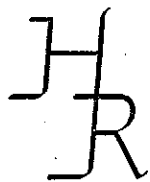


THE HUMAN AFFAIRS PAMPHLETS

THE MYTH
OF THE
POST OFFICE

by Frank Chodorov



1948

HENRY REGNERY COMPANY

HINSDALE, ILLINOIS

THE MYTH OF THE POST OFFICE

"Congress shall have power to...

Establish post-offices and post-roads."

THAT'S HOW it all began. Out of that simple and definite Constitutional authority has grown, by ample applications of "implied powers", one of the largest monopolies in the world. Its 1946 receipts came to twelve hundred millions of dollars, its expenditures to fifteen hundred millions. These figures, issued by the Post Office Department, omit a number of expenditures incident to the business which a private concern could not omit without committing an act of bankruptcy. The Department does not charge against its income any rent for the land it occupies; any interest on investment in its plant and equipment; any depreciation on its buildings. It carries no insurance account, since replacement of a destroyed building is met by special Congressional appropriation; new facilities are also provided by the general tax fund, to which no refund is ever made. The Civil Service takes care of employee pensions. And, of course, the Department does not include a tax charge

in its costs, which is a legitimate expense of business, if government is legitimate.

Notwithstanding the savings effected by such accountancy, the Department has managed to show a deficit in all but eight of the past one hundred and twenty years. Theoretically, the Department belongs to us, the citizens. Although our only prerogative as stockholders seems to be to make up the annual deficit, our self-respect should prompt us to make inquiry into the management of our business. Congress has recently made provision for raising the postage rates. Experience leads us to predict that when income is increased by a rise in rates or by a bigger volume of business deficits will recur. What's wrong with our business? Indeed, is it a business?

The last question is the basic one. The regular issuance by the Department of meticulous operational statements is in line with standard commercial practice, and this gives the impression that the Department is in fact a business, an undertaking to serve the public at fees commensurate with costs. If that is so, we are justified in judging the efficiency of the business just as we do that of any commercial enterprise; that is, by its profit-and-loss statements. To such a test the advocates of public ownership and operation, who point to the Department as a model of efficiency, object, asserting that the yardstick of efficiency in competitive business is not applicable to a public service. It should be pointed out here, in passing, that any private business which is not a public service, which does not render service to the public, cannot exist in a competitive field, since loss of trade will automatically wipe it out; whether or not a government monopoly is a public service is a matter of opinion, since its existence is not dependent on voluntary patronage. But, if the Post Office Department is absolved from the scrutiny to which a private business

is subjected by the operation of the marketplace, then its claim to being a business is a myth. As stockholders we should be apprised of that fact.

The myth of the Post Office Department—that its reason for being is the service it renders the public—is grounded in a well-advertised generality: that which can best be done collectively should not be done privately. That, however, begs the question. Why is the transmission of private messages* peculiarly a government function? How can we know that public operation is superior when private operation is prevented by the threat of punishment? And, if the postal business is best promoted as a collective instrument, must this instrument be implemented with police power, or could it be carried on by a private concern, paying for the privilege on the basis of bids and depending only on public patronage for its livelihood? These are questions which the deficit-paying stockholders have a right to ask.

CUSTOM HAS so strongly imbedded the monopoly myth in our minds that the mere suggestion of a private postal system seems incongruous. Yet, it should be obvious that long before the Government made itself the exclusive mailman people communicated with one another; the tradesman must have had means of dunning delinquent accounts and Romeos always sent written sighs to their Juliets. The king's couriers are presumed to have been the first letter carriers, but it is more likely that means of com-

*The Government's monopoly covers the transmission of letters only, and a "letter" is officially defined as "a written message, communication, notice, or other expression of thought sent by one person to another, which is forwarded for the purpose of conveying live, current information to the addressee upon which he relies or takes action." The Department's document called *The Private Express Statutes* expands upon this definition to some thousands of words, so that all and sundry may know what constitutes the punishable crime of competition with the Government.

munication and picture-writing were invented at about the same time, long before there was a king or couriers. Men write letters not because there is a mailman, but there is a mailman because men write letters, and they write letters because they are social animals.

