

*Do We Still Need a Postal System? Thoughts on  
a 21st Century Federal Communications Policy*

by

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In September 2011, the Postmaster General, Patrick R. Donahoe, testified to the Senate Committee on Homeland Security and Governmental Affairs that the Postal Service would default on its pension obligations by the end of the year, unless Congress permitted massive layoffs to occur. He claims that the root cause of the Postal Service's problems is the accelerating shift from hard copy communications to digital alternatives such as email, texting, and online bill paying services. Others argue that the real cause is a new Congressional mandate that the Postal Service fund all of its future pension obligations within the next ten years.

In either case, it is clear that the past four years, mail volume declined a whopping 20%. Donahoe anticipates that this trend will accelerate in the future, noting that first class mail volume has dropped "even more rapidly than we had previously predicted." Donahoe's proposed solution to the Postal Service's woes is to cut 220,000 career positions from its payroll and to close about 3,700 post offices.<sup>1</sup>

It is tempting to attribute the Postal Service's woes to technological obsolescence. At first glance, Americans today prefer to communicate through modern electronic media than through physical mail delivery. The hand-written, hand-delivered letter may ultimately take its place on the trash heap of history alongside the telegram, and the familiar blue mailbox alongside the pay telephone. This process of obsolescence is inevitable in a capitalist economy based on continual technological innovation.

Yet there is more to the story. Since at least 1970, postal officials have been aware that electronic messaging would replace the hand-delivered letter. In that year, the Post Office and Western Union launched a Mailgram service using Western Union's cables and satellites to transmit electronic letters to post offices, where they were printed out and delivered. By the mid-1970s, the Postal Service and Western Union handled over 30 million Mailgrams annually, with growth rates in the double digits. Despite a high tariff compared to letter postage, \$2 per 100 words, Western Union and the Postal Service expected to handle 7 billion Mailgrams by the end of the 1980s, or about 10% of the mail volume. Postal officials predicted that by 1990, up to half of record communications would be transmitted electronically, and they sought to position the Postal Service to handle at least some of it.<sup>2</sup>

So postal officials have known for forty years that this moment has been coming. Instead of the simple story of email replacing snail mail, the deeper issue is this: for the first time in American history, since the breakup of AT&T in 1984, we find ourselves without a national communications policy. This is therefore an excellent--indeed necessary--moment to look to the past to see what guidance it can offer us for the future.

### **The Postal Model of a National Communications Policy**

In surveying the history of American communications between the Post Office Act of 1792 and the deregulation movement of the 1970s and 1980s, there have been three models for a national communications policy. The first I call the

postal model. The postal model was based on government provision of affordable and accessible communications, the idea that the government ought to operate a communications network to serve the people. For Americans in the early 19th century the local Post Office served as both information center and social hotspot. The founding generation believed that the circulation of news and correspondence was necessary for the continued existence of the American republican experiment. Thus, the cornerstone of federal communications policy for the 19th century and into the 20th was the Post Office Department.<sup>3</sup>



*Fig. 1. Thomas P. Rossiter's 1857 painting, The Rural Post Office, captured the central role of the postal service in 19th century American life.*

In 1792 Congress passed the Post Office Act which contained two far-reaching provisions: a mechanism for the rapid expansion of the system into the trans-

Appalachian West and a system of subsidies for the newspaper press. Together, these provisions established the principle of universal access to information networks as a necessary condition for the fullest development of citizenship and for the economic development of the new nation. The 1792 act facilitated the growth of the postal system by placing the authority for establishing post offices and post roads with Congress rather than with the Executive branch. This allowed local interests to pressure the national government for the rapid expansion of facilities and for the reduction of postage rates. Reformers during the 1830s and 1840s argued that cheap postage would both promote national unity and preserve affectionate ties in an era of increasing sectional tension and heightened geographic mobility. They succeeded in securing passage of the Post Office Acts of 1845 and 1851, which reduced letter postage from up to 25 cents per sheet for long distances to a mere 3 cents per half-ounce, a rate which would remain in place for a century. Prior to this rate reduction, the postal system was primarily a business medium--afterward, it became a social medium as well.

