

## Cato Institute Policy Analysis No. 102: The Slow Death of the U.S. Postal Service

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### Executive Summary

Mail service in the United States is getting slower, more expensive, and less reliable. First-class mail moves 15 percent slower than it did in 1969. The cost of first-class postage is rising twice as fast as inflation. According to the U.S. Postal Service's own figures, postal worker productivity has declined during the 1980s.

The Postal Service is misleading the American public on the quality of mail service it provides. Post office hours have been slashed, mail has been intentionally slowed down, and millions of Americans have been denied home mail delivery. In some cities, post offices are opening an hour later in the morning and the last mail pickup of the day is now at 4 o'clock in the afternoon. The Postal Service would like to do even more: In 1986, for example, Postmaster General Albert Casey advocated abolishing Monday mail deliveries and abolishing standards for two-day delivery of first-class mail.[1]

The history of the Postal Service in the 1980s is largely a history of boondoggles. From the electronic mail system that squandered tens of millions of dollars, to the massive 21 bulk mail centers that helped sink the parcel post business, to the nine-digit zip code that is enduring a lingering death, to the rapidly dying Express Mail, the Postal Service has repeatedly staked its prestige on programs that have brought it nothing but embarrassment.

There have been five postmasters general in less than five years, yet there has been a continued decline in service. Again and again, the public has heard promises of a "new Postal Service." But, even with the big rate increase, the Postal Service is expected to lose over a billion dollars in 1988. According to Sen. Ted Stevens (R-Alaska), probably the most influential senator on postal issues, "the postal stamp in 1990 will exceed 30 cents." [2]

The Postal Service, like almost every monopoly in history, treats its customers with disdain. The recent White House-Congress budget agreement requires the Postal Service to save \$116 million during the current fiscal year, which represents roughly 0.5 percent of the Postal Service's annual budget. According to a Postal Service audit, the Postal Service loses \$636 million a year just from postal carriers wasting an hour and a half a day. However, instead of improving management and reducing waste, the Postal Service has slashed its window hours and eliminated mail processing on Sunday. And despite written promises to the contrary, it has begun closing post offices on Saturday in Detroit, Cincinnati, Philadelphia, Atlanta, Los Angeles, New York, and smaller cities.[3]

Mail service in the United States is slow and unreliable because the government has a monopoly. The implicit motto of every monopoly is, "The public be damned!" As long as the Postal Service has no competition, it will have little or no incentive to treat its customers with the respect they receive elsewhere in a competitive economy.

With over 800,000 employees, the Postal Service is the United States' largest employer. It has added more new employees--150,000--during the Reagan years than have been cut by all other federal agencies to reduce federal employment. However, the more workers the Postal Service has hired, the worse service has become, and the more incorrigible the system appears to be. On top of this, according to Postal Rate Commissioner John Crutcher, U.S. postal workers are "the highest paid semi-skilled workers in the world." [4] The average annual remuneration--including overtime pay and benefits--is now \$38,751 per worker. [5]

## **The Great American Mail Slowdown**

A 1987 Postal Service poster proclaimed, "The new Postal Service. We're changing. We move mountains of mail for you . . . Amazingly accurate . . . Amazingly fast. . . We're delivering the mail faster than ever." Dishonesty becomes almost inevitable in an incompetent bureaucracy trying to hide its failures from the public.

The Postal Service has always had a generous amount of contempt for its customers. In the mid-1970s it seriously considered saving money by educating its customers not to expect "prompt service." A 1974 classified postal audit revealed that the Postal Service damaged half the packages marked "fragile" that it carried. [6] Postmaster General Elmer Klassen conceded in 1973 that the Postal Service damaged five times as many packages as United Parcel Service. [7] Clerks in the New York Post Office were formally told not to throw fragile packages more than 5 feet. [8]