The mailman comes into existence because there is need for his services, which is the reason why the milkman makes his morning delivery or the newsboy throws the morning paper on your porch. They serve you because you serve them, as a matter of contract, not by force of political power. The delivery of letters is different from any other delivery service only in that it is of wider application. But it is a service that originates, as do all others, in the needs and desires of men, and it grows in importance as men learn how to multiply their satisfactions. Political power neither causes nor furthers it.

That the myth had hard going before it became fixed in our minds is shown in the story of the political monopolization of postal communications in this country; it made its way entirely by improvement in law-enforcement methods and attained maturity as effective evasive competition became more hazardous. The American colonists had been communicating with one another in some manner for nearly a hundred years before the British Crown bethought itself of taking over. In England the postal service was the private business of the king, whose income prospered by the letting out of the privilege to patentees. Perhaps the prospect of revenue prompted the extension of the monopoly to the colonies in 1711. But there was another consideration, that of imposing on the colonists the cost of delivering official mail free. That, as we well know, is the franking privilege, and however we camouflage the fact, it is an expense which must be met by a tax on production; in 1946 this free

mail tax amounted to one-hundred millions of dollars, about one-third of the total deficit of the Post Office Department.*

Before the parliamentary act was put upon the colonists the post office was the coffee house or the tavern, any location which convenience dictated; the postage, which was fixed by the reliable competitive method, was paid by the addressee. The law now established official postmasters, whose business it was to collect an extra penny for the Crown. Between colonists this law was difficult to enforce, since post-riders were free lancers and travelers were neighborly; but mail from Europe could not evade the tax, because subsidized ship captains would deliver to none but the official postmasters.

This political intrusion in the private affairs of the colonists raised considerable havoc; they had not yet swallowed the myth. They recognized the postal rates as taxation pure and simple, not as payment for services rendered, and opposed the imposition both openly and by evasion. The Virginia House of Burgesses virtually nullified the law by threatening to fine postmasters who carried out its provisions. Meanwhile, the private business of delivering mail flourished, even advertised its services, while the official post office showed a loss each year until shrewd postmaster Benjamin Franklin turned in a small profit to headquarters in 1761. It is interesting to note that during the early years of the post-office system, even up to comparatively recent times, competition from

*From the annual report of the Postmaster General for the fiscal year ending June 30, 1946: "The foregoing tables do not include in the items 'audited revenues' the sum of \$100,246,983, which is the estimated amount of revenues that would have accrued to the Post Office Department if the postage had been paid at the regular rates on free and penalty mail." The losses listed are (in round figures): 74 millions on penalty mail; 24 millions on free registry; nearly a million on franked mail; the balance, a little over a million, on free mail for the blind, free in county mail and differences in second-class postage favoring certain classes of eleemosynary publications.

private operators forced the officials to reduce their rates and improve the service; the myth could not have been foisted on the public otherwise. Franklin, for instance, strengthened his official business by permitting newspapers into the mails, and at rates which the private postriders could not meet. Therein we have the beginning of the second-class mail and the use of the subsidy to squelch competition.

Had it not been for the intrepidity of free enterprisers (some of them official postriders who carried a letter or a packet by private arrangement), the Continental Congress would have been under the necessity of establishing a communications system. Obviously, the British-controlled system could not be used; intercontinental communication, however, was kept going by patriotic ride-for-pay men with hardly any interruption. Paul Revere is reputed to have been one of them. The Continental Post Office came into existence by the enterprise of a Baltimore newspaper publisher by the usual entrepreneurial technique; he solicited contributions from the public for the venture and organized from among the subscribers local committees to carry on the service. That is, the need was met by social, not political, action. A year later the Congress took over and then came the clause in the Constitution which made the business of mail communication a permanent function of government. A footnote on American tradition is the charge made by the anti-Federalists, during the debate on the proposed Constitution, that the Federalist-controlled postmasters delayed delivery of opposition newspapers; the charge was never proven, but the vigor with which it was made was characteristic of the then current attitude toward centralization.

