



The US Postal Service Is a National Asset: Don't Trash It

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Introduction

The financial problems of the United States Postal Service (USPS) are the result of misguided policy decisions — some of them long-standing — not declines in first-class mail, its primary source of revenue. With the increased demands of voting by mail in a national election and a boom in home package delivery, the pandemic makes a well-resourced postal service more important than ever.

Nostrums about the public debt have contributed to a decades-long, bipartisan attack on the US public sector, including the postal service. In the absence of negative consequences from the huge run-up of federal debt during the COVID-19 pandemic, and thanks to repeated Republican Party perfidy with respect to their own purported concerns about deficit spending, political anguish about debt has withered. At the same time, the pandemic has exposed chronic deficiencies in the government's capacity to satisfy its most basic obligation: to safeguard the health of the population.

The weakening of the postal service's ability to fulfill its responsibilities — in the name of self-financing — dovetails with the current, massive misfeasance of the federal government in the field of public health. A functioning post has become crucial for the conduct of an honest national election that is all about public health.

This report motivates the national interest in a robust postal service. Its historical contribution to the nation's economic development acquires new relevance for those chronically excluded from the benefits of economic growth, including those in isolated, low-income rural areas, regions devastated by deindustrialization, and racially segregated urban communities. In the wake of the economic collapse, its rejuvenation could offer relief to bankrupted, suburban small businesses, including those conducted from the kitchen table.

The roots of the current crisis in postal finances lie in long-standing misconceptions about, and unrealistic expectations for, fundamental public functions. This paper proposes a clear alternative to neoliberal wishes for “sustainable business models” or outright privatization.

The bane of a thriving postal service is the principle that it should be self-financing. In other words, that its operations should be limited by the costs it can defray from the sale of stamps



and the like directly to customers. Self-financing fundamentally undermines the USPS's historic mission of serving every community in the nation, the traditional “universal service obligation” (USO) mandate that is a matter of federal law.

From the colonial times of its founder Benjamin Franklin, the service's struggle over self-funding has waxed and waned, along with broader political currents. The progressive view has generally discounted the salience of self-funding and upheld the post as a public service in the national interest. On the strength of vigorous populist and progressive movements, by 1912, the USPS, originally named the Post Office Department (POD), had expanded its scope of operations to package delivery and banking.¹ It was also angling to take over or “postalize” new forms of communication: the telegraph and telephone.

A self-funding mandate would be the death knell of universal service, of particular importance for rural and low-income areas. It would entail the elimination of less-used postal facilities and more costly delivery routes (especially in Alaska and Hawaii). It would bring cutbacks in hours of operation, the end of weekend delivery, the end of uniform pricing (triggering increases for households and business firms in rural areas), and a reduction in labor standards that would have ripple effects for other workers.

Less obvious but perhaps more important, a retreat from a dynamic, modern, public postal service would represent a further retreat from the US “stealth industrial policy” that has served us well in the past.²

What the USPS Does

In its annual report for 2019, the USPS announced that it delivered 142 billion pieces of mail to 160 million destinations. The proximate cause of its revenue decline has been the reduction in the volume of first-class mail, presumably due to the growth of email. First-class mail volume peaked in 2001. From 2009 to 2019, first-class mail volume and revenue both declined by a third. The economic collapse of 2020 has undoubtedly contributed to further

¹ Kielbowicz 2000

² Wade 2017



declines. At the same time, the increased demand for e-commerce has boosted the USPS package business.

We should note that fears of a disrupted national election that relies increasingly on voting by mail depend on serious, further disruption of USPS operations. After all, if it can deliver 400 million pieces of mail *a day*, the increase in volume from mail ballots even in a national election is a minor bump. [*As the New York Times reported*](#), the virus and economic downturn have reduced the volume of mail, while Trump's Postmaster General Louis DeJoy has committed to deferring further cost-cutting until after the election. If, in November 2020, mail ballots fail to be delivered in a timely fashion, serious malfeasance will have to have been the cause.

It is common to declare the post office obsolete based on the decline in first-class mail. Despite everything, there were still those 142 billion pieces of mail last year, a long way from obsolescence. On the contrary, the prevention of the service from exploiting economies of scope, and the self-financing constraint, have left it vulnerable to decline in its traditional, principal source of revenue.