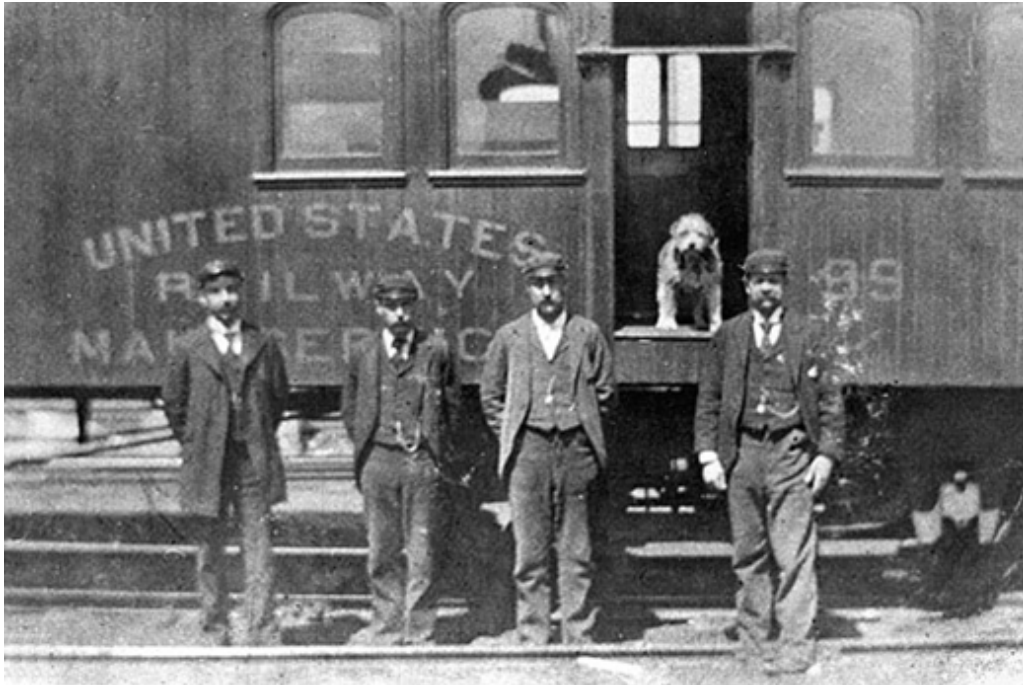


*Fig. 2. This cover from the 1860s celebrated the postal reforms that brought about three-cent postage and advocated for extending cheap postage to overseas mail.*

The second important provision of the Post Office Act of 1792 was its favorable rate structure for the transmission of newspapers through the mails. This intended subsidy of the press facilitated a dramatic growth in the number of newspapers and subscribers between 1792 and 1840. Low postage on periodicals allowed religious, political, and reform organizations to flourish during the Jacksonian era by providing them with the means to reach a national audience. The postal law also allowed newspaper editors to exchange postage-free copies with the editors of any other newspaper. Before the rise of telegraphic news reporting in the 1840s, these exchanges were the primary means by which newspapers obtained non-local news. They were instrumental in disseminating political and financial information throughout the country, and thus helped to build the mass political party and an integrated national economy.

At the same time, the Post Office sought to improve the flow of the mail. The Post Office had relied on stagecoaches, steamboats, and canal barges to move the mails in the first decades of the nineteenth century, and mail contracts were important to building up those transportation industries. The advent of the railroad in the 1830s provided another step forward in moving the mail. In 1838 Congress declared all US railroads to be “post roads,” allowing the Post Office to contract with them to carry the mail. By mid-century, it had become clear that railroads were to be the primary transportation network for moving the mail. After the Civil War, the Post Office moved to take advantage of the nation’s expanding railroad network by starting the Railway Mail Service. Begun in 1869, this service sorted mail en route between commercial centers like New York and Chicago.