THE HABIT of running a deficit was promptly acquired by the Post Office Department. Concurrent with this habit came practices which we label corrupt. It was not, however, the behavior of the officials that, at the beginning, can be so characterized; though the possibility of using the institution for political purposes was recognized from the start, this concept did not come into its own until Andrew Jackson made "to the victors belong the spoils" the guide of political behavior. The deficit-making practices of the Department find their source in the cupidity of the contractors with whom it must deal. It should be kept in mind that what we call a public post-office system is in the main privately operated. Even today the major part of mail transportation is done by contractors—ships, railroads, airplanes, trucks—and the principal occupation of the officials is regulation. In the early days, when senders brought mail to the post office and there was no local delivery, and no stamps to sell, the Department's functions were limited to laying down rules and regulations, establishing routes and hiring contractors to carry on the actual work. On the general principle that the public treasury is "ours," and that raiding it is both ethical and sound business, these contractors did their best toward creating deficits. The vestiges of these methods, cleaned up by sophistication, are imbedded in the system.*

The use of public funds for private gain began with the side-line postmasters. For political reasons the franchise frequently went to newspaper publishers.

*There is no way of determining the total loss in subsidies granted by the Department, for they are not outright bounties for specific purposes and so recorded. The practice is to contract for space or services presumably available, even if not used or needed. The mail not carried under such contracts has acquired the soubriquet of "phantom mail." At the present time, for instance, some losing airplane lines are arguing that they be paid by the airplane-mile rather than the ton-mile, meaning that they be paid for every mile flown whether the planes carry mail or not.

Since newspapers were not then admitted into the mails it was necessary for publishers to make private deals with delivery men, and it was quite natural for the one with the franchise to use it to butter his parsnips. The economy-minded Department hired postriders by the horse and by the weight of the contents of the mail-bag; it was a simple matter to let "overweight" mail pile up in the post office until allowance was made for an extra horse. Stagecoaches were required to carry a given number of passengers with a given amount of mail, and if the business in either mail or passengers exceeded the agreement one or the other was left behind; the lower-paying mail suffered until an exasperated public forced the Department to revise the contract upward. Whenever a change of route was ordered, even if such change was to the advantage of the contractor, the contract was voided and he was allowed to make an "improved bid." Thus, device after device was conjured up to facilitate the annual deficit.

The art of milking the public treasury via the Post Office Department reached perfection with the advent of the railroad. The oft-told story is as long as it is sordid. From a book advocating, forsooth, public ownership of the railroads as a means for overcoming the inadequacies of the politically owned Post Office Department, we get the following:

"... the government pays in some instances as much for the rent of a single car for one year as it would to build the car. . . . It has been discovered that in weighing the mails the roads have often falsified the weights. The weighing is done once every four years, and upon that basis the railroads are paid for the handling of mail. It has been discovered that during the period when the weighing is done all sorts of fraud were practiced. Thousands

of pounds of empty sacks, bags of grain and in one case even a pile of lead pipe were shipped back and forth and weighed over and over again in order to increase the weight of the mails."*

It did not occur to this writer that the trick could not have been performed without either the connivance or negligence of public officials, or that increasing the number of officials would merely add to the inefficiency.

Flagrant inadequacies in the operation of the Department, showing up, of course, in deficits, have led to frequent outbursts of public criticism and "investigations." The resulting changes in personnel, and even improvement in methods, did not eliminate the deficits. It then became politically necessary to explain them away by the introduction of premises and logic which do not hold at all in private affairs. Public works, it was ascertained, are entirely outside profit-and-loss evaluations. Their cost is an investment in service, just like a household utensil. The public which "owns" the public works should no more expect a return on these possessions than the housewife does from a pot or a broom, which likewise is neither for sale nor for rent. "We" cannot make a profit on "ourselves." That would be like asking the left-hand pocket to declare a dividend in favor of the right-hand pocket. And what in private business is called an operational loss in a public business is not a loss at all, since the outlay is merely an additional investment in public service. By such logic the deficit acquires a new meaning, one just the opposite of "loss" in a business venture. If the deficit is held down to a figure which appears insignificant, and if an offsetting item of "progress" can be ascribed to it, there is nothing to worry about.

*Carl D. Thompson, *Public Ownership*, New York, Crowell, 1925.

This line of reasoning, now very common among planners, came upon the Post Office Department, the first of our socialistic ventures, gradually and as a matter of necessity. It was needed not only to explain away the deficits but also to support the practice of using Department funds to help out private business. From the beginning, everything that moves and can carry a letter has had a claim on the public treasury through the Post Office Department. The posthorse, the stagecoach, the ship, the railroad, the airplane—each in turn came to the Department for a handout and, depending on the political influence it brought along, got it. Each supported its claim with plausible practicalities, but all rested their common cause on the “good of the country.”

