

## **Fire the National Weatherman!**

*A plan for the elimination of the Department of Commerce*

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The Department of Commerce's mission statement is a charter for government interference in markets. It employs 47,000 people directly and spends about \$9 billion annually on its mission "to promote job creation, economic growth, sustainable development and improved standards of living for all Americans by working in partnership with businesses, universities, communities and our nation's workers."

What this means in practice is that the Department exists to reward businesses for following its favored policies. It provides bailouts, handouts, and the spoils of redistribution. In some ways, just as the Department of Labor is the government arm of the labor unions, so the Department of Commerce is the government arm of rent-seeking businesses. This alone should be reason for advancing its elimination.

But let us take the Department at its word. All of the purposes of the Department as laid out in its mission statement are things that happen on their own in the general functioning of markets. To imagine that a government department can do better than markets at providing all these benefits is to fall prey to what Hayek called "the fatal conceit."

I know of no better expression of the fatal conceit than that of Douglas Jay, later Lord Jay, the man who brought the thinking of John Maynard Keynes into the British Labor Party. In 1937 he wrote that, in some cases, "the gentleman in Whitehall [the center of British administration] really does know better what is good for people than the people know themselves." This was the foundation of the British planned economy, that governed the country from 1945 to 1979, and which led one of the greatest nations on Earth down a path to where it became "the sick man of Europe."

It is indeed to Whitehall that I shall turn for inspiration in assessing what to do with the Department of Commerce. Not, however, to the Whitehall of Douglas Jay, but to the Whitehall of Margaret Thatcher. That redoubtable lady realized just how much of a burden over-centralized government had become on her nation, and as Prime Minister she pushed through a series of public sector reforms that provide a model for rethinking American government. As an example, when I started working for the British Department of Transport straight out of university in 1989, it had some 14,000 employees (so proportionate to population was about the same size as Commerce here). By a variety of means, by the time I left after privatizing myself out of a job, Mrs T and her successor John Major had reduced that number to a policy core of 2,000. Even though the subsequent Labor government has vastly increased the size of government overall in the UK through new programs, agencies, and regulations, that number

has not changed, demonstrating the resiliency of the reforms. As I outline what I suggest we should do with the Department of Commerce, I shall make reference to these reforms throughout this paper.

Where to start? Well, if the Cabinet was a news bureau, with the Secretary of the Treasury the economics correspondent, the Secretary of State the foreign correspondent, and the Secretary of Defense the war correspondent, the Secretary of Commerce would be the weather man. I mean this quite seriously, because the single biggest agency in Commerce outside of census years is the National Oceanic and Atmospheric Administration, which houses the National Weather Service. NOAA soaks up \$5 billion of the Department's \$8 billion budget.

NOAA is actually a strange hybrid of NASA and the EPA, and like the EPA was born 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 ...". 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. Again, each of these is a function that could be provided privately, and which is probably worse for being provided publicly.

NOAA today consists of six main offices – the aforementioned National Weather Service, the National Ocean Service, the Office of Oceanic Atmospheric Research, the National Environmental Satellite Service, the National Marine Fisheries Service, and the Office of Marine and Aviation Operations. Together they form a colossal operation that has become one of the main drivers of the climate change industry and as such has become harmful to the US commonwealth. Indeed, its mission, "to understand and predict changes in the Earth's environment and conserve and manage coastal and marine resources to meet our nation's economic, social, and environmental needs," with its emphasis on prediction and management, seems designed around the fatal conceit. That is not to say that NOAA as a whole is useless, but its organization is such that it corrupts the useful functions. It needs to be broken up.

First, I suggest that the National Weather Service be broken away from the Department with a view to eventual privatization. When I first suggested the privatization of the NWS during Hurricane Irene, I was met with a barrage of criticism such as I have never previously encountered, even in almost ten years of dealing primarily with global warming, which is not an uncontroversial subject. There was a level of visceral hostility to the idea of privatizing weather forecasts and warnings that astonished me. Yet we live every day with the weather forecasts and warnings provided by local radio stations and college campuses being 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.

Indeed, those private weather services are themselves the result of gradual privatization of the government's weather functions. In the past, the NWS has provided radio bulletins and even written the weather forecasts for local newspapers. We do not think it necessary for the NWS to do that today, and as I just mentioned, this privatization process has improved the quality of the forecasts.