Suppose the USPS was granted a monopoly on the transmission of email, as it enjoys with first-class mail? With [*294 billion emails sent a year*](#), a charge of one cent per message would bring in enough revenue to cover a significant share of the USPS operating deficit. We admit that the correct price of email from an economic standpoint is zero (in other words, its marginal cost of transmission is negligible). Still, a monopoly on email, even if messaging was free, could confer on the public sector additional revenue, as it does now for the tech monopolies.

As noted above, the dependence on the USPS by commercial mailers is telling. If the private shippers — mainly UPS, FedEx, and Amazon — could deliver more packages at reduced cost than what USPS charges them, they would be expected to do so. USPS dominance over the “last mile” affords it a competitive advantage over other shippers and benefits consumers.

President Trump frequently alludes to undocumented sweetheart deals between the USPS and Amazon, whose owner Jeff Bezos just happens to own the *Washington Post*, a newspaper critical of the Trump Administration. The implication is that USPS charges Amazon too little. If Amazon is the beneficiary of cut-rate shipping charges, why is Amazon building up its own



parallel delivery infrastructure? It is yet another sign of Trump’s dubious claim to business acumen that his pressure on USPS will assist his enemy Jeff Bezos in building up Amazon to a position of monopolistic dominance of US package delivery.³ Seeing as how labor compensation accounts for the bulk of USPS costs, the possibility of a rival delivery network built by Amazon, on the strength of Amazon’s degraded labor standards, should not be ruled out.

The Basic Economics of a Public Postal Service

Four basic economic concepts can explain the importance of a *public* postal service.

Monopoly. First is the idea of a natural monopoly. For certain goods and services, there is no efficiency gain to be had from multiple sellers. Traditional examples include rail lines and highways. It would not be cost-effective to have more than one line connecting two points, run by rival business firms. In the same vein, the last mile of postal routes — from main roads to individual delivery points, especially in low-density, rural areas — is not efficiently served by more than one mail delivery service. The more remote a delivery destination, the greater the cost of delivery and consequently the thinner the market for suppliers of delivery services.

The last mile is in the nature of a natural monopoly, which defies a competitive market’s logic. Sometimes the last mile is described as a “network advantage”.⁴ A letter carrier can visit every address on his route every day, so the incremental cost of him or her delivering or picking up a letter is low. In this vein, as Shapiro notes, the requirement to visit every destination, every delivery day, is less a burden than a competitive advantage.

Of course, the last mile is not invulnerable to competition. Various types of erosion can be observed in progress. As e-commerce has expanded, sightings of Amazon or UPS trucks in suburban and rural locations have increased. [Amazon is building its own massive delivery network](#), which could grow to rival that of USPS itself. Even if a counterpart to the USPS delivery

³ For a contrary view with further detail, see [Daven 2020](#)

⁴ Shapiro 2015



network were built up, most likely by Amazon, it would still reflect a wasteful duplication of resources, and give rise to concerns about the supremacy of a private monopoly.

There is also the threat of a “gig economy” intrusion into the last mile, in the form of Uber-type delivery services. Uber and other companies are already delivering take-out meals from restaurants in urban areas. And finally, there has been speculation about [delivery by drone or self-driving vehicles](#).

The proof of the monopoly character of the last mile is readily observed by the reality that leading commercial shippers, such as Amazon, the United Parcel Service, and FedEx all rely on the USPS to handle a significant part of their workload. If it were cheaper for them to make such deliveries themselves, they would not outsource to USPS.

It should not be surprising that an alliance of such organizations, the Coalition for a 21st Century Postal Service, specifically opposes privatization of the USPS.⁵ Privatization of the mails would undoubtedly increase shipping costs, at least some of which [the shippers would pass along to consumers](#). Because unfettered commercial monopolies charge too much and produce too little, they raise the question of the public sector’s role.

Economies of Scale. Second, related to the idea of a natural monopoly is the phenomenon of economies of scale, which have been documented in postal systems.⁶ This refers to cases where a firm’s increased output reduces cost per unit of output. In other words, the cost of one additional unit of output is less than the average cost. If the average cost (including overhead and prior investment spending) exceeds the marginal cost, what economists would take to be the efficient or “correct” price of mail delivery would be insufficient to cover the service’s total costs.

On the other hand, if the average cost is the basis for higher pricing, then service volume would be inefficiently restricted. A self-financing imperative obligates a service enjoying scale economies to move away from efficient pricing. Only some kind of public sector intervention can remedy this.