It is the cost of supporting the private businesses of contractors that contributes heavily to the deficits of the Department and puts upon it a burden which makes efficiency meaningless. And it is a cost that cannot be eliminated from public ownership. Whenever the sovereign authority invades the marketplace, it is inevitable that what we naively call “corruption”—which is but the political means of acquiring economic goods—will pollute the economy. History is so emphatic on this point that one wonders at the persistence of the pollyanish hopes of public-ownership advocates; in the final analysis these hopes must rest on sublime faith in the miraculous mutation of human nature in public office. The partnership of privilege and politics is as natural as the marriage of men and women; the way to dissolve the ensuing monstrosity of “corruption” is to dissolve the partnership by forbidding political meddling in the affairs of the marketplace.

The same human nature which leads to subsidy-raids on the Department's funds also makes for the performance of duties which, in a private business,

must be put down as incompetent. When the politics motive supersedes the profit motive, the direction and intensity of effort is completely altered. The officeholder's bread is not buttered by a customer but by a higher-up, and hence his natural inclination is to cater to the latter, not the former. The case of the Postmaster General is in point. Here we have the head of a business who is neither expected to have any particular qualifications for the job nor to concern himself with its management; he is avowedly put there as compensation for political services and for the purpose of advancing the fortunes of his party. From the head down, therefore, the mail service is only incidental to the main chance. How, then, can we measure performance by the same standards which prevail in a business which must serve the public to exist? Is it any wonder that palatial post offices are erected in small towns, or on overpriced land bought from influential favorites? Or that politics is the prime consideration in making appointments? Should we expect anything else but deficits?

THE DEPARTMENT did not attain monopoly status in one fell swoop; it takes time and reiteration for a myth to get around. It is quite likely that in framing the post-office authority the Founders of the Constitution had monopoly in mind, simply because centralization and monopolization are kindred thoughts. But, the evidence is not conclusive. The *Federalist* disposes of the subject with one sentence: "The power to establish postroads must, in every view, be a harmless power and may, perhaps, by judicious management, be productive of great public convenience." Such words as "harmless power", "may" and "perhaps" lend support to the view that the Founders were not concerned with monopolization,

even if it occurred to them, and when we compare the passive mood of this sentence with their positive assertions on other Constitutional matters, as, for instance, on taxation or the authority of the various branches, we have a case for the non-monopoly interpretation. It is a certainty that the early Americans did not concede monopoly to the Department, for the record shows that they used it only when it was a "conveniency" and resorted to private means when it was not. Monopolization came by way of improved enforcement methods, not public demand.

In Colonial times the postage rate was fixed at six cents per letter, if it traveled thirty miles or less; this was graduated up to twenty-five cents for a trip of four hundred and fifty miles or more. A "letter" was officially defined as a single sheet of paper. If the packet contained two or more sheets, even if printed, the postage increased accordingly, and since the envelope was not introduced until 1842, postmasters could easily check on the number of sheets (the sheets were folded and sealed). As the fee was paid by the recipient, neighborliness urged inertia, even laxity, in collecting the full postage. In 1799 the rates were raised, but this specific seemed to aggravate the deficit it was supposed to cure (because high prices drive business away or bring in substitutes), and in 1816 the rates reverted to the previous scale.

President Jackson thoroughly "reformed" the Department, and though political loyalty was thus achieved, the plague of deficitism remained. His postmaster general issued peremptory orders for the meticulous counting of sheets. To avoid overcharges, careful customers insisted that the sheets be counted at the delivery windows, and as a result the crowded post offices seethed with discontent. Unless people are acclimated to regimentation, their discontent arouses their imagination; the Americans of that time were

not so acclimated and therefore they turned for relief to hired messengers, traveling friends and the newly arisen "dispatch" and "express" companies which proudly offered cheaper and better mail service. The resort to social power was spontaneous and uninhibited. It became so customary to request travelers, even though strangers, to deliver letters to the towns to which they were going that merchants contemplating trips were careful to conceal the fact for fear of being inundated. Francis Lieber, a German traveler in the early thirties, makes this comment on the general practice: "I believe this is the only civilized country in which no law exists to prohibit private persons from carrying sealed letters. It would be considered a strange interference with private concerns if ever a law of this kind should be attempted here."* A strange interference indeed, in those days.

