

Classifications of market structures in the us

[Finance](#), [Market](#)



In the United States economy most markets can be classified into four different markets structures. But, each and every market in the United States is completely unique from the others. Generally the best type of market structure for the general public is perfect competition because it creates the lowest possible price for the public. There are some exceptions where perfect competition isn't the best choice for the public on account of various reasons. The United States Postal Service is one of them and since the Postal Service is a monopoly, it is its own market.

This paper will discuss the budget dilemmas that the postal service has faced for the past twenty years and if it is in the best interest of the economy for the United States Postal Service to continue as a monopoly. The first time there was talk of privatizing the Postal Service was in 1979 when the Postal Service was losing vast amounts of money in the long run. But since the Postal Service is a necessity for America, the government had to subsidize the service in order for it to continue in operation. In 1979 the United States Postal Service had a cash flow of \$22.

Billion and was additionally receiving \$176 million from investing (#1, Intro). Even with this added revenue the Postal Service was still greatly underfunded on its own (#1, Intro). During this time it was discussed to privatize the postal service and introduce competition because of the extreme losses that the service was experiencing. A positive argument for privatizing the Postal Service was with numerous competitors in the market there would be more efficiency and the public would receive lower prices. But this would also increase the usage of resources, for example airplanes and cars.

One of the problems the Post Office had was its receipts from consumer purchases that were submitted the next day after the transaction (#1, i). If the receipts were submitted earlier the postal service would receive more money because they could invest that money sooner (#1, i). Another way the Postal Service could increase profits was by competitively selecting banks that would give them higher interest rates and such (#1, ii). Probably the most relevant and final way to improve the budget of the Postal Service is to improve the bookkeeping policies and banking techniques (#1, ii).

Not only did the Post Service propose to increase profits but they also proposed to cut costs in a number of ways. There were three methods that were proposed in 1946 for the protection of salaries that no longer exists (#2, Intro). These have to do with the rural mail carriers. Under this antiquated method of delivering mail the Postal Service was losing money to any mail that went to "rural" areas (#2, i). There are 48,000 mail carriers that deliver mail to millions of families that are considered to be living in rural settings; this costs the postal Service 858 million dollars a year (#2, i).

This is a fairly easy problem to fix considering how much money is being lost. It was proposed that money loss could be significantly cut down if the Postal Service corrected the following problems. The rural mail carriers were assigned a certain amount of time to deliver to a specific rural area, this method was out of date and because of this the carriers have free time for which they got paid for (#2, ii). The next problem was that other mail routes based pay on how many miles the route covered, so the carriers were getting paid by the mile (#2, iii).

With this problem fixed the Postal Service could have saved 26.8 million a year (#2, iii). There was also an hourly rate that was in effect which indirectly promoted inefficient service (#2, iii). A stop to this could have saved the Postal Service \$255,000 a year (#2, iii). From the numbers mentioned above, it can be seen why the United States Postal Service was losing so much money. These problems did indeed eventually get solved over the past fifteen years and now the Postal Service is making record reaking profits.

Now in the first quarter of the fiscal year 1996 the Postal Service already has a net income of \$1.2 billion (#3, 1). Now not only is the Postal Service just breaking even, but they are also making a profit. On top of that, the 1.2 billion dollar figure is 115 billion dollars better than the quarterly forecast predicted (#3, 1). It is incredible that they are not only making a reasonable profit but it is increasing over the years. The Postal Service is also now reducing debts.

An example of this is when the Postal Service redeemed a 1.5 million dollar loan two years in advance which will save them 22 million dollars of interest in the next two years (#3, 1). The Postal Service isn't stopping with the revenue that it is receiving now. The Postal Service is planning to increase its international revenues of \$1.2 billion by twice the amount in the next five years and ten-fold by the year 2005 (#5, 1). The Postal Service is continually working to "streamline" their operations for the future that they are now running. The Postal Service is continually looking to cut back on borrowing money.

All of the recent financial borrowing has been through the Federal Financing Bank, but the Postal Service now is looking into outside sources, such as bonds in the public markets (#5, 2). Business are starting to get jealous of the Postal Service because of the great profits it is experiencing. The Postal Service is now making a major impact on the United States Economy (#6, 1). Business are pointing out that in 1995 the Postal Service had records of \$1.8 billion in net income and a 1.7 billion dollar debt reduction (#6, 1).

The \$54 billion revenue that the Postal Service is ringing in would put them in 12th place on the Fortune 500 list and 33rd on the Fortune Global 500, with the world's largest corporations (#6, 1). A recent study showed that domestic direct mail sales were at \$333 billion in the year 1994 (#6, 1). This figure is expected to reach over \$500 billion by the year 2000 (#6, 1). It can be seen throughout this paper how the United States Postal Service increased profits and does not have to borrow as much money as before. It seems that the Postal Service is doing just fine while it is a monopoly.

But there are still two arguments for and against the Postal Service continuing to remain a monopoly. On one side competition is thought to make industries in the market more efficient and practice more innovative (#4, 1). But on the other hand the competition is also thought to lead to "a widespread cream skimming, with the postal service left only the high-cost, unprofitable markets (#4, 1)." So who is to know which market would be better for the American economy as far as the Postal Service goes. But it is speculated if the United States Postal Service does keep increasing its profits over the years, maybe it will be privatized.