

The monopoly of the united states postal service



**ASSIGN
BUSTER**

Monopoly of the United s Postal Service Monopolies should concern us all. By holding onto a massive amount of a single market, they obtain a great deal of control over consumers. Where there is little or no competition, monopolies can set their own prices. They do not have to improve their services, again because there is no competition. Monopolies distort markets. As such, there are reasons why anti-trust legislation makes monopolies and economic practices associated with monopolies illegal. A useful example of an organization that has a huge share of a specific market is the Postal Service. In the course of this assignment I will provide a brief history of the Postal Service, determine what kind of monopoly it is, and examine whether it has engaged in abusive conduct. The Postal Service is a government-granted monopoly established by Congress under the Constitution (Adie, 25). Politicians believed it was important for every citizen to be able to send and receive mail at the same price. The Postal Service has exclusive rights to deliver to mailboxes. It was originally established in the 18th century in Philadelphia by Benjamin Franklin. Since then it has grown in size and powers. It is one of the largest non-military employers in the United States (Postal Facts). However, times have changed for the Postal Service. It runs a large deficit and is increasing financial trouble. This is in part because it must provide equal access to postal service for all Americans, even those in Hawaii and Alaska and rural areas. It has several niche competitors such as Fed-ex that are much more economically successful. These competitors are only permitted to deliver urgent letters and not to mailboxes marked U. S. Mail. The impact the Postal Service has on the marketplace is substantial. It is responsible for a majority of all the mail. Indeed, it chooses who to permit to compete with it. It sees itself as a natural monopoly, but its competitors

do not. The truth is that, as Geddes writes: The assets required for letter delivery, such as trucks and buildings for sorting, are easily adaptable to other uses; the costs of entry and exit are relatively low. Even a naturally monopolistic postal service would not justify a legally enforced delivery monopoly because postal markets are likely to be highly contestable (Geddes, 25). The Postal Service can claim to be a natural monopoly, but that doesn't make it so. It is holding on to more of the market than it should. Because of its mandate, the Postal Service has not been responsible for limiting supply, predatory pricing, or price discrimination. It is not a monopoly like other monopolies. In other words, it does not exist to enrich itself. It has a mandate to provide equal coverage to customers for an equal price. The result is that it must service routes that are unprofitable, even prohibitively expensive. In this sense, its proponents argue that it is promoting the public good. However, it does force taxpayers to subsidize inefficient economic practices, and that is not a positive thing (Adie, 1). The Postal Service has played an important role throughout the history of the United States. It serves a useful purpose. But in this day and age, its monopoly ways appear to be anachronistic. Email and the Internet are shaping the way we communicate more than postal service. Perhaps it is time to open up the market and let fresh blood in. Works consulted Adie, Douglas. (1989). Monopoly mail: privatizing the United States Postal Service. Transaction Publishers. Geddes, Rick. (2003). Saving the mail: how to solve the problems of the U. S. Postal Service. American Enterprise Institute "Postal Facts 2010." (2010). U. S. Postal Service. http://www.usps.com/strategicplanning/_pdf/PostalFacts_03_17_2010.pdf