Now that "let the government do it" has become the litany of the land, this resort to spontaneous cooperation in the solution of a common problem, even one brought on by the government itself, smacks of heresy. Yet if we break through the socialistic incrustation of our thought, we will discern in this early Americanism a truth of political science, namely, that when political power is weak social power is strong. The young government was too weak to prevent people from taking care of themselves; the myth had not yet been accepted. Not only did they resort to mutual helpfulness in their extremity, but, and this is more important, they took to the marketplace for a sound solution. Commercial conveyors met the need for better and cheaper mail service. The earliest of these on record was begun in 1835, by William F. Harndon of Boston. Starting as a deliverer of packages, he soon was employed to buy goods in other cities for a commission, and it was but a natural sequence, since the

*Quoted in Alvin F. Harlow, *Old Post Bags*, New York, D. Appleton & Co.

mail service was so bad and so expensive that merchants and others should turn their letters over to him. From that came a connection with the Cunard Line and arrangements with the Post Office Department for a transatlantic franchise; he paid the official postage, transported letters to the other side and collected the two-cent fee then allowed for city delivery.

Where monopoly cannot prevent it, success is ever the breeder of competition, and therefore of better and better service. Harndon's venture gave rise to many more, and in 1843 Boston alone had a score of these operators, among whom was Alvin Adams, father of the great Adams Express Company. Merchants and others would club letters having a common destination, delivering the packets to the express company, or to a store which served as a collection point, and for about fifty cents obtained a service for which the government would demand as much as thirty dollars. The dispatch companies maintained collection boxes in hotels and other points of vantage. Hale's Foreign Letter Office of New York published quotations on foreign delivery which undercut the Government's by about one-third, and in New York it offered local delivery by special messengers at six and a quarter cents per letter. It was a thriving industry, this quasi mail service, growing up with the needs of society. There was Yankee Jim's Loon Creek Express, Randall & Jones' Canyon City Express, Salmon River & Nez Percés, Bernard's British Columbia—dozens and dozens of them, budding wherever a letter or a package wanted delivery. *Hunt's Merchants Magazine* was well warranted in declaring that "Government enterprise is wholly unable, under its most advantageous promptings, to compare with private enterprise." And political theory was not yet afraid of the thought that "the transmission of correspondence is no more a national concern than the

construction of railways and telegraphs or the transit of passengers and goods."

One forceful fact emerges from the early history of the American mail. Private industry did not compete with the official Department so much as the Department competed with private industry; that is, the Department was forced to adopt or take over improvements in the service which the enterprisers introduced, lest it pass out from lack of trade. Before 1845 a letter mailed to one's neighbor bore a penalty of eight cents per sheet; the dispatch companies cut the rate for a single sheet and charged nothing for a second or even a third. That forced Congress to slash its rates in the year mentioned, and again in 1851, but the superior service of the private enterprisers kept them in business nevertheless. What did the government do? In 1860 this pernicious social instinct compelled the Department to resort to the only logic known to officialdom—force. The Postmaster General, calling upon the law of 1851, declared the streets of Boston, New York, and Philadelphia to be post roads, thus making outlaws of persons using these streets for the transmission of letters for a fee.* After a little opposition and even open defiance of the law, the dispatch companies gave up the ghost and the citizenry was compelled to accept whatever delivery service the bureaucracy deigned to offer.

The private dispatch companies arose because of the inadequacies of the Department, and even though they were outlawed, there was always the threat of "black market" operations to keep the Department from backsliding. It might be well to recount some of

*This legal device of declaring lines of communication post roads is the prime means of monopolization; the secondary means is subsidies, making competition unprofitable. In 1813 the navigable rivers were declared post roads; in 1838 it was the railroads. Control of city streets came in 1853 with "free delivery service"; in 1896 rural roads were pre-empted wherever R.F.D. was ordered. Now it is the airways.

the inadequacies which the dispatch companies served to overcome. When the postage stamp was introduced in 1845 (five years after it was authorized); the purchaser had to climb to a sequestered cashier's office upstairs and wait his turn. Another ally of the dispatch company was the local postmaster, whose interest in city delivery was decidedly negative, since the rent of the private mail box was his to keep.* The post office was always located in an inconvenient part of the city, simply because the city regularly and rapidly outgrew the location, and the dispatch companies saved merchants the hire of messengers to linger on the long lines at the distant post office. It was not until the close of the Civil War that the tedious trip to the post office was overcome by the letter box, although this device had been in use in Europe for nearly two decades. That such conveniences would have crept into the bureaucratic channels eventually is a matter of conjecture; that the threat of social action accelerated their coming is a matter of fact.