A problem specific to the US postal service is the difficulty in determining precise, marginal costs for the enormous diversity of mail, packages, and delivery destinations. In addition,

⁵ C21 2019; Gallagher 2020

⁶ Cohen and Chu 1997



going back to the idea of binding the nation together, pricing has been governed by the tradition of equal prices for every class of mail, regardless of the required trip from source to delivery point. The postage for a first-class letter from Baltimore to Philadelphia is the same as one from Miami to Anchorage.

As of 2019, there were 158 million US addresses the service was bound to serve.⁷ In this situation, some kind of resort to average cost pricing is understandable, but it remains the case that, unencumbered by a self-financing constraint, reducing prices and expanding service would be a move in the direction of greater economic efficiency.

We see the same problem in the pharmaceutical industry. When a new drug is invented and deemed safe for use, its actual production cost is negligible. The solution has been to award the inventor a patent — an exclusive monopoly on the sale of the product. In this context, we put aside the reality that much of the manufacturers' research costs have already been defrayed by the government, and other solutions are possible.

As Dean Baker has written, the premium for the market price of drugs still under patent is like a tax levied by the government but collected by private companies. We could also note that the failure of the government to capture this premium, which to some extent would amount to recovery of its subsidies for research, is revenue foregone that effectively increases federal budget deficits. The role of patents in public indebtedness is disguised in federal budget conventions, while the arbitrary application of self-financing requirements, particularly with respect to the pre-funding of retiree benefits,⁸ exaggerates the financial straits of the postal service.

In general, a monopoly's efficient operation requires either a government take-over or strong regulation to keep prices at an efficiently reduced, "unprofitable" level. In principle, this could entail overt public subsidies, but such arrangements are unpopular and impossible under self-financing.

Regulated firms, such as public utilities, are afforded enough wiggle room in rate setting to cover their costs and some limited rate of profit. Due to lax regulation, also known as

⁷ C21 2019

⁸ The Postal Accountability and Enforcement Act of 2006 required the USPS to divert revenues to pre-funding its workers' retirement benefits, a requirement not imposed on other federal employees. In effect, the Congress legislated higher USPS deficits by fiat.

“regulatory capture” (where “self-regulation” is achieved through political influence-peddling), regulated firms often regain much more than their costs. In the past, the failure of regulation of privately-owned monopolies, as well as oligopolistic markets exploited by few sellers (particularly package delivery, before the POD’s inauguration of parcel post), raises the question of competition provided by a “public option” counterpart. Collusion among package delivery companies and railroads became a public scandal in the early twentieth century.⁹

External Benefits. The third concept is the idea of an external benefit, or a public good. Historically the case for a national postal service with a mandate to deliver to every address in the nation was said to be binding the country together. More concretely, the option of cheap delivery of letters or packages to any other location in the US is worth something to all, regardless of whether they make use of it. We have already noted the contribution of the postal service to national economic development. The point is that the development of mail delivery provides benefits not confined to direct users of the mail.

In colonial times, the POD loomed as a large part of the new national government, one visible to the masses of people, and a means of conveying news, not to say promotion, of the government’s doings and interests.¹⁰

Information is a good fit for the economic idea of a public good. Its circulation cost is minimal, and one person’s consumption of information does not preclude any other’s. One of the technology pioneers of prior decades is Stewart Brand, publisher of the *Whole Earth Catalog*, who used to write that “Information wants to be free.” Presently its provision is corrupted and/or monetized by rapacious tech companies, which is why Brand added, “Information also wants to be expensive.”

One neglected angle of the service’s external benefits is the labor standards required by law. The service employs approximately 600,000 persons, including 100,000 veterans. *Historically it has provided otherwise absent employment opportunities for African Americans* and women, including professional career paths. Its role as a haven of relatively decent wages and benefits, as for other areas of federal, state, and local public employment, exerts pressure on the private sector, where labor standards have stagnated for decades.

⁹ Kielbowicz 2000
¹⁰ Gallagher 2016



The principle of self-financing defeats the entire panoply of potential external benefits, both contemporaneously and prospectively, by stipulating that revenue to meet operating costs and capital investment can only come from direct customers (senders and receivers of mail) of the service.

Economies of Scope. The fourth concept is what economists call economies of scope: when combined cost savings are possible by the production of two related goods or services. What is it that the USPS might be doing that is not a direct expansion of its current operations?

