



The Goodfellas Scheme To Destroy The Post Office

Lawmakers deliberately manufactured a USPS financial crisis and now Trump is using the turmoil to justify burning the whole place down.



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If you're confused and overwhelmed by all the political news about the U.S. Postal Service, here's the key thing to know: At its core, this scandal is not new or innovative. It is the standard government version of the [Goodfellas scheme](#): Deliberately make life impossible for an agency while using it to [enrich big campaign donors](#), “and then finally, when there's nothing left, when you can't borrow another buck from the bank or buy another case of booze, you bust the joint out — you light a match.”

In this case, lighting a match means Trump (with the [help of Senate Democrats](#)) putting the postal office under the control of [Republican](#) operatives who then [eliminated](#) sorting machines, [removed](#) mailboxes and [restricted](#) postal workers from helping Americans vote absentee. The moves threaten to ignite a fire that could throw the election. Longer term, they could also bolster the argument that the only way to create a more reliable mail system is to

hand over the postal service's core functions to companies led by donors such as [FedEx](#) or [UPS](#) that funnel big money to Republicans.

This culminating tale of arson is the subject of today's congressional hearings, but here's the thing: It didn't happen in a vacuum. Trump's officials have justified the cutbacks by insinuating that they were merely necessary responses to the long-term financial crisis at the USPS.

"Our financial position is dire, stemming from substantial declines in mail volume, a broken business model and a management strategy that has not adequately addressed these issues," [said](#) postmaster general Louis DeJoy, a Trump appointee who was a [top GOP fundraiser](#).

The creation of that alleged financial crisis — and whether it is actually even a crisis — is a less-well-publicized but critically important story of malevolence, because it is the foundational justification for everything Trump is now doing.

Over the course of years, the villains in this story manufactured the emergency in four ways: 1) They fabricated the notion that we should look at the post office as a business, but then 2) they subjected the agency to financial standards no other business operates under; 3) they continued blocking the agency from making the kind of investments that corporations and government retirement systems routinely make and 4) they restricted the agency from expanding its revenue-generating operations like postal services in other countries.

Let's break each of these down.

1: The Post Office As A Business

You've heard the assertion a million times: The USPS is supposedly a business, and one that is losing money. But few have bothered to question the absurd premise of it.

And it is absurd. The postal service is not a business -- it is public infrastructure so integrally important to the nation that it is literally enshrined in the constitution.

As a public utility, it is required to do specific money-losing things that businesses are not required to do, like follow a "universal service mandate" that requires it to deliver mail to every remote place in the country at a flat rate. And amazingly, it manages to do this in [self-funded fashion](#). Indeed, while the postal service did qualify for a [pandemic loan](#) like many giant companies, it has [not yet tapped that line of credit](#). As the agency's website notes, "The

Postal Service receives no tax dollars for operating expenses and relies on the sale of postage, products and services to fund its operations.”

Saying the postal service is a money-losing business is as inane as saying the Department of Education is a business that loses \$64 billion a year because that's its annual budget and it spends money on schools. It's as silly as saying the Defense Department is a company that loses \$738 billion a year because the Pentagon spends that annual appropriations on the military.

You can oppose spending on the Education Department or the Pentagon, but nobody says they are businesses because that's ridiculous. It's the same thing for the USPS. And yet, over decades, politicians have created the idea that we should perceive the agency as a business, and judge its success or failure on corporate terms -- a rhetorical framework that is used to justify the push to privatize the system.

2: The Postal Service's Financial "Crisis"

Of course, while the post office-as-business mantra frames the debate over the USPS, lawmakers have also deliberately created a draconian legal architecture that doesn't let the postal service do basic things that every other business is permitted to do.