The Postal Service may soon have to file environmental impact statements for all the mail it is dumping in America's trash boxes and dumpsters. For example, a Rhode Island carrier was arrested after 94,000 letters were found buried in his backyard. [9] A 1987 survey by Doubleday and Company found that up to 14 percent of bulk business mail was either thrown away or lost. [10] One Arlington, Virginia, postal clerk told a customer, "We don't have room for the junk mail--so we've been throwing it out." [11] In 1987, 1,315 postal workers were fired for theft and/or mistreatment of mail. [12] A Postal Inspection Service audit found properly addressed mail dumped in the trash at 76 percent of the post offices it visited. [13] A survey by Doubleday found that up to 14 percent of properly addressed third-class mail vanished in the postal labyrinth. [14] The throwing away of mail has become so pervasive that postal inspectors have notified employees that it is bad for the Postal Service's business. [15]

The Charlotte Observer recently surveyed Charlotte mailers and found 14 of 20 "had experienced delayed deliveries, disappearing mail and harassment by postal workers when they objected to poor service." [16] According to Ivan Mothershead, a North Carolina state representative, "When you complain, you get worse service. If they want to hassle you, they hold up your mail and say it's not right." The situation became so bad that mail processing director W. H. Ireland, Jr. openly accused postal workers "of sabotaging deliveries and creating delays to collect overtime pay." [17]

The mail that the Postal Service does not throw away is getting delivered much slower now than in previous decades, and it isn't just the public that worries about slow service --so do the postal workers themselves. Each week, postal paychecks are mailed from Minnesota to post offices around the country. When the checks were very late in getting to the post office in Radford, Virginia, one of the affected workers there publicly said he wanted the next postal union contract to specify that postal paychecks be carried by UPS to ensure that they arrive on time. [18] Postmasters have been complaining lately because the National Association of Postmasters Magazine keeps arriving late. [19]

When the chairman of the Federal Trade Commission made a speech criticizing the postal monopoly, Postmaster General Preston Robert Tisch wrote an indignant response. Because Tisch's response was so important, he sent it by private courier. [20] UPS employee Thomas J. Vandevla commented in a San Diego newspaper, "At Christmas time, it is common to see postal employees in uniform using UPS. Let me ask the readers--'Has anyone ever seen a UPS driver trying to mail a package at the Post Office?'" [21]

When Rep. Bill Green did a survey of first-class mail delivery in Manhattan, he found that 32 percent of the mail was delivered late by USPS standards. [22] A Washington television station did a survey and found that 24 percent of the mail in the Washington area was delivered late. [23] A Postal Service survey found that 83 percent of noncarrier route sorted third-class mail was late. [24] A 1987 Red Tag Mail Association survey found that 69 percent of second-class mail was delivered late. [25]

Nevertheless, the Postal Service continues to claim that it is delivering 95 percent of first-class mail in metropolitan

areas the next day. This is postal fraud--nothing more, nothing less. If an advertiser made the same claims about a product sold through the mails, the postal inspectors would try to shut down his business.

The Postal Service measures mail delivery speed with its Origin-Destination Information System (ODIS). But ODIS is designed to provide grossly biased information. It does not measure actual delivery; rather, it measures only when a letter leaves the originating postal facility and arrives at the final postal facility. ODIS is designed to make mail service appear far speedier than it actually is. This system judges not whether the Postal Service provides good service to the public, but whether it goes through the bureaucratic motions.

Even using ODIS, some postal officials still feel compelled to manipulate the statistics. A 1987 Postal Inspection Service survey, for example, found widespread cheating by local post offices.[26] Cleveland clerks told inspectors of "subtle forms of intimidation" from management to get good results.[27] As Business Mailers Review noted, "Two postmasters, in a candid moment, said that if ODIS tests were conducted by private auditors, the percentage of letters reported to be delivered on time would drop by as much as 20 points." [28] Employees are "under substantial pressure to come up with right numbers," [29] and some have been bumped out of their jobs because they refused to cheat on the mail delivery tests. In Atlanta, almost a dozen supervisors were demoted or suspended after they were caught finagling with mail test results. As Van Seagraves notes, "Postmasters get bonuses for good numbers. Because they know the day before the routes that will be sampled, there is an opportunity to shade results." [30]