As Gallagher suggests, considering mail delivery as part of the nation's communications infrastructure raises the question, not of how the USPS should do less, but how it could profitably do more. GAO (2016) and Kamarck (2009) also point to the strategy of entering new lines of business.

The invention of the American telegraph is an unfortunate, negative historical example of economies of scope. Its inventor, Samuel F.B. Morse, offered to sell his invention to the US government at the bargain price of \$100,000. This offer was rebuffed and began the pattern of conservative ideology and commercial interests blocking efforts of the post office to take advantage of economies of scope.¹¹ The US was alone among other industrial nations in failing to incorporate the telephone and telegraph as public monopolies.¹²

Expanding product lines typically entails up-front investment, which self-financing discourages. New lines of business aside, this can even be seen in the shortfall of USPS capital investment “for the sake of liquidity” for its core function, in the form of its antiquated mail sorting machines.¹³ This problem – disincentives for federal public investment – is not limited to the USPS.¹⁴ In its routinely critical analyses of USPS finances, the Government Accountability Office included the development of “new postal products and product enhancements” as one strategy to improve financial viability.¹⁵

In general, federal budget accounting fails to distinguish between operating expenditures and capital investment, a very unbusinesslike practice fomented by exaggerated fears of public indebtedness. State and local governments, which are certainly more vulnerable to budget

¹¹ Kamarck 2009, 2015; Kielbowicz 2000; Gallagher 2016

¹² Kielbowicz 2000

¹³ GAO 2020b

¹⁴ Sawicky 1994, 2016

¹⁵ GAO 2010



pressures than the national government, find it possible to institute various types of capital budgeting. Under capital budgeting, investment spending is not counted as a current cost. It is the exchange of one asset for another and does not count as an increase in “the deficit.”

Perhaps the most often-cited example of the enforced neglect of scope economies is the abandonment of postal banking, which operated successfully in the US from 1911 to 1966.¹⁶ In 1941, the Postmaster General wrote that postal savings had become “America’s biggest bank”.¹⁷

A vast literature has grown on [*the anti-poverty and anti-inequality possibilities of a revival of this institution*](#). In 2014, [*the Postal Service Inspector General said*](#), “The Postal Service is well positioned to provide non-bank financial services to those whose needs are not being met by the traditional financial sector.”¹⁸

As Dayen (2014) and the Federal Deposit Insurance Corporation (2012) report, [*the problem of the “unbanked”*](#) is pervasive. Lack of access to basic financial services exacerbates inequality. Postal banking would provide alternatives to dealers in usurious payday and title loans, whose interest rates can reach 400 percent. Postal banks could also provide basic, easily understandable financial products, such as home mortgages. By contrast, the actual US mortgage industry and related credit market manipulations were at the center of the great financial meltdown of 2008. In 1910, postal banking’s origin was spurred by the bank and financial panics of prior years.¹⁹ Under the Trump Administration, regulation of payday lending [*has decreased*](#). High payday lending rates reduce the purchasing power that consumers could command in their own neighborhoods, as well as inhibiting their ability to accumulate savings.

¹⁶ Baradaran 2014
¹⁷ Kielbowicz 2000
¹⁸ USPS_OIG 2014a
¹⁹ Kamarck 2009

Why Do We Need a *Public Post Office*?

The Progressive Economic Case

In standard economic theory, when a good or service generates benefits to those not involved in the actual transaction, the question of public sector intervention is raised. A service with such benefits will be supplied at inadequate levels by the private sector. From the standpoint of economic efficiency, some kind of subsidy or other measure that boosts output should be considered, up to and including outright government provision of the service.

The Post Office Department (POD) originated as a Cabinet department of the national government. It was a huge component of the fledgling federal government, after being stipulated in the US Constitution as a basic function. For most of the resident population, the POD was the most familiar face of the new government. Its original mission was to “bind the nation together.” National unity was important in a time when the US consisted of a collection of fractious colonies with rivalrous commercial interests, as well as a fundamental disagreement about the institution of slavery. Upholt (2020) describes it as “a tool of nationalism.”

Gallagher (2016) chronicles the role of the post office in what economists otherwise call “state-led development” or industrial policy. The expansion of the POD made US economic growth possible²⁰, in contrast to stories relying on myths about the predominance of free enterprise.

Consumers were connected to suppliers of goods not locally available. Workers were assisted in job search. Postal money orders made possible economic transactions over distances. Business firms and farmers were able to obtain commercial information, such as trends in commodity prices. This information provided some protection against the predation of speculators²¹ and served the competitive market enhancement resulting from improved information.