Criticism of the Post Office Department likes to dwell on the paralysis of precedent which afflicts its management, making for methods which competitive business could not stand up under. Thus,

A uniform method of reporting cash receipts and disbursements . . . was adopted only after a Congressional investigation in 1908. However, postmasters still keep stamp sales, money order transactions and postal savings in separate funds and more or less juggle these funds when reporting. Bureaucratic resistance to improvement leaves the post offices without modern loose-leaf accounting

*This and other indirect emoluments were so considerable that Congress in 1845 limited the postmaster's income at \$5,000. Until 1845 also, the postmaster enjoyed the deficit-helping, franking privilege on his private correspondence and newspapers.

and machine posting. . . . Innovations such as automatic mailing machines and stamping machines used by large commercial firms were developed by and must be bought and rented from private firms.*

Such criticism only accentuates a fact which the history of the Department reveals: not a single development in the mail service came from within; every one was forced by private enterprise. It was simply because the Department did *not* enjoy complete monopolization of the service that it achieved some semblance of serviceability. Let us look at a few milestones in the history of the mail business.

It was pointed out that the postrider and the stagecoach were doing business before the Department acquired a proprietary interest in them by way of subsidization. So, too, did ship captains traveling along the coast and across the Atlantic carry mail long before they were invited to tap the public treasury, and the masters of inland river boats did not wait until the Department declared these waterways post roads in 1813. Despite the lack of a subsidy, the firm of Russell, Majors and Waddell started the famous transcontinental link between St. Joseph and San Francisco known as the Pony Express, depending on private patronage for sustenance. When California came into the Union, mail was delivered only to San Francisco, at first by way of Cape Horn, later by the privately operated Overland Mail.† From San Fran-

*Edgar M. Queeny, *The Spirit of Enterprise*, Charles Scribner's Sons. An odd practice of the post office is to charge for private mail boxes. Sound business would suggest that these be offered free, so as to reduce the far more expensive delivery service.

†The way of the Post Office Department toward monopolization through its deficit-making power is illustrated in the case of the Overland line. John Butterfield, the operator, received from the Government \$600,000 a year for two mail coaches each way per week; in 1859 the revenue from the mails thus carried was only \$27,000.

cisco the mail was delivered to the mining camps and other towns by express companies, the most enterprising of which was Wells, Fargo & Company. In 1864 this company bought a quarter of a million stamps and envelopes from the government and resold them with their delivery fee added. For some years its mail operations exceeded that of the Government in the West. Commodore Vanderbilt secured from the Nicaraguan Government a franchise for a transit route in 1851 and was soon postmarking letters "In Advance of the Mails." Charles P. Kimball, a San Francisco stationer, collected letters destined for the East, forwarding them via the Isthmus of Panama, and acquiring the nickname of the Noisy Carrier from the habit of hawking his service on the streets just before sailing time.

And so the story goes. All the pioneering in the great mail business of which the Department boasts was done by private initiative. As is the case with private enterprise, some of the pioneers failed, either through incompetence or as a result of technological changes. Nevertheless, it is to their spirit of adventure, abetted by the profit motive, that we owe what we have of a mail service. Officialdom merely bought out what private initiative had produced and then legislated private initiative out of the field. What might have happened to the system if political monopolization could have been effected right from the start is horrendous to imagine. On the other hand, one can make comparison with privately owned communication systems to picture the kind of mail service we might now enjoy if the politician had kept his hands out of it. Putting aside such considerations as speed, economy, and the variety of services provided by the telephone companies, let us compare only the courteous call girl with the kind of answers one gets from postal clerks. What a difference! Some of us can recall

the crudity of the early telephone; nothing but the urge for more revenue turned that toy into an indispensable instrument of our commercial and private lines; dividends, not subsidies, spurred the scientific investigation and sharper management which resulted in lower rates and better service. And so, if the Government had kept its hands out of the mail business, the pioneers would have developed a mail service comparable to the telephone system, and the taxpayer would have been saved uncountable deficit billions.

