Too Big Not to Fail

Size does matter. As a child I had an awful time trying to eat a double scoop of ice cream without knocking the top scoop onto the ground. In my hands the large cone was inherently unstable. It turns out that there are a number of things too large for the government’s hands to hold stable as well.

One such thing is mail delivery. The US Postal Service has [lost $11.6 billion](http://www.nytimes.com/2012/08/10/us/politics/postal-service-reports-5-2-billion-loss-for-quarter.html) so far this fiscal year. That’s with three more months remaining in their fiscal year which ends September 30th. Even with (or because of) a virtual monopoly on letter carrying within the US, the Post Office loses money. The private sector, it turns out, can deliver urgent letters and boxes across the country for a profit. Here are some 2011 stats:

Company # of employees Revenue Profit/Loss

UPS 398,300 $53.1 billion $3.8 billion

FedEx 290,000 $39.3 billion $1.42 billion

USPS 574,001 (career) $66 billion -$5.1 billion

653,000 total

What accounts for their inability to make money? Did they blow all their money helping Lance Armstrong dope up? Lance Armstrong, who raced for the USPS bicycle team, (yes the Post Office sponsored a bicycle team) was [stripped of seven Tour de France victories today](http://www.reuters.com/article/2012/08/24/us-cycling-armstrong-doping-idUSBRE87N03N20120824) as a result of an investigation regarding his illegal doping. Perhaps the USPS was researching how fast they could deliver mail on bicycles.

In reality, the Post Office has become more than a letter carrying agency. It has become an employment/retirement agency. The above numbers illustrate the Post Office’s bloated number of employees relative to their revenue much less relative to their profit. [ABC reports that 80% of the USPS costs are labor costs compated to 53% for UPS and 32% for FedEx.](http://abcnews.go.com/blogs/business/2011/09/do-we-need-the-postal-service/) Much of their 2012 loss is related to their defined benefit pension plan. If the point of the Post Office is to redistribute money to members of the American Postal Workers Union, then the USPS is doing a great job. If it is to deliver mail efficiently, it is not.

Congresspersons, even those upset about the USPS losses, have a difficult time allowing local post offices or letter sorting operations be consolidated elsewhere. Efficiency is important, just not in their back yard. The problems faced by the USPS reflect the general problems of government decision making. Governmental decisions are made based upon satisfying special interest groups. The more that groups donate to politicians, the more special they become.

The private sector is not devoid of the impulse of lobbying to legislate the economic playing field to their advantage. Nevertheless, competition does reinforce the need to focus on efficiency. Efficiency is nothing short of not wasting resources. It is getting the best benefit to society for the least cost. Privatizing mail delivery in the US would increase the efficiency of mail delivery while reducing the burden to taxpayers who are already saddled with a rising national debt. Governments need to focus on what they can do well and let the private sector do what it can do well. Even President Obama’s former head of the Office of Management and Budget, [Peter Orzag, has called to privatize the Post Office](http://reason.com/blog/2012/07/30/peter-orszag-privatize-the-post-office).

The invisible hand is much bigger than the government’s hand. It could hold two scoops of ice cream and deliver mail at the same time, if only it were given a chance.