²⁰ Gallagher 2016; Rogowski et al. 2016; Rogowski et al. 2017

²¹ Kielbowicz 2000



The connection of consumers to national retailers, through the circulation of catalogs from Sears and Montgomery Ward, had the further noteworthy benefit of allowing African American communities under the yoke of Jim Crow to escape discriminatory treatment from local retailers that functioned as little monopolies.

Communities were encouraged to improve roads to qualify themselves for mail delivery, and better roads facilitated other purposes for transportation. The federal government did not allow the post office to reap the full returns of its investments as it subsidized the nation's railroads, air transportation, steamships, and telegraph while expanding its own operations.

In other words, the nation's public communications infrastructure helped to build its transportation infrastructure, without which a growing economy would not have been possible. The POD owned (and was later forced to give up) the nation's first telegraph line. It supplemented [President Abe Lincoln's financing of the transcontinental railroad](#) through its support of railroad mail service, which dramatically reduced the time required for a letter or package to reach its destination.²² In the same way, the POD airmail business helped to launch the US aviation industry.²³

Local post offices became community gathering places, aiding local commerce, and promoting "social capital." By the latter, Rogowski et al. (2016) refer to binding together local communities and encouraging the growth of voluntary organizations. We could also cite the historic postal subsidies for the circulation of newspapers, periodicals, and books. Nonprofit organizations typically rely on mailing lists (Pindus et al. 2010).

All of this is consistent with positive empirical impacts of postal facilities on national and local income and on other indicators of business activity found by Rogowski et al. (2016). More generally, the presence of government facilities has been found to support local economies.²⁴

The pandemic of 2020 has devastated the US economy. Along with employment losses has been the destruction of small businesses. We could expect that geographic regions chronically afflicted by economic stagnation are more severely affected. From this standpoint, the postal service's potential to spur local economic development acquires more salience. Dispersed

²² Gallagher 2016

²³ Wade 2017

²⁴ Zigelbauer et al. 2005; Tolbert et al. 1998



throughout the country, often out of sight, are isolated rural communities, impoverished urban neighborhoods, and broken small and home-based suburban businesses who could benefit from a more forward presence of the postal service.

The Privatization Challenge

The endless pressure to limit the postal service's scope of business has, in more recent decades, escalated to proposals to privatize the mails.²⁵ The most common argument is to point to the service's annual deficits.

It is true that in some past periods, the post office department was expected to cover its costs with charges for mailing letters and packages. As noted above, obscured by this apparent consensus is the fact that the post office was founded on a great cost disparity between services that failed to pay for themselves, namely longer-distance and rural delivery, and services that more than paid for themselves, meaning delivery within relatively densely-populated areas. The implicit subsidy to higher-cost delivery destinations persists to this day.²⁶

The self-financing principle has always had spurious foundations. That is not to say the cross-subsidy was bad policy. On the contrary, we have argued above that broadly speaking, the national universal service/uniform pricing policy conferred significant economic benefits to the nation.

A move in the direction of self-financing was the separation of the Post Office Department in 1971 from the rest of the federal government. From that point forward, it was dubbed the US Postal Service, with its own Board of Governors and other regulatory attachments. Even so, it has not been free of constraints imposed upon it by Congress.

If we put aside the implicit, pervasive cross-subsidies that have always been a part of postal operations, there remain deficits that have arisen in more recent decades that may be

²⁵ De Rugy 2016; Edwards 2019a

²⁶ Postal Regulatory Commission 2011



ascribed completely to a set of contradictory policies, by which we mean policies whose trade-offs have never been resolved.²⁷ As noted above, the service's ability to set its own rates, labor compensation, scale and scope of operations, and location decisions is precluded by law.

In addition, unlike almost every other federal agency, under the 2006 Postal Accountability and Enforcement Act, the service was required to pre-fund pension and health benefits for its retirees. For all practical purposes, an act of Congress stipulated the USPS so-called deficit.

In conjunction with externally imposed costs, the long-term decline in first-class mail contributes to the appearance of an operating deficit. Virtually no other federal agency is required to finance its own operations with fees. We do not see the Pentagon holding bake sales to finance its purchases of tanks and munitions. Dubious policy decisions have put the postal service in a box whose walls are closing in.