The Postal Service takes its standards very seriously. The service has always had trouble moving the mail on time; in 1987 it came up with a brilliant innovation. It changed the final mail pickup time in scores of cities from 5 p.m. or later to 4 p.m. In Washington, mail pickups were moved back from 6:30 p.m. to 5 p.m. (although public pressure did force the Postal Service to roll back the pickup time to 6:30 at a few places in Washington). The Washington Post complimented the Postal Service on this move: "If there's not enough time to get something done on time, drop the task and keep your standards high." [31]

Even the Postal Service's rigged ODIS measurement shows that first-class mail service is getting ever slower. In 1969 the average first-class letter required 1.50 days to be delivered; by 1982 this average had increased to 1.65 days. By late 1987 the average time required for delivery had slipped to 1.72 days. [32]

The Postal Service claims a 97 percent success rate with its Express Mail service. However, the ODIS method of judging performance is especially absurd when applied to a courier letter. Over half of the Express Mail I receive is late. I once stopped a carrier who was bringing me a late Express Mail letter and asked him how many were late; he shuffled through his clips, smiled, and said, "About 70 percent."

The Postal Service is paranoid about criticisms of its performance. As the Orange County Register reported, a sales firm in New Jersey adopted the humorous slogan "Service with a snarl. High prices--Rotten delivery. Stupid salesmen," and put it on the firm's postage meter. Postal Service inspectors, concerned that people would think that the new slogan was theirs, forced the firm to change its slogan.

### **Saving Money by Abolishing Service**

When the Postal Service talks of saving money, the first thing it thinks of is cutting service. This is what happens when an organization has captive customers.

In Albany, New York, the Postal Service canceled Saturday mail deliveries around Christmas and New Year's to save money. [33] Across the United States, in response to a tiny congressionally mandated budget cut, post offices have reduced window hours by 10 percent. Different post offices have chosen to close their doors at different times, so no one can be sure when any given post office will be open. Some post offices, in fact, now are closed during lunch hours, a particular problem for people who need to pick up a package during working hours.

In the Albany area, postal spokesman James R. Hodgins said, "We named 1988 as the year of the customer. This [budget cut] is really going to cut into that." [34] It only took a revenue reduction of 0.5 percent to persuade the Postal Service to dramatically reduce customer service. Private firms deal with much larger fluctuations in revenue all the time without deciding to take it out of their customers' hides.

In northern Virginia, the population is rising rapidly and mail service is notoriously poor. Fran Ford, a postal spokesman, reassured the Washington Post that the situation was not so bad, insisting that all first-class mail was being delivered to people's homes by 6 p.m.[35] A few decades ago, America enjoyed twice-a-day mail delivery; now, the Postal Service thinks it does well enough if the mail arrives before the moon rises.

The Cluster Box Program is one of the Postal Service's great hopes for saving money in the future. It is based on the assumption that the Postal Service could save money if it stopped carrying the mail to people's homes. Mail delivery to residential doorsteps was abolished in 1978 for new homes and is gradually being phased out for older homes. Instead, the Postal Service is imposing a new mail delivery system under which mail is delivered to central locations--cluster boxes--and mail recipients have to travel a half-mile or more to get their mail. What is more, the Postal Service will prosecute anyone who delivers mail to people's doors.

In Maryville, Tennessee, residents in one neighborhood who refused to surrender home delivery and sign up for cluster boxes were told that their mail would be temporarily held at the post office, where they could go and collect it.[36] As Postmaster J. N. Campbell of Virginia Beach, Virginia, declared, "The old days of mail being taken to your home are coming to an end. Efficiency is first in our minds."[37]

Assistant Postmaster General Frank Johnson defends the postal monopoly, claiming that allowing private competition would "endanger the principle of universal service." [38] However, to safeguard the "principle of universal service," the Postal Service is providing less and less service to everyone.