The most frequent argument I heard against privatization was that the NWS provides the data that the private companies used, as if by suggesting privatization I was advocating the dismantlement of data-gathering services. Does the advocate of air traffic control privatization want to abolish the air traffic control system? When I worked on the privatization of British Rail, did I want to rip up the tracks? Of course not. The idea that privatizing the NWS would lead to the end of data gathering is facile. The goal of privatization is to improve services, not abolish them, by making them more responsive to change and innovation, while removing the burden from 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.

So the way to handle the privatization of the NWS is to move it first to what in the UK privatizations was called Trading Fund status – the NWS, which has a valuable product, should charge for that product to cover its costs. With a budget of a billion dollars and an output of 1600 forecasts and warnings annually, the service would only have to raise about \$600 per forecast to cover its costs. With multiple competing radio, TV and print outlets demanding its products, never mind the other interests like companies such as 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 service has achieved trading fund status, the next step is full privatization. The service could be privatized as a single enterprise or by being broken up. It could be sold to existing companies, start-ups, or management buy-outs, or sold to shareholders by 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 clearly where the profit and cost centers of the operation lay. Privatizations generally lead to significant increases in investment and infrastructure spending, so the product that we all rely on would surely be improved. Not least, we might have a more accurate idea of whether or not we'll need an umbrella when we leave the house.

I should note here that there will be little or no national security implications. The armed services all have their own weather functions. What security issues there may remain can be dealt with in the move to Trading Fund status. There are some odd rules that prevent, for example, private operation of weather radar. Those are almost certainly antiquated and can be revised with appropriate consideration given to defense and air traffic control concerns.

Finally, there is the question of what to do with organizations like the National Hurricane Center, that do some very specialized and valuable research, such as flying aircraft into hurricanes. For

these organizations I suggest an alternative form of privatization, which was used, for example, in the privatization of the Building Research Establishment, and similar scientific organizations in the UK. The 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 on innovation, risk and sustainability with business world-wide.” I would suggest that certain industries, such as the insurance industry, would have a keen interest in the success of such a charitable body and would become major funders.

The other main weather-related function of NOAA is the National Environmental Satellite Service. This 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 – I receive my TV service from a satellite managed by a private entity – 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 should therefore 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.

The National Ocean Service is largely a survey organization. Its various survey functions could be transferred to the US Coastguard and to the US Geological Survey, which could be renamed the US Survey Organization or something similar.

The National Marine Sanctuaries and other oceanic resources could and should be privatized by sale. Similarly, the management of fisheries is best left not to bureaucrats but to fishermen who have a direct ownership stake in the health of the fisheries. 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. So much for the National Marine Fisheries Service. They can organize the privatization of the fisheries and bow out gracefully.

The Office of Oceanic and Atmospheric Research provides the theoretical science, as opposed to the applied science of the National Hurricane Center and the like. It consists mainly of seven research laboratories, six undersea research centers, and a number of joint research institutes within universities. Where appropriate, these should be merged with the applied science versions and privatized as charitable trusts. To those who are skeptical that a research laboratory could be privatized, I point you to the Laboratory of the Government Chemist in the UK. On privatization, LGC, as it is now called, had a turnover of GBP 15 million and a staff of 270. It now has a turnover of GBP 130 million and a staff of 1,300. It has successfully acquired several European laboratories and is a world leader in analytical chemistry. Like it or not, the environmental business is here to stay, because of consumer demand. There is no reason why environmental laboratories cannot be privatized.

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

There will doubtless be many residual functions left over after this process. These functions can be transferred to the EPA or NASA if they are still felt appropriate and Congress is unwilling to terminate them.

Next up is the Census Bureau. Unlike NOAA, the Census has a genuine Constitutional role, but its functions are today well in excess of its Constitutional requirements. The Census 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 free market research to businesses. I am open to the idea of the Census Bureau being merged with all the various statistical agencies of the US government, such as the Bureau of Economic Analysis of the Department of Commerce, 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, that could be provided privately but might be better provided centrally. Such an agency would probably provide good value for money to the taxpayer if managed effectively. At any event, it would be a low priority for privatization.

Similarly, the Patent Office has a valid constitutional function, albeit one that I regard as ill-founded. It would be a prime candidate for separation from the Department and re-establishment as a Performance-Based Organization. These are the American equivalents of the Thatcherite “Next Steps” Executive Agencies, which sought to establish the service-delivery functions of government on grounds that achieved high levels of customer service while providing good value for money to the taxpayer, neither of which is a virtue of traditional bureaucracy.

