What We Could Do with a Postal Savings Bank: Infrastructure that Doesn't Cost Taxpayers a Dime

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The U.S. Postal Service (USPS) is the nation's second largest civilian employer after WalMart. Although successfully self-funded throughout its long history, it is currently struggling to stay afloat. This is not, as sometimes asserted, because it has been made obsolete by the Internet. In fact the post office has gotten more business from Internet orders than it has lost to electronic email. What has pushed the USPS into insolvency is an oppressive 2006 congressional mandate that it prefund healthcare for its workers 75 years into the future. No other entity, public or private, has the burden of funding multiple generations of employees who have not yet even been born.

The Carper-Coburn bill (S. 1486) is the subject of congressional hearings this week. It threatens to make the situation worse, by eliminating Saturday mail service and door-to-door delivery and laying off more than 100,000 workers over several years.

The Postal Service Modernization Bills brought by Peter DeFazio and Bernie Sanders, on the other hand, would allow the post office to recapitalize itself by diversifying its range of services to meet unmet public needs.

Needs that the post office might diversify into include (1) funding the rebuilding of our crumbling national infrastructure; (2) servicing the massive market of the "unbanked" and "underbanked" who lack access to basic banking services; and (3) providing a safe place to save our money, in the face of Wall Street's new "bail in" policies for confiscating depositor funds. All these needs could be met at a stroke by some simple legislation authorizing the post office to revive the banking services it efficiently performed in the past.

Funding Infrastructure Tax-free

In a July 2013 article titled "Delivering A National Infrastructure Bank . . . through the Post Office," Frederic V. Rolando, president of the National Association of Letter Carriers, addressed the woeful state of US infrastructure. He noted that the idea of forming a national infrastructure bank (NIB) has had bipartisan congressional support over the past six years, with senators from both parties introducing bills for such a bank:

> An NIB would provide a means to channel public funds into regional and national projects identified by political and community leaders across the country to keep the economy healthy. It could issue bonds, back public-private partnerships and guarantee long-term, low-interest loans to states and investment groups willing to rebuild our schools, hospitals, airports and energy grids. An NIB with $10 billion in capital could leverage hundreds of billions in investments.

What has blocked these bills is opposition to using tax money for the purpose. But Rolando asks:

> [W]hat if we set up the NIB without using taxpayer funds? What if we allowed Americans to open savings accounts in the nation's post offices and directed those funds into national infrastructure bonds that would earn interest for depositors and fund job-creating projects to replace and modernize our crumbling infrastructure?
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> A post office bank . . . would not offer commercial loans or mortgages. But it could serve the unbanked and fund infrastructure projects selected by a non-partisan NIB.

The Unbanked and Underbanked: A Massive Untapped Market

The "unbanked" are not a small segment of the population. In a 2011 survey, the unbanked and underbanked included about one in four households. Without access to conventional financial services, people turn to an expensive alternative banking market of bill-pay, prepaid debit cards, check cashing services, and payday loans. They pay excessive fees and are susceptible to high-cost predatory lenders.

Globally, postal banks are major contributors to financial inclusion. Catering to this underserved population is a revenue-generator for the post office while saving the underbanked large sums in fees. Worldwide, according to the Universal Postal Union, 1 billion people now use the postal sector for savings and deposit accounts, and more than 1.5 billion take advantage of basic transactional services through the post. According to a Discussion Paper of the United Nations Department of Economic and Social Affairs:

> The essential characteristic distinguishing postal financial services from the private banking sector is the obligation and capacity of the postal system to serve the entire spectrum of the national population, unlike conventional private banks which allocate their institutional resources to service the sectors of the population they deem most profitable.

Expanding to include postal financial services has been crucial in many countries to maintaining the profitability of their postal network. Maintaining post offices in some rural or low-income areas can be a losing proposition, so the postal service often cross-subsidizes with other activities to maintain its universal network. Public postal banks are profitable because their market is large and their costs are low. The infrastructure is already built and available, advertising costs are minimal, and government-owned banks do not reward their management with extravagant bonuses or commissions that drain profits away. Profits return to the government and the people.