### **Where Have All the Billions Gone?**

Why are postal rates rising so much faster than inflation, at the same time that mail service appears rapidly heading for extinction?

The Postal Service bought a jet, which provided very pleasant flights for postmasters general and their wives on weekend trips from Washington to Chicago or New York.[39] (However, pressure from Rep. Glenn English forced the Postal Service to relinquish the plane.) In Hawaii, postal workers spent their time giving workshops on how to write love letters.[40]

A Postal Service audit found that the typical letter carrier wastes an hour and a half a day, which costs the Postal Service more than \$636 million a year.[41] The average UPS employee probably moves three times as fast as the average postal worker, and the average Federal Express worker moves twice as fast. Postal workers move slower than private carriers because postal workers have different incentives--and de facto guaranteed lifetime jobs. "Fast enough for government work" is the reigning sentiment.

Postal productivity standards are abysmal. Private letter-sorting bureaus can sort the mail for less than half what it costs the Postal Service to do so. It costs the Postal Service roughly 5 cents to sort each letter down to the zip code. The Postal Service offers a 4-cent discount for presorting down to the zip code, and many corporations contract with private sorting bureaus and split the 4-cent difference. The vast majority of mail volume growth in recent years has stemmed from pre-sorted mail.

Postal Service clerks have a far lower productivity rate than clerks in efficient private stores. McDonald's clerks getting \$4 an hour are more efficient and friendlier than postal clerks getting \$15 an hour. There is a new computer program that allows clerks in private post office services to instantly figure the weight and rate for packages, and to tell the customer the comparative cost of sending a package by the Postal Service, UPS, and Roadway Package System. Yet many post offices still plod along with manual scales. Given the Postal Service's high wages, new computers could pay for themselves very fast. But because the Postal Service has no competition, it has no incentive to innovate.

According to Ruth Peters of the Postal Board of Governors, "Our productivity is quite low at this moment." [42] According to Postal Rate Commissioner Patti Birge Tyson, "Postal productivity appears to be falling--in spite of a \$1 billion expenditure on letter-processing automation over the last few years and additional billions on facilities." [43]

As one postal worker recently commented, "Workers that don't produce aren't corrected. In this past Christmas season workers were given four hours overtime every day and they don't throw enough mail to justify one hour. No supervisor jumps these lazy bums and tells them to either produce or go home. . . . There is no accountability, no one cares." [44] Several former mail carriers told me that they were "warned" after their first few days on the job that they should stop hustling and making everyone else look bad.

The Postal Service grossly mismanages its labor costs. It hires temporary workers to do the same work as permanent workers and pays the temporaries only \$5.35 an hour--less than a third of the average pay for permanent workers. This is clear proof that the Postal Service is overpaying most of its workers.

The Postal Service wanted to increase the number of so-called casual workers in the last labor negotiations from 5 percent to 10 percent of the total work force, but the unions naturally didn't like the idea, so management abandoned it.

Saving money seems to be the last thing that interests the Postal Service. It pays its own janitors \$10.89 per hour while private janitors who mop Postal Service floors receive an average of only \$4.44 per hour, according to the General Accounting Office. [45] The Postal Service contracts out some of its rural letter routes to private star-route carriers, and thereby saves up to 60 percent of the cost of carrying the mail itself. [46]

Deputy Postmaster General Jackie Strange said in 1986 that the Postal Service planned to save money by contracting out. However, the only major privatization effort has been to contract out the repair of old mailbags. [47] An official Postal Service magazine recently included an article entitled "Privatization: A Clear and Present Danger?" featuring a full-page picture of the shadow of an ax hanging over the Postal Service logo. [48] The Postal Service prefers to keep all its business in its own hands, even though it would be far cheaper to divide the labor with private companies.