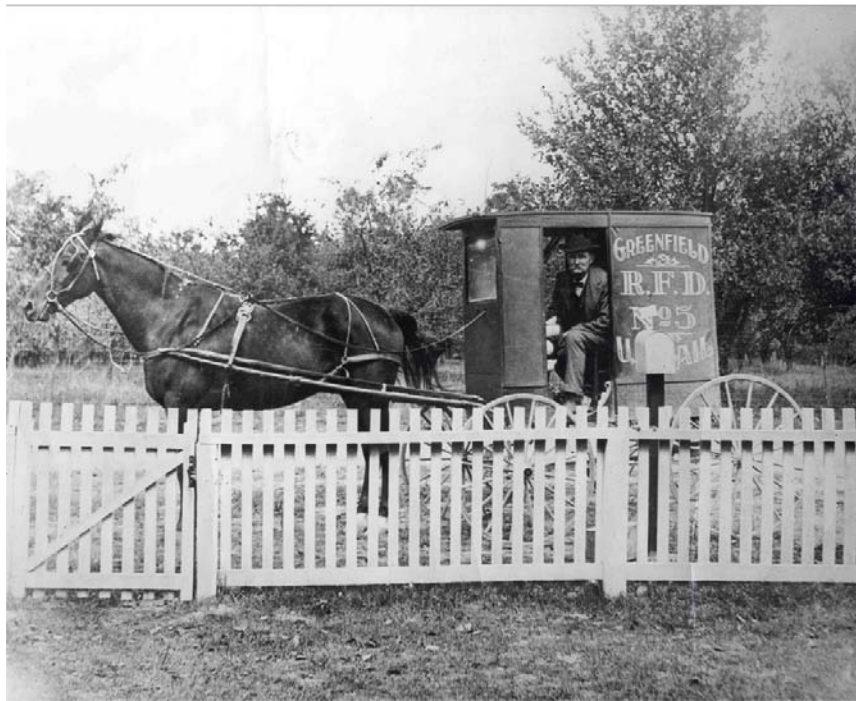
During the mid-1870s, the Railway Mail Service started a “fast mail” service between New York and Chicago that cut travel times to about 24 hours, a dramatic savings in time. On its first trip in 1875, the fast mail carried over 33 tons of mail between New York and Chicago. By the turn of the century, over 10,000 clerks were sorting mail over some 200,000 miles of railroad line.



*Fig. 3. This photograph from around 1890 shows four Railway Mail Service clerks posing with the service’s beloved mascot, Owney. From the National Postal Museum website at [http://postalmuseum.si.edu/exhibits/2c1f\\_2\\_owney.html](http://postalmuseum.si.edu/exhibits/2c1f_2_owney.html) (viewed 8 November 2011).*

Before 1863, postage paid only for delivery of mail from post office to post office. Citizens picked up their mail or could pay an extra two-cent fee to have their mail delivered. In 1863 Congress authorized free city delivery, requiring Americans to put street addresses on their letters for the first time. By the turn of the century, some 15,000 letter carriers provided service in nearly 800 cities. In the 1890s, the Post Office began Rural Free Delivery, a boon to the majority of

the population who lived in rural areas. Not only did this liberate farmers from the necessity of coming into town to send and collect mail, but it also gave them greater access to consumer goods through vehicles like the Sears Roebuck catalog.



*Fig. 4. A Rural Free Delivery mail carrier in Greenfield, Indiana, about 1905. National Postal Museum photograph ID A.2008-21.*

In the 1910s, the Post Office inaugurated two services that placed it in competition with established businesses in the private sector: the parcel post and postal savings banks. Begun in 1913, the Parcel Post was immediately popular because it offered customers a lower cost alternative than sending parcels through the private express companies. On the first five days of service, customers sent 4 million packages. In 1914 one Idaho couple even sent their four-year-old daughter to visit her grandparents via Parcel Post for 53 cents, far less than the train fare.<sup>4</sup>

In 1911 the Post Office began operating a network of postal savings banks. Although they paid low rates of interest, postal savings accounts were popular with recent immigrants, who distrusted commercial banks and were used to postal savings banks in their home countries. Described as a “refuge for the timid,” they nevertheless succeeded in bringing several millions of dollars out of private hoards and into productive use.<sup>5</sup>

So by the early 20th century, the U.S. had one of the best postal systems in the world. Postal officials had made every attempt in the preceding hundred years to provide cheaper, quicker, and more reliable service, and to expand service to include activities like Rural Free Delivery, Parcel Post, and even Postal Savings Banks. So the postal model for a national communications policy was based on two ideas: that a government department ought to provide excellent public service, and that doing so improved the lives of citizens.

### **The Free-Market Model of a National Communications Policy**

The second model for a national communications policy relies on market forces to provide consumers with the communications media they demand. The origins of the free-market model date back to Samuel Morse’s first telegraph line of 1844 and lasted until roughly the 1910s, until, of course, its comeback in the last few decades after AT&T’s 1984 breakup. As is well known, Morse wanted to sell his patent to the Federal government. Most Americans of Morse’s day regarded the Post Office as the sole legitimate operator of communications networks. In fact, the Federal government gave the Post Office a monopoly on

letter carriage, quickly shutting down private mail companies when they appeared and prosecuting their proprietors. Thus, it made sense to Morse--and to most Americans--to have the Post Office operate the telegraph.