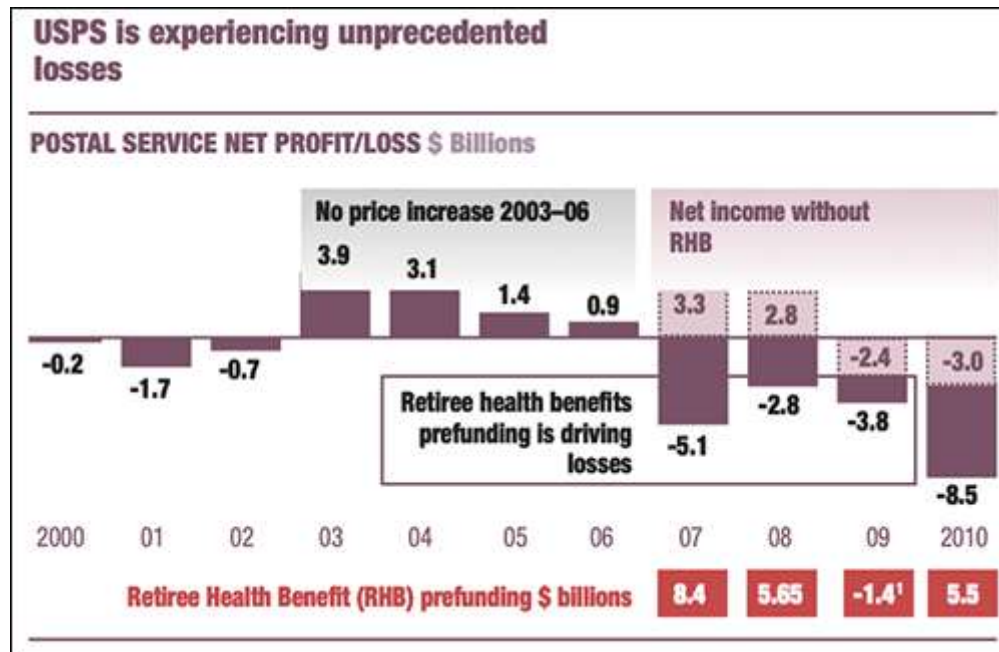
For example: If you read [headlines like this one](#), you would think that the postal service has been bleeding money -- but it hasn't been. Sure, the USPS has its financial issues, but its revenues have actually [ticked up](#) over the last decade as the USPS workforce has shrunk. A big chunk of the much-touted "losses" are actually just a shift of money into a different account required by an accounting mandate that no corporation or governmental entity faces.

That mandate came from a 2006 law, which requires the postal service to move billions of dollars every year into its retiree health care account to prefund 75 years worth of those benefits.

“This creates a \$6.5 billion annual shortfall that could easily be avoided” if the postal service was permitted to use the same accounting practices as every other major corporation and public agency, according to Notre Dame professor of management [James O'Rourke](#).

Not surprisingly, federal records show that this draconian bill that deliberately crippled the post office was lobbied on by USPS competitors such as [United Parcel Service](#) (UPS) and [Pitney Bowes](#), which together that year delivered nearly [\\$5 million of campaign](#) cash to federal lawmakers. The Postal Service is not allowed to have any lobbyists represent its interests.

To understand how crushing this mandate has been, see this graph from the postal service's [2010 financial report](#). It shows that from the beginning, the new accounting requirement was the major factor in moving the agency's balance sheet from positive to negative.



“The measure has been a fiendish straitjacket, akin to making a prospective homeowner cover an entire thirty-year mortgage before the ink is dry on the deed,” wrote Rep. Bill Pascrell, D-N.J., in a 2019 [op-ed](#). “In each of the last three years, the prefunding burden well exceeded the post’s total losses. Overall, prefunding accounts for almost all of its losses since 2006.”

3: The Postal Service Is Not Allowed To Invest In A Normal Way

You might think that if lawmakers equating the postal service to a business were going to require prefunding, they would at least permit the agency to embrace a sound investment strategy to generate decent returns for the trust fund, which could speed up the prefunding, make it less financially painful and reduce the overall shortfall.

But you would be wrong.