The Office of Personnel Management describes PBOs as follows:

*These organizations set forth clear measures of performance, hold the head of the organization clearly accountable for achieving results, and grant the head of the organization authority to deviate from Governmentwide rules if this is needed to achieve agreed-upon results. PBO's are characterized by:*

- *separating service operations from their policy components and placing them in separate organizations reporting to the agency or department head;*
- *negotiating a 3- to 5-year framework document between the PBO and the departmental secretary to set out the explicit goals, measures, relationships, flexibilities, and limitations for the organization; and,*

- *creating the position of chief operating officer to head the service operation functions, where the chief operating officer would be appointed or hired on contract through a competitive search for a fixed term such as 5 to 6 years, with a clear agreement on services to be delivered and productivity goals to be achieved.*

PBOs were such a good idea that they were fiercely resisted by the Washington establishment. As such, only one has been set up since their announcement by Vice President Gore. The Patent Office would be an excellent candidate for restarting this experiment, given its massive backlog in clearing patent applications. The current head of the USPTO is an IP lawyer, not a manager. A PBO would have a genuine manager as its head. Of course, in the absence of a Secretary of Commerce, it would need to be housed somewhere for budget purposes. I would suggest that all PBOs be transferred to the Executive Office of the President, preferably as part of the Office of Management and Budget, because that is what they are for – managing budgets effectively.

Next up is the National Institute of Standards and Technology, with a billion dollar budget. In some ways, the NIST is one of the oldest centralizing agencies there is, dating back to George Washington's demand for standardized weights and measures. The "boy wonder" Herbert Hoover, ever the engineer, used its predecessor to standardize tool sizes across the US, although his successors were less effective when they tried to impose the metric system. Again, Most of NIST is research laboratories, which can be privatized along the lines described earlier. Where necessary, the privatized laboratories can retain statutory roles – this is common in the privatized laboratories in the UK. It is revealing that when you look at the list of delegates to the committees of the Systeme Internationale and the like, most countries' representatives are academics or even private individuals. Only the Americans these days are bureaucrats.

Moving swiftly on, we come to the International Trade Administration. For the most part, the ITA organizes trade junkets and enforces antidumping regulations, which are a form of protectionism. It is no wonder that, particularly under the Clinton Administration, the office of Secretary of Commerce was sought after by party fundraisers. These functions should be abolished by Congress. Those functions that Congress is unwilling to do away with, probably most likely related to international treaties, should be transferred to the US Trade Representative. Abolishing this office would save taxpayers \$527 million a year.

The same fate should befall the Department's permanent stimulus programs – the Economic Development Administration and the Minority Business Development Administration. The EDA regularly wastes taxpayer money, promoting projects that no-one in their right mind would pursue, like the Cedar Rapid IA convention center that it is backing to the tune of \$35m, which will lose \$1.3m annually, according to the city's own estimate. In another case, the EDA attracted a new warehouse to Visalia, Calif., to create 250 jobs. The firm that took the EDA's \$2m grant promptly closed its warehouse in Brisbane, California, shedding 313 jobs in the process. The MBDA does the same sort of thing, except on racial grounds, and so is doubly offensive. Should there be anything worth saving from the deserved wreckage of these offices –

and I doubt it – those functions can be transferred to the Small Business Administration. These abolitions would save \$357 million.

Finally, the Department also houses its very own branch of the Homeland Security apparatus, the sinisterly-named Bureau of Industry and Security, charged with, for example, using export controls to prevent the spread of weapons of mass destruction. Again, such functions would be better off housed in the US Trade Representative or Department of Homeland Security. Finally, there is the National Telecommunications and Information Administration, which manages the federal use of the electromagnetic spectrum. Those functions could be transferred to the General Services Administration, while other functions, such as auctioning spectrum, could go to the Department of the Treasury or OMB, and others, like the grants for promoting children's educational television, should be simply abolished.

That is a brief overview of how we could accomplish the outright abolition of an entire government department. The process of abolition should be overseen by the Office of Management and Budget, as was foreseen in the bill to abolish the Department passed by Congress in 1995 but vetoed by President Clinton.

One final word: the Department's palatial headquarters in Federal Triangle would make a magnificent hotel. It even has its own tourist attraction in the basement – the National Aquarium. That was privatized in 1982.