



Privatize the Postal System, Abolish a Monopoly

Neither snow nor rain nor billion-dollar losses

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Making a profit by selling goods and services that consumers want to buy at given prices is the first goal of any business. If consumers aren't interested and the business doesn't adapt, it will go under. That's unless you are the U.S. Postal Service.

The Postal Service is a major business enterprise operated by the federal government. Thanks to Congress, it has something many business owners would love to have— protection from competition. Its monopoly on access to mailboxes and the delivery of first-class and standard mail means it doesn't have to worry about someone offering a better service at a lower price. But that's not all. In a new Cato Institute study, Chris Edwards explains that unlike private businesses, the Postal Service has access to low-rate loans from the Department of the Treasury, effectively pays no income or property taxes, is exempt from local zoning rules and even has the power of eminent domain.

Yet the government still can't make the postal system work very well. Though it was created to be a self-sustaining entity, since 2007 it has lost more than \$50 billion, and the losses will most likely continue unless radical reforms are put in place. These financial problems are mostly the result of a 40 percent decline in mail volume between 2001 and 2015, thanks to the increasing use of email, online bill payment, Facebook, and other electronic tools—services that consumers can get free once they have internet access.

In 2006, Congress mandated that the Postal Service start making payments to fund the generous retirement health benefits it has promised workers. This was an important reform because the Postal Service has built up an unfunded liability for these benefits of nearly \$100 billion. Ideally, postal workers should be paying for these benefits from payroll contributions rather than leaving the liabilities to federal taxpayers down the road.

Sadly, Congress is too timid to take on special interests that benefit from the inefficient status quo, such as postal unions, and won't support serious reforms this year. As Edwards notes, Congress stopped the Postal Service from closing unneeded post offices "even though the bottom 4,500 rural locations average just 4.4 customer visits a day," and it blocked the consolidations of

mail processing centers. Even such a small reform as ending Saturday delivery, which would save an estimated \$2 billion a year and is supported by both the Obama administration and the majority of Americans, isn't going anywhere.

Still, many people recognize that something must change. A few years ago, President Barack Obama called for a \$30 billion bailout from the federal government, a five-day delivery schedule and an increase in the price of stamps. Unfortunately, that would be a bad solution from the perspective of customers and taxpayers. It also would perpetuate the blatantly unfair competition with companies such as FedEx and UPS. The Postal Service doesn't pay taxes and receives other benefits, and it uses earnings from its monopoly letter business to subsidize its package and express services in unfair competition with the private companies.

What should be done? Some centrist scholars have called for partial privatization under which a government Postal Service would continue delivering to all homes but that mail collection and transportation and other parts of the industry would be opened to private competition. But numerous European countries—including Britain, Germany and the Netherlands—have fully privatized their systems and opened them to competition. The dominant postal companies in those countries continue to deliver to every address. Full privatization works.

One bad idea that "reform" Postal Service supporters are pushing is to allow the government service to compete with private firms in other industries, such as banking. That would be hugely unfair to taxpaying private businesses, and do we really believe that such a bureaucratic agency as the U.S. Postal Service could out-compete private businesses in other areas if there were a level playing field?

Both liberal and conservative economists think that monopolies are bad because they're inefficient and harmful to consumers. The government enforces antitrust laws to prevent monopolies in other industries. So why does the government itself enforce a giant mail monopoly? It's time to put an end to this gift to special interests, privatize our postal industry and open it to competition. If the Europeans can do it, then so can we.