



Written by [Bruce Walker](#) on March 7, 2011

## Postal Service Faces Shortfall

The Constitution was intended as a *restraining* document, however, not an *empowering* document. States possessed vast powers (compared to the federal government) to regulate citizens, stretching far beyond what the Bill of Rights would have allowed federal departments to do. Half the original states, for example, had established state churches.

There are, however, areas in which the federal government is authorized to act. One of those few is the postal system. The rationale behind the first federally financed roads was that these were “postal roads,” necessary to connect different parts of the nation. The original cabinet of the United States had only a small handful of cabinet secretaries, but among these was the Postmaster General. Since the beginning of the republic, long before the Departments of Education and Commerce, there was a post office.



The post office, like the Copyright Office and several other federal offices, was largely self-supporting. The postage determined its budget, at least for a long time. User-funded government services provide a check on waste that is lacking with most federal programs — whose power and authority derive from their leviathan size. Of course, this check is weakened when government-created and -protected entities are given a monopoly for providing certain services (as is the case with the post office) and/or are granted other privileges such as not being subject to the taxation their private counterparts must endure. Yet, user-funded government entities can still be expected to be more efficient than other government entities.

The role of the federal post offices has evolved over time. When Samuel Morse asked through his new telegraph, “What hath God wrought?” he simply recognized the incredible new power that businesses and individuals had to communicate vast distances without using postal services. Alexander Graham Bell, a few decades after Morse, provided the means to talk in “real time” with family, friends, or business associates.

Henry Ford gave Americans the means to travel on their own vast distances — to be able to talk *in person* to those with whom they had previously communicated with by letter. Buses, airlines, subways, and many other private conveyances can travel distances that in 1789 would have been daunting. Internet access even allows people to see and talk to each other in ways that seemed like science fiction only a few decades ago.

Today, most people are not troubled by an inability to communicate with one another, as was true when



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the federal government first established postal services; instead, they face a bewildering number of ways to converse — by cellphones, computers, even smart phones. To a large extent, America has outgrown snail mail.

Beyond that, Americans know just how competitive these private vendors for communication services have become. Cable providers and satellite services vie aggressively for customers. So do different online services, computer operating systems, and social networking systems. The cost of these services, Adam Smith and Milton Friedman would have told us, is always moving toward the cheapest price with best service compatible with a profit margin enough to encourage investment.

Such advances in technology do not mean that there is no longer any demand for the physical delivery of mail. Many “low tech” people and senior citizens prefer the comfort and familiarity of letters. But the market has changed over the years, and those changes have impacted the post office.

Many Americans remember when letters were delivered twice a day. The price of a postage stamp has skyrocketed over the decades. Yet despite the huge increase in what it charges for its services, [Postmaster General Patrick R. Donahoe](#) told the House of Representatives that the U.S. Postal Service will run out of money by October 2011. “The Postal Service will not have the cash available to make both of these payments,” Donahoe declared. “We need legislation this year to address that fact. We will deliver the mail. Employees will be paid. The thing we will not do is pay the federal government.”

Donahoe said his office will also need \$1.3 billion in November to pay for workers’ compensation. Without these changes, he asserted, the “post office cannot survive as a self-financing entity.”

Ironically, part of the problem that President Obama’s Postmaster General is facing is the steep cost of financing healthcare for postal workers. The post office must pay \$5.5 billion a year into an account to cover the medical benefits for future retirees. It is hard to argue with the prudence of this congressional mandate, which prevents the post office from kicking the can down the road, as so many federal, state, and local governments have done for retirement benefits. Since 2006, according to Ruth Goldway, who directs the Postal Regulatory Commission, \$21 billion has been paid by the Post Office into the fund.

Donahoe, in his comments about the cost of actually paying for the medical benefits of retirees, gives an idea of just how deep a hole ObamaCare will put America into. He told Congress that “Prefunding health benefits is an incredible burden. In 2007 and 2008 we would have had net profits except for the prefunding.” It is almost Orwellian to hear a federal bureaucrat utter forbidden words such as “profit,” but Donahoe even spoke of market forces and competition. He added, “We think there is plenty of growth available in standard mail, in the package market.”

Cutting costs in time of recession, fully funding future medical retirement costs, looking for opportunities for market growth, speaking of “profit” — many Americans might wonder what would happen if the the whole federal government were to work to achieve these goals. Yet the expectation of an efficient and profitable government defies reality, since government, unlike private businesses in a free market, does not have to worry about operating efficiently or making a profit to stay in business, and those entrusted with governmental power are spending other people’s money, not their own. The Postal Service may be making a profit without taking into account prefunding healthcare benefits — but that does not mean that the mail could not be delivered with greater efficiency and at lower cost by private companies if the government Post Office monopoly on regular letter delivery were scrapped.

The more that government can be limited to protecting basic rights, the better for the taxpayer and the



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consumer. Even though the federal postal service is relatively “efficient” compared to other government work, government, by its very nature, can never be as efficient as the private sector. The Founding Fathers clearly envisioned a federal postal service, but they did not envision a Post Office monopoly.



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