The Postal Service likes to brag that it provides the best service at the lowest prices in the developed world. However, the British postal system provides much faster, more reliable service at a lower price. For 26 cents, a mailer can obtain overnight delivery for a two-ounce letter almost anywhere in Great Britain. (Admittedly Britain is a much smaller country, but since mail now moves by air, it is hardly distance that causes slow delivery in the United States.) The comparable U.S. rate is \$8.75 for Express Mail (or, to get it there next day, between \$7.00 and \$11.00 by Federal Express). For 18 cents, a British mailer can get delivery within three days for a two-ounce letter. [49] Only 70 percent of each postal dollar in Great Britain goes for wages and fringe benefits, in contrast to 84 cents of each dollar in the United States.

### **Keeping a Grip on Third-Class Mail**

A survey by the American Newspaper Publishers Association found that third-class mail receives almost the same quality of service as first-class mail. [50] Although the Postal Service has denied that it is providing a better deal to third-class mailers than it is to first-class mailers, it charges first-class mailers six times more for the same three-ounce letter. With the new rates soon to go into effect, first-class mailers will pay only five times as much.

Many local post offices provide red-carpet service to junk mailers, often at the expense of first-class mail. In Michigan a regional Postal Service headquarters issued an order to local post offices to provide first-class service to ADVO's mail (ADVO is one of the largest third-class mailers). [51]

The Postal Service's total volume of first-class mail exceeds its total volume of third-class mail, but a large share of first-class mail is delivered to post office boxes, mostly for large businesses such as American Express and utility companies. Thus, postal carriers never touch this mail. Almost all third-class mail, on the other hand, goes to private households. As most citizens recognize, they receive more junk mail than first-class mail. The Postal Service's own testimony in the recent rate case stated that it spends 25 percent more money to stuff third-class letters into residential mail boxes than it spends to deliver first-class letters. [52]

Third-class mail is rapidly turning postal carriers into pack horses. The average third-class letter weighs three and a half times as much as the average first-class letter. According to the Postal Service's 1986 annual report, the total weight of third-class mail was more than double that of first-class mail--6.5 billion pounds versus 2.8 billion pounds.

Even though the Postal Service is having great difficulty with the current volume of third-class mail, it has repeatedly tried to drive private advertising delivery services out of business. As George Johnson of Direct Market Media of Cambridge, Minnesota, told the Postal Rate Commission: "Between 1978 and 1988, first-class carrier route rates increased 53.8 percent while third-class carrier route rates increased only 9.75 percent." [53] The Postal Service set its rates to take the profits from the classes of mail where it has a monopoly to underwrite the service in classes where it faces competition.

The Postal Service still claims a monopoly on third-class mail that carries an address label, but this is an absurd situation. A newspaper carrier can deliver a copy of, say, the Wall Street Journal with an address label featuring a customer's name and address, but K-mart is prohibited by law from leaving a flier with an address label attached to the same customer's door. If a newspaper has an address label, it is still a newspaper; but if an advertising circular has an address label, then it is a letter and the rightful domain of the Postal Service. The reason for the distinction is that newspapers have more clout than advertisers. As someone once said, "Never argue with someone who buys newsprint by the ton."

### **The Postal Service versus the Competition**

Greed is the core of the postal problem. Although the Postal Service does a poor job of delivering mail, it strongly objects to any other organization delivering mail.

For 200 years, the Postal Service has been playing a game of catch-up with its illegal competition. It has never worried about serving its customers until after some other entity has come along and served them better.

The Postal Service has a long history of trying to squash its competition. For example, it has harassed both UPS and Federal Express. When Federal Express was new, postal inspectors would watch for Federal Express invoices in the mail, and then visit their recipients and threaten to sue them unless they gave their business to Express Mail instead. [54]

The worse service becomes, the more anxious the Postal Service is to throttle the competition. Many corporations have long been frustrated by the Postal Service's slow mail service to Europe; as a result, private re-mail services sprang up that collected letters in the United States and sent them directly to foreign countries to expedite delivery. Postal Service lawyers attempted to expand the definition of monopoly to prohibit international re-mail, but the White House spiked the Postal Service's ambition. [55]

All of the actions taken by the Postal Service against its competitors have been justified by the service's belief that its duty is to preserve postal revenues. However, the more money the service has taken in, the worse service it has given.