When Samuel Morse brought his invention to the attention of the Secretary of the Treasury in 1837, he wrote: "The *mail system*...is founded on the universally admitted principle, that the greater the speed with which intelligence can be transmitted from point to point, the greater is the benefit derived to the whole community." It was therefore "most natural" to him that the Post Office should operate his telegraph since it was merely "another mode of accomplishing the principal object for which the mail is established, to wit: the rapid and regular transmission of intelligence." Several years later, Morse renewed his call for postal control for another important reason, that his telegraph might become "an engine for good or evil" if left "in the hands of private individuals or associations." <sup>6</sup>

When Morse obtained Congressional funding in 1843 to build a demonstration line between Washington and Baltimore, few questioned that the federal government ought to develop this new technology. From a constitutional perspective, it seemed that this new form of communication properly belonged within the Post Office Department's authority to "establish post roads and post offices." Indeed, at the time all national governments owned and operated the major channels of communication within their borders. Only England allowed a privately owned electrical telegraph system to operate between 1839 and its

nationalization in 1870. The United States would remain an anomaly among the world's nations by permitting private ownership of electrical communication.

Despite Morse's appeals, the federal government abandoned the telegraph to private investors. By 1860 most Americans had come to accept the permanent presence of a privately owned telegraph network that served two principal classes of customers, the press and businessmen. Few citizens saw the need for government control. Instead, the question of federal involvement in the industry revolved around the desirability of subsidizing projects like lines to the Pacific coast and a transatlantic cable. But the Civil War accelerated an existing trend toward consolidation in the telegraph industry. In 1866 Western Union bought out its last two major rivals. Afterward it would control at least four-fifths of the nation's telegraph traffic. Western Union's 1866 consolidation and its continued dominance of the industry alarmed Americans across the political spectrum. This consolidation coincided with the rise of an activist federal government during the Civil War and Reconstruction. Many Americans wished to see this newly energized state break up, or at least weaken, Western Union's control over the nation's electrical communication network.

The postal telegraph movement was an important political issue between the end of the Civil War and World War 1. Between 1866 and the turn of the century, Congress considered over seventy bills to place the telegraph under Post Office operation. Although none passed, the postal telegraph movement enjoyed broad support, particularly after the notorious robber baron Jay Gould obtained control of Western Union in 1881. During the 1890s both the Populist

Party and American Federation of Labor adopted it as key planks in their legislative agendas.



*Fig. 5. This cartoon by celebrated political cartoonist Joseph Keppler captured the antimonopoly sentiment of much of the American public after Jay Gould acquired control of Western Union in 1881.*

The final stage of the postal telegraph movement occurred during the Wilson administration. Many members of Wilson's cabinet were strong advocates of public ownership of utilities. Almost immediately after taking office they began considering a government takeover of the telegraphs and telephones. In 1918 Postmaster General Albert Burleson obtained control of the wires, claiming wartime necessity as the reason. Yet Burleson and other administration officials admitted that they wanted government control to be permanent. By 1919 it had become clear that government operation of the wires was a disaster, and under

pressure from the public and a Republican Congress, the administration restored private control. This episode ended the postal telegraph movement for good and helped to kill off support for public ownership of utilities generally.

Thus, the failure of the postal telegraph movement kept the postal model of a national communications policy strictly confined to the Post Office. A sharp divide hardened into place: the Post Office delivered the mail (along with a few other activities like the Parcel Post and postal savings banks) while the private sector handled every other form of communications.

