small Business Administration;
- eliminate trade programs that inhibit trade;
- end programs that promote ethnic and racial quotas, particularly the Minority Business Development Agency;
- privatize worthwhile activities that need not be conducted by government;
- close the Department of Commerce and shift legitimate functions, particularly the Census Bureau and Patent Office, to a small independent agency;
- deregulate labor relations and limit federal intervention to enforcing contracts and combating violence;
- eliminate the National Labor Relations Board and transfer oversight of labor disputes to the Justice Department;
- enforce the *Beck* decision's guarantees against union misuse of workers' dues for political activities the workers oppose;
- eliminate wage and hour regulation;
- terminate workplace regulation and close OSHA;
- end job-training programs; and
- dismantle the Department of Labor, shifting statistical programs to an independent Census Bureau and transferring private pension oversight to the Justice Department.

The federal government began as an institution with limited, enumerated powers. However, as politicians have expanded federal authority, they

have created an ever-larger bureaucracy to match. Interest groups have come to view the creation of a cabinet department as a sign of status. Two of the worst special-interest agencies are the Departments of Commerce and Labor.

Those departments are largely vehicles through which both parties reward politically influential interest groups—business and labor. 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 has any legitimate federal role.

### ***Department of Commerce***

Although the Department of Commerce is cheap in federal terms—it spent “only” \$4.2 billion in fiscal year 1998—it is perhaps the worst example of political pork. Abuse of the department is epitomized by the late Ron Brown’s trade junkets and the use of the federal government to promote exports by companies whose executives contributed generously to Democratic candidates. Indeed, the department is stuffed with corporate welfare—that is, subsidies for business.

Examples include the Economic Development Administration (EDA), through which Congress funnels money to businesses and localities in the name of promoting economic growth in distressed areas. Despite ongoing prosperity, 90 percent of the country is eligible for agency subsidies; leading retailers and hoteliers, usually not noted for their poverty, have been prime EDA beneficiaries. Yet EDA has turned into a fiscal black hole: only \$60 million of \$471 million loaned during the 1970s has been repaid. The agency ended up seeking congressional approval to sell off some loans for less than a dime on the dollar.

Another boondoggle is the Advanced Technology Program (ATP). One of the Commerce Department’s fastest growing programs, ATP subsidizes new technological development. That’s a worthwhile goal, of course, but presumably an \$8 trillion domestic economy backed by an even larger international market should offer U.S. business sufficient incentive to invest in promising new technologies. Without federal handouts, American firms have come to dominate the aerospace, computer, pharmaceutical, and software industries, among many others.

The ATP is also a bad idea because of the government’s almost unerring ability to choose losers over winners. Washington routinely uses trade barriers to protect economically inefficient but politically potent sunset firms. From the old supersonic transport to high-definition television, U.S.

politicians have pushed to subsidize losing technologies. It was American firms using their own research funds that leapfrogged French and Japanese enterprises backed by government subsidies to create HDTV.

In short, the ATP enhances corporate profits, not U.S. prosperity. A *Who's Who* of corporate America—BP Chemicals, Caterpillar Inc., DuPont Fibers, General Motors, IBM, Texas Instruments, 3M, Xerox, and more—has received millions of dollars for the development of products that they already had an incentive to produce. Such transfers are a particularly outrageous misuse of the earnings of Americans suffering under record-high tax levels.

At least programs like the ATP make a pretense of encouraging new processes, products, and technologies that are supposed to spur economic growth. Other Commerce Department and related programs simply transfer taxpayer wealth to companies to pay them to do what they have always done. Although private entrepreneurs have been forming small businesses, exporting goods and services, and investing abroad for more than two centuries, the federal government subsidizes the same activities through independent entities like the Small Business Administration, the Export-Import Bank, and the Overseas Private Investment Corporation.

Even today the vast majority of companies prospers without federal aid—just a half percent of all exports receive backing from the Ex-Im Bank, for instance. Such subsidies impoverish the many for the benefit of the lucky, or well-connected, few.

Similar in intent though different in operation is the federal trade bureaucracy, which enriches special interests by restricting foreign competition as well as by subsidizing domestic companies. The Commerce Department hosts the protectionist International Trade Administration, while the International Trade Commission operates independently. (There are a score of other, smaller programs that deal with trade issues scattered throughout a number of federal departments.)

Congress has imposed a range of trade restrictions, from quotas, which limit the quantity of allowable imports, to tariffs, which tax American consumers. Legislators have also vested discretion in the ITC to enforce the so-called antidumping laws. Supposedly intended to maintain a “level playing field” for domestic manufacturers, those penalties are routinely twisted to enrich influential American producers at the expense of consumers.

The Commerce Department is also a cog in the federal racial spoils system. The Minority Business Development Agency (MBDA) spends

taxes collected from all Americans to subsidize enterprises on the basis of the color and influence of their owners. Without a shred of embarrassment, the agency has given grants for “decreasing minority dependence on government programs.” Even more incredibly, 7 of 10 recipients of contracts through the Small Business Administration set-aside program, which is promoted by the MBDA, are millionaires. A better strategy would be to end not only the MBDA but the entire department, while reducing taxes on and regulation of all businesses.

Not everything done by Commerce is without purpose. The National Oceanic and Atmospheric Administration, the National Weather Service, and the National Institute of Standards and Technology conduct research, forecast weather, and set technology standards. However, most of those functions could be contracted out and eventually turned over entirely to private firms. (There are, for instance, at least 300 companies involved in commercial weather forecasting.)