In the areas where the Postal Service faces competition, it has been thoroughly unsuccessful. The Postal Service spent over \$1 billion on new bulk-mail handling centers in the 1970s, for instance, but the new centers were a disaster. The Postal Service now carries less than 10 percent of all parcels shipped by the public. [56] Postal Service economist George S. Tolley told the Postal Rate Commission, "The real price (adjusted for inflation) of U.P.S. service decreased 6.2 percent between 1981 and 1986." [57]

The story is the same for Express Mail. Even the federal government uses a private courier--DHL--instead of the U.S. Postal Service for its express mail needs. The Postal Service's share of overnight-delivery mail has plummeted from 20 percent to less than 10 percent in the last three years. Yet the Postal Service continues with a lavish advertising campaign promoting Express Mail largely because Express Mail is good for its image.

The Postal Service is battling private third-class mail delivery services in many parts of the United States. Private mail delivery services now employ over 100,000 full- and part-time workers, according to George Johnson, who was a spokesperson (along with Ken Bradstreet) for the Association of Private Postal Systems, Inc., in the last postal rate case. [58]

Private advertising deliverers are dancing circles around the Postal Service carriers. Ken Bradstreet of Advertisers Postal Service Corp. in Gaylord, Michigan, reports, "The Postal Service carriers fight over giving us their information

on their route first so that we can take some of their junk mail off their backs." Some postal carriers did not want private competition on their routes and would drive wildly to try to evade private carriers who were following them to make a map of their route. One postal carrier in northern Michigan got so flustered that he crashed his jeep in a ditch. The APPS employee offered to help him out of the ditch, but the postal carrier threatened to bash his competitor with a shovel if he came near his jeep.[59] One Midwestern private deliverer reported that postal carriers would trade their route maps for six-packs of beer.[60]

The Postal Service inhibits private delivery services by effectively nationalizing every post box in the country. Currently, it is a federal crime for a local church to put its weekly flier in anyone's mail box. The Postal Service claims it must nationalize our mailboxes to protect us against abuses. But this should be a choice left up to owners, not regulators. This rule is the Postal Service's last line of defense against competition.

The Postal Service also has an expansive definition of mailbox. Private deliverers have been told that the monopoly on a mailbox extends to a 3-foot radius around the mailbox. In apartment buildings, the Postal Service claims a monopoly on the bins below mailboxes, the floor around mailboxes, and even tables in the lobby near mailboxes. One Western private deliverer alleged that after his workers hung polyethylene bags of advertisements on people's doorknobs, Postal Service carriers would remove the bags and throw them on the ground.[61]

Businesses that have used private delivery services to distribute their ads have been called by local post officials and informed that they have violated the private express statutes and owed heavy fines. This is purely an intimidation tactic. The advertisements are often not even left in a mailbox. Furthermore, it is the private carrier, not the advertiser, that is liable for any private express statute violation. However, by calling the advertiser, the Postal Service tries to frighten the company into giving its business to the Postal Service instead of the private deliverer.[62]

### **Why a Monopoly?**

A 1976 New Yorker cartoon expressed what could be the Postal Service's new motto, "Neither lethargy, indifference, nor the general collapse of standards will prevent these couriers from eventually delivering some of your mail." [63] The Postal Service has a monopoly so that it can be a "public service," but its very monopoly status destroys its incentive to serve the public. The Postal Service's standard for mail delivery appears to be to provide the minimal service short of provoking a public riot or cessation of the postal monopoly.

Not only does the Postal Service have the right to provide lousy service, but it has the power to prevent anyone else from providing good service. The essence of the Postal Service is that no one else is allowed to carry the mail, and the service itself will provide as little mail service as possible. "The Customer be Damned" has always been the natural result of the postal monopoly.