The accounting fiction of reported deficits, as discussed previously, assumes away the possibility of any external benefits from the service, in contradiction to the entire history of the US mail. The quest to cram down any such deficits by reducing service is described by the Government Accountability Office (2020b), among others, as the search for a "sustainable business model." Left unexamined in such analyses is whether the post, unlike all other federal agencies, should be required to fund its own operations.

Public Services as a Business

A common nostrum is the idea that the postal service and other functions of government "should be run like a business." This notion betrays an ignorance of the postal service's history, its universal service obligation, and how business firms actually work.

The service can hardly run like a business if it is constantly deluged with advice from members of Congress, many of whom lack any business background, on how to operate. There is something comical about members of Congress lecturing the USPS on the need to

²⁷ GAO 2020b



control its deficit. Total USPS spending was \$80 billion in 2019, and its so-called deficit was \$9 billion. Federal budget outlays in 2019 were \$4,448 billion, and the total federal deficit was \$984 billion.

The Postal Regulatory Commission (PRC), an external body, formally hamstringing the USPS, as detailed by Kamarck (2009). PRC interference included blocking USPS efforts to improve internal efficiency.

In point of fact, the postal service *never* ran like a business. From the very start, its expansion was premised on the subsidy of rural delivery by urban customers. There is no other way to explain identical postage prices for every piece of mail or package, regardless of their points of origin and destination.

As things stand, the service is limited by law in the prices it may charge, another novel constraint on a business. Other constraints include rules limiting decisions on which postal facilities to maintain, on the compensation of employees, on the exploration of new product lines, and requirements for pre-funding pension and retirement benefits applied nowhere else in the vast US federal government.

We have already noted the disincentives rooted in federal budget practice for capital investment. It has been suggested that an independent, self-financing postal service could go to the private sector for investment capital. The problem is that regardless of a reformed service's mode of organization, the public expectation of mail service would leave the federal government on the hook for liabilities an otherwise private postal service might run up. The mail is too big to fail. Congress would not be anxious to assume such exposure to the misfortunes of a company that had escaped its control.

In keeping with economies of scope, business firms would ordinarily be open to the option of engaging in new, potentially profitable lines of business. Superficially, a bar to expansion might be thought to satisfy concerns of public sector overreach and the problems raised by monopoly. In reality, the absence of the public sector leaves the field open to completely unregulated private sector tech monopolies, whose damage to the public interest has been the object of considerable outcry.

Finally, the universal service obligation underscores the idea that the postal service in fundamental terms is not a business. *It cannot be*, since it is a public good: its actual



beneficiaries are not limited to those bearing the direct costs of mail. Of course, requiring federal agencies to be self-financing would preclude their existence.

The Monopoly Problem

Privatization-oriented criticism of the USPS points to its monopoly status. Ordinarily, monopoly is held to detract from economic efficiency. A monopoly firm is incentivized to charge too much and produce too little, relative to firms in a competitive market.

It is true that the law affords the postal service certain protections against competition. For instance, delivery of first-class mail, and access to individuals' mailboxes, is restricted to the USPS by federal law. Shapiro (2015) claims the implied subsidies to USPS in the field of monopoly first-class mail enables it to compete unfairly with private package delivery by the likes of UPS or FedEx.

In effect, the criticism is directed against the USPS passing some benefits of its monopoly status – in this case, lower prices and reduced delivery time – back to consumers. In the same vein, another advocate of self-finance, Clinton Administration veteran Elaine Kamarck (2009), suggests that the service ought to charge higher prices.

The unfavorable comparisons of USPS to firms in competitive markets, or the observation that its advantages sanction by law, is described as “unfair.” The more relevant consideration is whether the service ought to be provided in a competitive market in the first place. The critics presume that the USPS ought to be such a firm, which is just another way of saying, absent any supporting argument, that it does not provide a public service in the national interest to justify its competitive advantages and external subsidies.

A subsidy or regulatory advantage may be viewed as an unhelpful “market distortion,” but that judgment begs the question of the best, fundamental arrangement, market or non-market, in the first place. The usual approach is to take the Bed of Procrustes implied by existing revenues and trends in mail, and then consider which pieces of the service to hive off to make the patient fit the bed.



Criticism of USPS's allegedly excessive labor compensation, and its retiree benefits, is similarly an indirect call to grind down postal workers' pay to the same stagnating standards of the private sector.