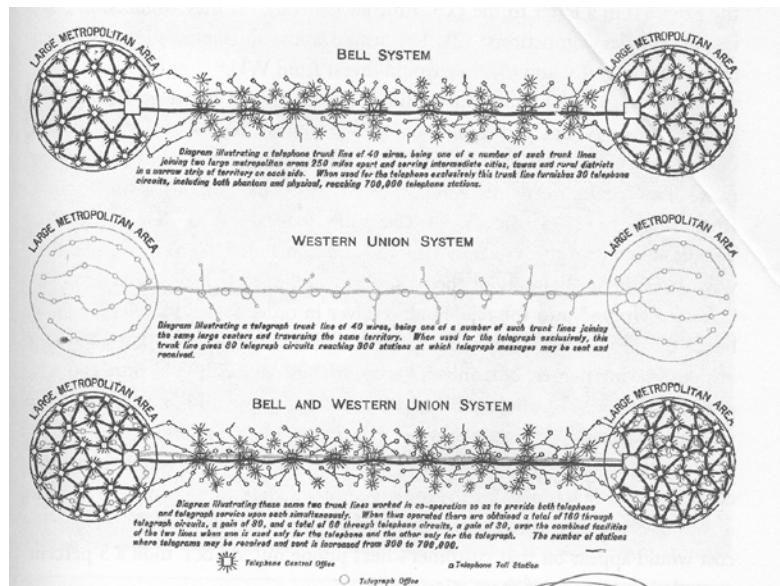


*Fig. 6. This cartoon protesting continued government operation of the wires appeared on the cover of the employee's magazine of the Postal Telegraph Company in 1919. National Archives.*

### **The Public-Utility Model of a National Communications Policy**

However, the failure of the postal telegraph movement was not a clear victory for the free-market model of communications policy. Americans of the

Progressive generation did not want unregulated monopolies handling the nation's communications. So a third model emerged around the same time that the postal telegraph movement entered its final stage. This third model I call the public-utility model. The public-utility model began in the 1910s when AT&T president Theodore Vail accepted Federal and state regulation of his corporation. The tacit agreement between Vail and regulators allowed AT&T to continue its dominance of the telephone market while limiting its profits to a fair rate of return and ensuring high-quality service to its customers. This regime lasted until the deregulation movement of the 1970s and 1980s, and the court-ordered breakup of AT&T in 1984.



*Fig. 7. AT&T President Theodore Vail's vision of an integrated telegraph and telephone system under robust federal and state regulation. Although he was unable to realize this vision, Vail championed universal service as the cornerstone of his industrial policy.*

Although Vail was unable to realize his ultimate goal of a unified telephone and telegraph network under AT&T's control, he is widely regarded today as an industrial statesman who took his public obligations seriously. The high point of

the public-utility model was the Communications Act of 1934. This act set up the Federal Communications Commission with authority to closely regulate all aspects of the nation's communications, including telegraphs and telephones, the new medium of radio broadcasting, and even the licensing of ham radio operators. Although the purpose of the FCC was to look after the public good, it sometimes resulted in a cozy relationship between regulators and the corporations they were supposed to regulate. Federal regulation sometimes stifled technological innovation and created a massive regulatory bureaucracy. But it had one advantage--it took public service as the core of national communications policy.

By the 1970s, many economists and regulators had come to believe that federal regulation in many sectors of the economy had gone too far. During the 1970s and 1980s, the federal government deregulated several industries, including interstate trucking, commercial aviation, and of course telecommunications. In 1984 AT&T consented to a court-ordered breakup dividing it into 8 regional operating companies. The deregulation movement and the breakup of AT&T thus ended the public-utility model of national communications policy.

Since that time, the thrust of telecommunications policy has been to foster competition and technological innovation. In many ways it has succeeded. The cellphone revolution of the past 15 years is hard to imagine were AT&T still the nation's major telephone service provider. The commercialization of the Internet

in the same period has also created opportunities for competition and technological innovation that few could predict in 1984.

### **Conclusion: Toward a National Communications Policy for This Century**

However, today's national communications policy is marked by passivity. The stated objective of the Telecommunications Act of 1996 is "to provide for a pro-competitive, de-regulatory national policy framework designed to accelerate rapidly private sector deployment of advanced information technologies and services to all Americans by opening all telecommunications markets to competition." As we have recently seen in the cellphone business, the true effect of 1996 act has been to facilitate mergers and reduce the number of media companies. And if broadband performance is any indication, the 1996 act has failed to provide Americans with world-class service.<sup>7</sup>

As I see it, the United States no longer has a national communications policy. We have instead a policy designed to benefit the large content and service providers. The central problem is that over the past several decades, we have redefined what the public interest means. The bedrock goals of communications policy for two centuries, from the Post Office Act of 1792 to the deregulation movement of the 1970s and 1980s, has been to foster an informed citizenry capable of exercising republican self-government and to promote commerce and economic development. Today, however, the public interest really means nothing more than maximizing consumer choice. Federal regulators no longer regard us as citizens but as consumers.