How fortunate that the Government did not exercise its option on the invention of S. F. B. Morse! It is not generally known that the first telegraph line, between Washington and Baltimore, was built in 1843 at Government expense; for some reason Congress lost interest in the invention and it went to private hands. Those who maintain that the mail service would not have thrived but for Government support should explain why the telegraph did thrive, even competed with the mails, and, instead of showing an annual deficit came up with handsome profits for its owners. Also, as taxpaying corporations, the companies which exploited the telegraph have helped to meet the annual deficits of the Post Office Department.*

IS THE postal system—"our business"—operated efficiently or inefficiently? How can we tell? Efficiency is a standard of performance, and a standard presupposes a method of measurement. By what yardstick can we measure the performance of the Post Office Department? To be dependable, it should be

*An interesting speculation suggests itself. If the Government had had the income tax at its disposal, making more deficits possible, would the telephone and telegraph have been allowed to develop under private guidance? Would it now suffer from competition in the package-delivery business or the money-order business?

an objective yardstick, with unmistakable gradation marks. Without such a yardstick any discussion of the Department's efficiency is like a debate on "how high is up?" It will not do to depend on comparison with another nationalized system, like the Russian, for instance, for while one may serve better than the other both are conditioned by factors which might make for essential inefficiency; something like comparing the speed of a horse having one lame leg with that of a horse handicapped by two lame legs. If we point with pride to the advances made by the Department in the past, we are merely comparing a stagecoach with an airplane and are not determining the possible efficiency of the airplane. Most discussions of the efficiency of the Department either fall into the faulty comparison method or revolve around subjective measurements, like "ain't love grand?"

A business is an undertaking to serve the public, and whether it does so must be decided by the public, whose decision as to the efficiency of the business is final and irrefutable. In making a decision, however, the public must have a choice between at least two businesses in the same field. That is, only where competition prevails can we have a dependable and objective yardstick of efficiency. Under such conditions the decision of the public is recorded in the ballot booth of the marketplace. Grocer Smith vies with grocer Jones for the dollar-ballots, and, since the field is free of compulsion, the winner will be the one who, all things considered, renders the better service. He receives in proportion to what he delivers, and what he delivers is decided by competition, not his own inclination. For the public, thinking always of its own interest, votes for the performance, not the performer; in the final analysis, the public votes for itself. The successful competitor will gain because of the service he renders, because of his efficiency, and

his gain is recorded in his profit-and-loss statement. This statement, in a competitive field, is the objective and mathematically accurate yardstick of efficiency.

With a privately owned monopoly the profit-and-loss statement is only a partially objective record of its efficiency, falling short of objectivity to the extent of its monopoly position. By control of the supply of services—which is the essence of monopoly—it eliminates competitors who, seeking to gain the favor of the public, would force the standard of performance to higher levels. Since the public has no choice in the matter, save that of going without, it takes the services offered by the monopolist at the terms he decides upon. His profit-and-loss statement is a record of the performance he chooses to give.

But, the monopoly is under compulsion to achieve a degree of efficiency by the desire for profits. It must produce. Its monopoly position enables it to predetermine its performance, and its profit motive drives it to produce the exact amount that will yield the greatest net return. This presents a problem in pricing, which it solves by the trial-and-error method. If the monopoly exceeds the predetermined level of production, the price will have to be dropped to entice greater consumption and the net return will be the same; if it raises the price, consumption will drop and so will the net return. Efficiency in a monopoly, then, consists in finding the exact ratio between price and production that will yield the most in profits.

The perfect monopoly is one which enjoys a complete control of the supply, leaving the public with no recourse except abstinence. Only for short periods, as during an emergency condition, can any privately owned monopoly enjoy that ideal privilege. Every monopoly is at all times subject to limited competitive conditions. There is, to begin with, the possibility of a technological break in its monopoly position; oil broke

into the coal monopoly, the wireless took the trans-oceanic cable off its pedestal, the airplane made railroad management more considerate of the public. It is because of this threat that monopolies conduct expensive researches; and though the inclination might be to keep competitive inventions off the market, the existence of such inventions, and the possibility of others, is a pressure toward greater efficiency. Science tends to keep monopoly on its toes; that is, monopoly cannot permanently maintain a static standard of performance.