European Analogies

Privatization in some form is often defended by reference to experiences in Europe. The mere existence of a privatized postal service proves nothing. As Donald Kettl has pointed out, "Not everything that *can* be privatized *should* be privatized." Such references rarely acknowledge the continuing public role in assorted telecom and Internet services that have been left to the private sector in the US.²⁸ Unlike most other industrialized countries, the US declined a continuing role in the deployment of new communications technologies, such as the telegraph, telephone, and most recently the Internet, even though it subsidized the birth of these technologies.

There should not be much doubt that the USPS *could* be privatized. Some mail and package delivery could continue at reasonable prices. However, look for cuts to some rural routes and less-busy postal facilities, and to weekend delivery. Premiums could be charged for delivery of letters or packages to certain areas, *as FedEx does* now for some 23,000 zip codes.²⁹ Universal service would become a memory, and the search for new lines of business in the national interest, regardless of whether they could be financed with fees, would continue to be foregone. Labor standards would devolve to produce the sort of outrages currently observed in the operations of Amazon. Promised retiree benefits could be defaulted upon, as private sector corporations have often done, in effect, shifting burdens of the elderly and disabled to the public sector through the back door.

The mere existence of privatized European services is meaningless. The test for public provision of a service, factoring in all included constraints, is whether the public benefits of

²⁸ Kamarck 2009

²⁹ Postal Regulatory Commission 2011



such an arrangement offset its costs. The carving up of the USPS would not prove that it was worth doing.

What happened in Europe? The drive for “liberalization” of the post kicked off officially in the European Union in 1997.³⁰ Liberalization turned out to be a euphemism for downsizing, in the form of fewer post offices, massive layoffs of postal workers, higher prices, and the elimination of some postal banking.

The added interest in privatization of all types since 1980, not limited to the US, may be understood as part of the international emergence of the economic dogma of “neoliberalism.” This trend, from which Democratic Party leaders have not been immune, orients public policy away from public sector solutions to problems, in favor of assorted types of public sector shrinkage. Privatization is most clearly described as “load-shedding,” but often the camel’s nose under the tent takes on the rubric of “public-private partnerships.”

As noted above, it was a Democratic Congress, along with President Richard Nixon, that formalized the separation of the Post Office Department from the federal government in 1970 under the Postal Reorganization Act. A second blow was struck by the Postal Accountability and Enforcement Act, co-sponsored by Democrats, which passed in a lame-duck Congress by unanimous consent in 2006. As [*described by Rep. Bill Pascrel \(D-NJ\)*](#) it was, “a blunder, one of the worst pieces of legislation Congress has passed in a generation.”

The Obama Administration [*joined in the bloodletting*](#), overseeing the reduction of USPS employment by 20 percent. One of its alumni, Robert Shapiro, formerly Under Secretary of Commerce for Economic Affairs, has written of the gap between subsidies granted to the service and costs imposed on the service by law, particularly the USO. Once again, the implication is that the service ought to be self-financing.

³⁰ Kamarck 2009



The Grievous Harm of a Privatized Internet

In modern times, why is there no public commitment to universal broadband, and why are technology companies permitted to monopolize email, social media, and search engines? We have discussed the concept of external benefit. There is also external cost, for which the most common example is pollution. The external cost of a privatized Internet is the pollution of democratic discourse.

Along with the retardation of economic growth from the uneven availability of broadband, there is also the contribution of tech monopolization of the Internet to inequality. The [“digital divide”](#) acquires particular urgency in light of the current shift in public K-12 education in many communities to online instruction in response to the pandemic.

The Internet has become a sewer of blatantly false misinformation, and if suspicions of Russian interference are to be believed, a national security problem of disinformation. Appeals for individuals to reject cooperation with public health measures constitute a tangible threat to the nation’s well-being. Online rumormongering interfered with public safety efforts to control recent wildfires in Oregon. Lethal terrorist acts have been linked to fallacious material freely circulating on Facebook and Twitter. A revitalized USPS could offer and build participation in substitutes that blocked online abuse and spurious news reportage, did not exploit user data, and respected user privacy.

It cannot be denied that before the Internet, the mails circulated scurrilous material. The difference is that now, the volume of anonymous garbage has risen disproportionately. One can always disagree with a periodical or television broadcast of a different political persuasion, but at least such outlets mostly identify their writers and interview subjects. There is some interest in maintaining reputations, especially when prior statements are preserved for all time and can be the source of embarrassment. The Internet has helped to mainstream toxic ideologies, organizations, and personalities formerly kept invisible by their obscurity. In short, Facebook, Google, and the other tech giants [make you stupid](#).