America's postal system is based on the idea that it is better to trust to a public monopoly to provide service out of its own sense of obligation than to trust companies to provide good service out of sheer necessity--that an organization is more likely to serve the public when it has no competition and a guaranteed income than when it must fight for its customers. Postal Service officials continue proclaiming they provide a public service, even as they repeatedly slash service to the public.

The Postal Service is bragging that it has not lost as much money in the 1980s as it lost in the 1970s, and offers this as proof that it is better managed now. However, the fact that a monopoly makes a profit or a loss is only a measure of how much money it can extort from its customers. Postal Service revenues are healthy only in the classes of mail in which the Service faces no competition. If the Postal Service charged 50 cents for a first-class stamp, spent \$500 million a year prosecuting private delivery services, and showed a \$2 billion profit, this would not be proof of business acumen. What businessman could not make a profit if he had the entire force of the federal government and the federal courts behind him?

The postal rate-making system is based on the idea that the public is obliged to pay for unlimited postal inefficiencies, for unlimited waste of time by postal employees, and for an unlimited number of boondoggles in return for minimal mail service. Postal Rate Commissioner John Crutcher has fought a valiant fight throughout the 1980s raising questions about the Postal Service's waste, fraud, and abuse, but little has changed.

The U.S. postal system is increasingly designed to serve only postal management and postal unions. In 1971 one federal district court prohibited a private firm from carrying Christmas cards in Oklahoma on the grounds that the plaintiffs, a postal employees union, suffered "significant loss of work time, overtime, employment benefits . . . and morale." The court ruled that the public should suffer bad mail service so as not to adversely affect postal workers' morale.[64]

It is easier for the Postal Service to slash service to its customers than to fight its own unions. It is easier to make customers wait for opening hours than to efficiently manage its own work force. The Postal Service has always followed the path of least resistance, and that has always meant higher wages for its employees and less service for the public.

A monopoly cannot reduce its service without destroying the rationale for its monopoly. However, the Postal Service is using the monopoly on mail service to justify providing less and less service to citizens each year. Every reduction in service is a confession of incompetence. The Postal Service did not take any polls before it reduced its post office opening hours by 10 percent; it just took the path of least resistance. If the Postal Service slashed office opening hours by 10 percent in response to 0.5 percent budget cut, would post offices be closed permanently in response to a 5 percent budget cut?

The Postal Service claims a natural monopoly and then cuts back service to its customers and calls in its lawyers to prevent any private company from filling the gap. The postal monopoly assumes that mail service must be treated as a welfare item and that people are greedy to think that their mail should be delivered quickly, or to their doorstep, or that the Postal Service should not lose more than 5 percent of the letters. Because mail service is so important, the public is supposed to get by with less and less of it each year. Because mail service is so important, people should be grateful for whatever the government deigns to give them.

### **How to End the Postal Monopoly**

There will be no meaningful reform as long as the Postal Service still has the power to outlaw its competition. Under five postmasters general in less than five years, service has continued to deteriorate. The Postal Service announces a new panacea every year or two, and then, after another salvation scheme bites the dust, announces a new one. But nothing will change as long as the Postal Service has so little competition for first-class mail.

An excellent approach to undermining the monopoly would be to end the postal monopoly on home delivery of junk mail. Allowing private carriers to handle third-class mail would save the Postal Service from collapsing under the weight of junk mail, create thousands of low-skilled jobs, and reduce teen-age unemployment. It would also lead to innovative delivery systems as entrepreneurs strive to cut costs and boost efficiency.[65]

The Postal Board of Governors could unilaterally make this change by a vote at a board meeting. If the governors would not do it, the Justice Department could announce a ruling that the Postal Service's statutory monopoly applied only to first-class letters. If the Justice Department would not make this move, a group of third-class mailers could bring a test suit against the Postal Service, challenging its interpretation of its monopoly. This approach would put the Postal Service on the defensive, forcing it to publicly insist that it must be allowed to restrain the delivery of numerous diverse items to provide increasingly worse service on first-class letters.