Population changes must be tracked to apportion Congress, but a much smaller independent agency could use advanced statistical analysis in place of the traditional decennial head count. Congress should ban federal prying—demands for ethnic and racial information, which promotes discrimination by government, as well as commercial information for which companies would otherwise have to pay.

### ***Department of Labor***

The Department of Labor has no more valid purpose than does Commerce. The government should not be aiding labor unions any more than it should be promoting businesses. Once Uncle Sam allied himself with the latter, but this century he has, particularly at the behest of the Labor Department, tilted toward the former.

Congress should repeal the laws underlying the department’s panoply of regulations of employer-employee relations. The mandate to hire union organizers as employees (“salting”), restrictions on labor-management cooperation (which inhibit workplace flexibility), and the requirement for exclusive representation by one union should all be ended. Congress should abolish the National Labor Relations Board and shift responsibility for monitoring the fairness of representation elections to the Department of Justice. The government should rewrite the rules in order to become a neutral arbiter rather than a biased partisan.

Although government support for organized labor has been promoted as helping working people, most employees would be better off if they

could freely choose their representatives and working conditions. A freer market would redound to the benefit of everyone except the Big Labor bureaucracies.

As long as labor unions benefit from government protection, the Justice Department should take over from Labor responsibility for enforcing the 1988 U.S. Supreme Court decision in *Communications Workers of America v. Beck*, which prohibits unions from using dues, often collected with the aid of federal law from unwilling workers, for political purposes. The Bush administration allowed the ruling to languish, and the Clinton administration quickly repealed the few employee protections that were in place when it took office. Thus, more than a decade after *Beck*, unions routinely flout the law, using their political power to squeeze campaign money out of workers who often support opposing candidates and positions.

Equally inappropriate is federal regulation of the labor market. Employees and employers should be free to bargain over the terms of employment—hours, wages, fringe benefits, and the rest. In a diverse workplace of nearly 140 million people, there is no right package of benefits to be imposed by Washington. Such issues as the standard work week and overtime pay should be left to private negotiation.

Even more important, Congress should abandon wage setting. The minimum wage is popular but misguided: it says, not that employers must pay the minimum, but that employers shouldn't hire anyone who isn't productive enough to warrant being paid the minimum. The minimum wage prices out of work people with poor education, experience, and skills, which all too often means minorities and teens. If the minimum wage was not a job killer, the government could make everyone rich by setting the minimum at, say, \$100 an hour.

Similar in effect is the Davis-Bacon Act, which requires the payment of union wages on federally funded construction projects. By inflating the costs of construction, the law achieves its original purpose: to prevent lower wage minority workers from competing with incumbent white laborers. Even contractors on low-income housing projects in poor neighborhoods are unable to hire local residents because of this law.

Superficially more justifiable is the Occupational Safety and Health Administration (OSHA), which is intended to protect the health of workers. Amazingly, however, there is no evidence that the agency has improved U.S. workplace safety. The rate of workplace fatalities has been falling for more than a half century; workers' compensation laws and liability lawsuits are a greater incentive than OSHA rules. (Put bluntly, dead

workers are expensive.) Workplace injuries have remained essentially unchanged since Congress created OSHA.

All told, the agency has been estimated to create benefits of about \$4 billion a year. In contrast, OSHA's notorious nitpicking imposes huge annual costs on the economy—somewhere between \$11 billion and an astounding \$34 billion annually. It is, in short, a bad deal. We would likely achieve better safety for less if Congress junked the agency and relied instead on a combination of market and legal mechanisms, including state workers' compensation statutes and liability suits.

Congress should also end Labor's panoply of job-training programs. There are 19 federal youth employment and training initiatives alone, which cost \$2.8 billion annually. Many more programs target adults. Businesses, schools, and unions are far better able to train workers than is government. Indeed, the department's training projects have largely proved to be disastrous failures. Seldom have programs enabled people to gain more remunerative and permanent work; in fact, in some cases workers actually earned less after finishing the government course. At the very least, Washington should contract out training efforts to private firms, establishing contractual incentives to encourage education that is both more effective and more closely matched to genuine employment needs.

The Labor Department fulfills a few legitimate functions, such as collecting statistics and figuring the rate of inflation. Congress could combine the Bureau of Labor Statistics with an independent Census Bureau. Legislators should shift oversight functions of the Pension Benefit Guarantee Corporation—ensuring that companies pay workers their promised benefits—to the Treasury Department. However, Uncle Sam should drop his role of pension guarantor, which imposes billions of dollars in potential liabilities on taxpayers. (Individual failures would be covered through corporate premiums; widespread failures would require a taxpayer bailout, similar to that of the insolvent savings and loans.)

The pathology of federal growth is complex. In many instances Uncle Sam has misused his legitimate functions (defense, the judiciary, statistical analysis) to grab excessive authority. In other cases Washington's goals—wage setting, corporate subsidies, trade protectionism—were invalid from the start. In both cases politicians desiring to expand their power have joined with interest groups desiring to benefit from that expansion of political power to inexorably expand the federal behemoth. Neither the Commerce Department nor the Labor Department should exist. Both are expensive mixtures of special-interest privilege and inefficient government regulation, and they deserve to be speedily dissolved by the new Congress.

**Recommended Readings**

Bandow, Doug. "Corporate America: Uncle Sam's Favorite Welfare Client." *Business and Society Review*, no. 55 (Fall 1985).

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Moore, Stephen, and Dean Stansel. "Ending Corporate Welfare As We Know It." Cato Institute Policy Analysis no. 225, May 12, 1995.

Reynolds, Morgan. *Making America Poorer: The Cost of Labor Law*. Washington: Cato Institute, 1987.

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