Fredric V. Roland, president of the National Association of Letter Carriers, recently expressed optimism about the Postal Service's future, noting that "It survived the telegraph, it survived the telephone."<sup>8</sup> But it remains to be seen if it can survive the absence of a national communications policy. It is not my intention to give specific policy recommendations here, but I trust that providing a historical perspective on the Postal Service's present difficulties is of some value.

I conclude with a set of questions that are worth considering as we decide the future of the postal system.

First, I have indicated that I believe that we no longer have an active communications policy, but rather a passive one based on the belief that the free market will satisfy all our demands as consumers. So the most basic question to ask is whether we still need an active communications policy. Can the free market in fact satisfy the nation's communications needs, if the government would simply get out of the way? Conversely, what role ought the government play in ensuring universal access to communications networks for citizens who are unable or unwilling to adopt the latest innovations?

Second, I have stressed that both the postal and public-utility models were based on concrete and specific principles about what the public good is and how to foster it. What principles and values should we place at the core of a 21st century communications policy? What is the public good today? How can a modern communications policy aid us in our roles as citizens as well as consumers?

Third, we should evaluate what other countries are doing. Some, like Germany, have almost totally privatized their postal systems. Others, like Australia, are undergoing major modernization efforts to position their postal systems to remain relevant in the digital age. So most other postal systems in the industrialized world are grappling with the same set of challenges that we face in the U.S. We should be receptive to adopting best ideas and practices from elsewhere.

Finally, like it or not, the future of the Postal Service will be constrained by today's political realities. We need to recognize that we face much tighter limits to action than our forebears did in eras when the Post Office expanded its sphere of responsibilities in the late 19th and early 20th centuries. Given the political and fiscal limitations today, what can we reasonably expect postal reform to look like?

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<sup>1</sup> Steven Greenhouse, "Postal Service Is Nearing Default as Losses Mount," *New York Times*, 4 Sept. 2011. Boston Consulting Group, *Projecting U.S. Mail Volumes to 2020*, 2 March 2010; <http://about.usps.com/future-postal-service/gcg-narrative.pdf> (viewed 8 Nov. 2011).

<sup>2</sup> President's Task Force on Communications Policy, *Final Report*, 7 Dec. 1968 (Washington, D.C.: GPO, 1968), 42-44. "Postal Research and Development," hearings before subcommittee on Postal Personnel and Modernization of the Committee on Post Office and Civil Service, 95th Cong., 2d sess., 13 and 18 April 1978.

<sup>3</sup> For histories of the U.S. Post Office, consult Richard R. John, *Spreading the News: The American Postal System from Franklin to Morse* (Cambridge: Harvard University Press, 1995) and Wayne E. Fuller, *The American Mail: Enlarger of the Common Life* (Chicago: University of Chicago Press, 1972).

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<sup>4</sup> “Precious Packages—America’s Parcel Post Service,” [http://postalmuseum.si.edu/exhibits/2b2f\\_parcel.html](http://postalmuseum.si.edu/exhibits/2b2f_parcel.html) (viewed 8 November 2011).

<sup>5</sup> “Refuge for the Timid,” *Williamsport Gazette and Bulletin*, 9 July 1928, at <http://news.google.com/newspapers?nid=1829&dat=19280709&id=8X89AAAAIBAJ&sjid=aSsMAAAAIBAJ&pg=1307,10527904> (viewed 8 November 2011).

<sup>6</sup> “Telegraphs for the United States,” 25th Cong., 2d sess., 1837, H. Doc. 15. For a summary of postal operation of the telegraph see Robert Luther Thompson, *Wiring a Continent: The History of the Telegraph Industry in the United States, 1832-1866*, (Princeton: Princeton University Press, 1947), 20-34.

<sup>7</sup> Frederic Lardinois, “Broadband Speeds Increase Around the World—But Not in the U.S.,” 18 Jan. 2010, [http://www.readwriteweb.com/archives/broadband\\_speeds\\_around\\_the\\_world.php](http://www.readwriteweb.com/archives/broadband_speeds_around_the_world.php) (viewed 8 November 2011).

<sup>8</sup> Steven Greenhouse, “Postal Service Is Nearing Default as Losses Mount,” *New York Times*, 4 Sept. 2011