A Postal Service that Can Be All It Can Be

Contrary to neoliberal obsessions with shrinking the public sector, it might be better to ask, as its Office of Inspector General did in 2014,³¹ what more could the USPS do in the national interest? As Kamarck (2009) notes, it begins with some unique assets.

As discussed previously, the legal postal monopoly obscures the economic reality that the last mile of delivery is like a natural monopoly. In effect, the USPS has a system that permits its representatives to visit any US address, six days a week. The network is what economists call a fixed or overhead cost. The implication is that the marginal cost of a visit is minimal. This network includes a vast array of postal facilities — roughly 36,000 — spread throughout the nation and the associated real estate. These assets are underutilized.

First, preserve the delivery of first-class mail and packages under the universal service principle, which produced national economic benefits since colonial times.

Partner up the array of postal facilities with state and local government service providers, such as directing individuals to benefits and services for which they are eligible.

There could be similar types of cooperation with other federal agencies, such as Social Security or the Internal Revenue Service. In both cases, the idea is to bring public services closer to their targeted beneficiaries.

Especially in pandemic conditions, the USPS distribution system could assist in a mass vaccination program. As things stand, it makes possible the easy delivery of medical prescriptions.

In the past, the USPS has assisted in the administration of passports. This could be expanded to the general use of providing certified identification and licenses for purposes of voting, operating motor vehicles, hunting, and fishing.

Kamarck (2009) notes the rise, along with the Internet, in identity theft. The USPS background in passport administration gives it a leg up in expansion in any line where individual privacy and security are important. Former Secretary of the US Department of

³¹ USPS_OIG 2014b



Homeland Security Michael Chertoff has suggested the USPS could take over the nation's identity management, guarding against the danger of identity theft and foreign intrusion into US accounts.

The role of the post office in financial services is due for a revival. Especially considering the vulnerability of lower-income persons to exorbitantly priced services and the pervasive absence of accessible banking services, postal banking could provide secure savings accounts, check cashing, and easy to understand mortgages and annuities. Senator Bernie Sanders (I-VT) and Kirsten Gillibrand (D-NY) have recently released a bill proposing the return of postal banking.

The [*Federal Reserve could provide universal bank accounts*](#) to individuals that could be quickly primed with economic stimulus checks, as the times require. Postal banking could administer such a system. The lag in stimulus aid to persons, partly due to administrative difficulties, has been a long-standing impediment to efforts to fight recessions.

As a pillar of the nation's infrastructure, a role for USPS in the Internet is pertinent. To begin with, the ubiquitous shortfalls in broadband availability, for both homes and schools, demand an urgent remedy during the pandemic. The USPS could broaden its role to include providing email and web search services and secure electronic payments. The public supplanting of the tech monopolies in broadband and secure Internet functions could enhance individual security and privacy and elevate public discourse. Building out the current Swiss-cheese broadband network would, as the USPS did historically, connect more Americans with better consumer options and information on employment opportunities.

Government takeover of portions of the Internet is not far-fetched. Different arrangements for it are common in Europe.³² The USPS Office of the Inspector General has done [*its own study*](#). The future of the USPS reflects in reduced scale the basic choice facing the US economy – towards an expanding, predatory private sector founded on neoliberal nostrums on markets, or towards an expansion of public options that provide refuge from such predation and possibilities for a more broadly-shared economic growth.

³² Kamarck 2009



Conclusion

Since its founding over 200 years ago, the United States Postal Service has provided a significant boost to the nation's prosperity and well-being. Privatization for the sake of self-financing is a move in the wrong direction. The service should be returned to a department of the federal government proper, opportunities for expansion explored, and any shortfalls in operating costs or promised benefits to postal workers should be covered by regular budget appropriations.

This choice typifies the broader economic debates over progressive change and neoliberalism. The neoliberal stance is to take the decline in first-class mail as given, arbitrarily accept the nostrum of self-funding, and then ruminate on ways to carve up the service until revenues cover costs. But revenues need not capture benefits; that is the essence of a public good. It cannot be financed directly and separately by each of its consumers.

Shrinkage or expansion, narrow financing by user fees or ample funding by general revenue, in a nutshell, these are the basic choices for the direction of the US public sector and the economy as a whole. A strong public sector, and postal service in particular, are especially essential under the dual threats of a pandemic and an economic recession.



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