Deregulating delivery of junk mail would greatly expand the network of private mail deliverers that, once organized, could create political pressure to abolish the Postal Service's monopoly on first-class mail. With a successful private third-class delivery system in place, the Postal Service could no longer rely on its usual defense that we must have a monopoly because it is inconceivable that private services would carry letters to all those different houses.

Concurrently, the Postal Service should remove restrictions on the private use of private mailboxes. The Justice Department could also issue a ruling on this, or it could be challenged in court pursuant to the Supreme Court's recent ruling restricting government use of eminent domain. Some private delivery services in rural areas have already given their clients free mailboxes, and this is an alternative solution.

The best way to end the postal monopoly is not by launching a debate in which over half a million union members and campaign contributors fight to the death to remain overpaid and underworked, but by poking holes in the monopoly and watching competitive services develop. Only after the superiority of private delivery service is demonstrated will there be the momentum to end the monopoly.

The goal should not be to privatize the Post Office but to end the monopoly and let the Postal Service fend for itself. Once the monopoly is abolished, the Postal Service's revenues will collapse, and then it will be forced to react after public demonstration of its incompetence. The more competition exists, the more incompetent the Postal Service will look, and the less public sympathy will be accorded postal workers.

Privatizing the Postal Service while retaining the postal monopoly would be a pointless charade. This is basically what President Richard Nixon promised in 1970--that the new Postal Service would be efficient, be run like a business, and be free of political patronage. Obviously, this has not happened; the reins of the Postal Service have simply been transferred from Congress to the postal unions and postal bureaucracy. And Congress also continues its meddling.

It is difficult to know exactly how much the United States would save from open competition in mail delivery. Dan Oliver, chairman of the Federal Trade Commission, has estimated that efficiency bonuses would save \$1.5 billion a year.[66] Since postal wages are at least 50 percent higher than private-sector wages and postal labor output is much lower than private-sector output, and since 84 percent of the postal budget of about \$38 billion a year goes for labor costs, ending the postal monopoly could save the United States over \$10 billion a year.

The notion that some privatization advocates have suggested--that with the right bag of goodies, postal workers will willingly surrender both their monopoly and their lifetime overpaid jobs--is naive. Career government employees are not risk takers. It makes no sense to try to find the right bribes to make the postal unions surrender their goose that lays the golden eggs.

Deregulation would create thousands of jobs. It would be better to have a million people speedily carrying the mail at \$7-10 an hour than to have 800,000 people cluttering up post offices at \$20 an hour. Deregulation would create opportunity for many people, and it would greatly expand the labor market for unskilled workers, allowing them to get excellent experience and a start in the job market.

## **Conclusions**

The United States cannot afford to enter the 21st century with a communications system little changed since the 18th century. For decades, the Postal Service has promised that it is on the verge of innovations that will make mail service faster and more reliable. And, for decades, mail service has slowed while one innovation after another has been abandoned.

At what point will the Postal Service lose its moral right to a monopoly? When no one can have mail delivered at home? When all the mail, not just 40 percent or 50 percent of it, takes two days or more to cross Washington? When the postal workers are paid three times as much as comparable private workers and waste four hours a day, instead of only an hour and a half? How bad do things have to get before we abandon the status quo? Does the United States really need to rely on a system that is suffering from a permanent work slowdown?

In the areas where the Postal Service faces competition, it is getting clobbered. In the areas where the Postal Service does not face competition, it is clobbering its customers. Maybe there is a lesson here.

The United States should recognize that the words "monopoly" and "public service" will almost always be a contradiction. The public is best protected when citizens have the right of free choice. We have a choice of blindly trusting to the generosity of government bureaucrats or of relying on competing entrepreneurs. Is there anyone who would say America would be better off if the government outlawed Federal Express and UPS? Is there anyone who thinks that America would be better off if the Postal Service ran the telephone system?

Then why should we continue the Postal Service's monopoly over first-class mail, simply because our ancestors also endured a postal monopoly? It should not be a federal crime to deliver the mail faster than the U.S. Postal Service.

## FOOTNOTES

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