Under existing law, the postal service is only permitted to invest in Treasury bills — safe assets to be sure, but the lowest of low yield investments. The postal service is not allowed to have a modern investment portfolio. It is prohibited from putting assets into the kind of safe index funds that corporations, pension systems, endowments and [other industrialized nations' postal services](#) invest in. The USPS cannot even invest in the index funds the federal government's own Thrift Savings Plan uses.

This is akin to having all of your long-term savings in cash socked under your bed or in a savings account rather than invested in something as simple as a Vanguard fund — a move that any financial adviser would tell you forfeits huge money.

How huge for an agency as big as the postal service? The USPS Inspector General asked a financial firm to [investigate](#) exactly that question three years ago — and found that it is many billions of dollars.

The 2017 [report](#) from Segal Consulting found that if the postal service invested retirees' money in a standard 60-40 bond-stock fund, it would generate [53 percent higher returns](#) than the current system over the next 20 years under a middle-range set of market conditions. That's huge money.

To be sure, the postal service rightly [acknowledges](#) that “a sound investment strategy alone is not enough” to fix its financial issues, and any new investment strategy would have to avoid the risky investments that some public pensions have gotten themselves into. But that can't even be explored until Congress stops blocking [existing legislation](#) allowing the postal service to modernize its investment strategy.

Until then, USPS is being forced to leave billions of dollars of potential revenue on the table.

4: The Postal Service Is Not Even Allowed To Expand

If the postal service really was a business, then it could do what other businesses do and try to grow its way out of its problems. In fact, as former postmaster general John Potter [told](#) Congress in 2010: “Other national [postal services] complement their traditional offerings with banking, cell phone, logistics, and other services to generate the income necessary to offset the costs of their universal service obligation -- costs that cannot be met solely by the price of postage.”

But the USPS isn't allowed to do that. The 2006 legislation did not only create the prefunding mandate. It also went out of its way to block the postal service from offering new services -- which might have not only generated new USPS revenues, but also benefited customers with lower costs.

Why did the legislation do this? Because of “stakeholder concerns” about “competition with the private sector,” according to the [Governmental Accountability Office](#).

In other words: the USPS's potential corporate competitors -- who deliver big campaign donations to lawmakers -- didn't want the competition, and so the competition was statutorily blocked.

Wall Street was one industry that benefited from that provision, because it helps [complicate](#) any move by the postal service to offer [low-cost banking services](#), as it [once did in the early 20th century](#). And guess what? [Citigroup](#) and the [American Bankers Association](#) lobbied on the bill, according to federal records.

A few years ago, the ABA made its motives clear, [telling](#) federal lawmakers that its members "remain very concerned about allowing the Postal Service to offer non-postal products, including banking services" because that "may present significant competitive issues for private sector entities."

The result is a USPS that is set up to fail. As the Congressional Research Service [put it](#) in 2016: "On the one hand, the USPS must sell enough postal products to maintain self-sufficiency and meet other statutory requirements, such as the retiree health benefit prefunding obligation. On the other hand, the USPS generally cannot expand its operations beyond the scope of postal products."

This Is A Deliberate Attack

Clearly, the attack on the USPS is real. The situation is not merely a random storm of unfortunate events. It is a set of deliberate policy choices that end up weakening a crucial public utility.

That weakness serves a purpose.

In the short-term, it gives Trump a public (if false) rationale to try to prevent more voting by mail and drive down turnout in a pandemic.

Over the long haul, it sets the conditions for powerful corporations to push to privatize mail service and open up new market share. That would boost corporate profits, but it would put yet another crucial piece of public infrastructure under corporate control.

In that scenario, vote by mail systems would be operated by the very corporations seeking specific electoral outcomes. Universal service guarantees could be eliminated. Prices could fluctuate depending on how much delivery oligopolies want to charge. In short, we would be

ending centuries of success and destroying an institution that the founders knew was crucial to our country.

That doesn't have to happen -- it isn't an inevitability. But fixing things will require congressional action as soon as possible.

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