Other competitive threats have a bearing on the efficiency of the privately owned monopoly. The possibility of losing trade to substitute, even inferior, services is always present, while self-denial of an impecunious public is a constant consideration. That is, the public has a limited influence on the profit-and-loss statement of the monopoly. And in recent years a quite dangerous threat to monopoly is the possibility of nationalization. While this danger is softened by the British promise of swapping Government bonds for industrial securities, thus turning entrepreneurs into nonproductive taxgatherers, in this country the spirit of enterprise still struggles, and in this spirit the monopolist strives to avoid eradication by rendering services which seem good to the public. This consideration is reflected in the profit-and-loss statement of the monopoly.

A politicalized monopoly, however, is absolute. Every competitive influence is removed by force. Even abstinence on the part of the public is no threat, since every drop in revenue can be offset by a tax levy. The power of taxation removes the necessity of rendering service; production becomes a plausible excuse for laying levies. Its profit-and-loss statement is meaningless as a measurement of performance; like the annual report of the Postmaster, such a statement

can be only a pro forma, take-it-or-leave-it, memorandum. Since the public cannot take its mail trade elsewhere, the figures of the Department do not record the judgment of the public about the efficiency of the service rendered. Hence, discussion of the efficiency of the Department must be a fruitless conflict of opinions, loaded with preconceived notions and prejudices, not unlike an argument over the athletic prowess of John Bunyan.

The monopoly privilege of the Department does not cover all of its activities, and where competition is allowed, its inefficiency is glaring and definitely measurable. Its parcel-post business for the fiscal year 1946 shows a loss (not including unrecorded expenses) of forty-two and a half millions; its money-order business lost nearly twenty-nine millions; registered mail, insurance, special delivery, C.O.D. services, and postal notes lost another twenty-seven millions. Now, most of these services can be bought at comparable rates from taxpaying concerns, who seem to derive a profit from the operations since they advertise for trade. In these fields, at any rate, there is no question as to the inefficiency of the Department; it is definitely recorded on the objective yardstick of the marketplace. Is it unfair to assume that in the fields which it appropriates unto itself the Department is at least just as inefficient? Is it not likely that its performance in these fields is worse, since there no competitive incentive exists? No wonder the energumens of public ownership are strong for the monopolization of these competitive services, for if that were done the irrefutable proof of the Department's inefficiency would be removed.

IF THE Post Office Department is in fact a myth, if its claim to being a business is a fiction, what then is it? It is a political institution. In its organization and operation it is essentially in the same category as the War Department, the Federal Bureau of Investigation, the Tennessee Valley Authority. The revenue it receives is not payment for services rendered but is purely taxation. A plausible relationship between the rates charged and the costs is maintained only to make the tax levies palatable, but the final determinant of these rates is political exigency. Let us not fool ourselves. The price charged for the delivery of publications is a tax ameliorated by their capacity to influence public opinion, always a potent factor in politics. Third-class postage and parcel-post rates and rural free delivery came when the farm voter assumed importance, and not because of the arguments of the mail-order houses.* That inarticulate and milling mass known as "the general public" is taxed the heaviest by way of first-class rates simply because it lacks the political power of a pressure group.† First-class postage is like every tax on consumption; it is unavoidable; it affects the largest number of people and it must therefore yield the largest revenue.

Finally, the claim of the Department to being a business is denied by its activities. No matter how varied the fields in which the largest business may engage, all must be related to the prime purpose of rendering service at a price commensurate with costs.

*In 1892 the report of the House Committee on Post Offices and Post Roads contained this statement: "It is believed that rural free delivery will aid materially in stopping much of the growing discontent that now seems to exist among the farming population." The depression was then coming on the farmers.

†In 1946 first-class mail (including air mail) produced nearly 50 per cent of the Department's revenue, and showed a "profit" of \$199,000,000. This result is partially due to the three-cent letter rate, which Congress enacted only as an emergency measure during the war. Thus, the fiscal problems of the Government, not the cost of the service, decide the price charged.