Wall Street Is No Longer a Safe Place to Keep Our Money

A postal bank could have appeal not just to the unbanked but to savers generally who are concerned about the safety of their deposits. Traditionally, people have deposited their money in banks for three reasons: safety from theft, the convenience of check writing and bill paying, and to earn some interest. Today, not only do our bank deposits earn virtually no interest, but they are not safe from theft – and the prospective thief is Wall Street itself.

The Financial Stability Board (FSB) in Switzerland has mandated that "systemically important" banks come up with "living wills" stating what they would do in the event of insolvency. The template set out by the FSB is for these too-big-to-fail banks to confiscate their creditors' funds and convert them to bank equity or stock. Legally, "creditors" include the depositors. In fact depositors compose the largest class of creditors of any bank.

In 2009, President Obama agreed along with other G20 leaders to be bound by the regulations imposed by the FSB, giving them the force of law. This agreement should properly have been a treaty, subject to the approval of two-thirds of the Senate; but the deal was sealed on a handshake, ostensibly to prevent another Lehman-style banking collapse. Thus the next time JPMorganChase or Bank of America finds itself on the wrong side of a massive derivatives bet, it can avoid insolvency by recapitalizing itself with our deposits. Both JPM and BOA hold over $1 trillion in deposits and over $70 trillion in derivatives; and with the repeal of Glass-Steagall, the banks have been able to merge these operations. The FDIC deposit insurance fund has only $32 billion in it to cover losses for the entire country.

For guaranteed safety, we need a network of publicly-owned banks devoted solely to taking deposits and providing check-cashing services – no gambling with deposits allowed. The US Post Office can safely and efficiently provide the infrastructure for such a banking network, as it did from 1911 until 1967. The post office is ubiquitous, with branches in every town and community.

A Proven Model

Postal banking systems are also ubiquitous in other countries, where their long record of safe and profitable public banking has proved the viability of the model. The mother of all postal banks was in Great Britain in the 19^{th} century. The leader today is Japan Post Bank (JPB), now the largest depository bank in the world. Not only is it a convenient place for Japanese citizens to save their money, but the government has succeeded in drawing on JPB's massive deposit base to fund a major portion of the federal budget. Rather than using its deposits to back commercial loans as most banks do, Japan Post invests them in government securities. That means the government is borrowing from its own bank and its own people rather than from foreign bondholders.

That is the basic idea behind the national postal savings and infrastructure bank. The deposits of the nation's savers can be invested in government securities that are in turn used for rebuilding the nation. It is a win-win-win, providing a way to save the post office while at the same time protecting our deposits and rebuilding our decaying roads and bridges without dipping into taxes. It is also a way to vote with our feet, moving our money out of an increasingly risky and rapacious Wall Street into a network of publicly-owned banks that serves rather than exploits us.

Another Option: Rescind the Prefunding Requirement

Another alternative for putting the USPS in the black, of course, is simply to rescind the healthcare pre-funding requirement that put it in the red. The mandate to fund healthcare 75 years into the future appears so unreasonable as to raise suspicions that the nation's largest publicly-owned industry has been intentionally targeted for takedown. Why? Is it because competitors want the business, or because private developers want the valuable postal properties that are being systematically sold off to meet its now-crippled the budget?

In a revealing exposé in the September 18th East Bay Express, Peter Byrne provides evidence that C.B. Richard Ellis (CBRE), the company holding the exclusive contract to negotiate sales for the $85 billion postal real estate portfolio, has sold off 52 postal properties for at least $79 million less than their fair market value. Worse, the buyers included its own business partners and shareholders, including Goldman Sachs. CBRE is chaired by Richard C. Blum, the husband of US Senator Dianne Feinstein, a family Byrne says has a history of accessing public pension funds to make private investments (citing here and here).

The post office has been made to look inefficient and obsolete, as if public enterprises are incapable of generating public revenues; yet the postal service has been both self-funding and profitable for over two centuries. If we refuse to allow our government to make money through public enterprises, we will be destined to bear the burden of supporting government with our taxes, while we watch countries such as China, Korea and Japan, which do allow public industries, enjoy the fruits of that profitable and efficient arrangement.

Ellen Brown is an attorney, president of the Public Banking Institute, and author of twelve books including the best-selling Web of Debt. In The Public Bank Solution, her latest book, she explores successful public banking models historically and globally. Her 200-plus blog articles are at EllenBrown.com.