



The Daily Dish

Going Postal on Banking

DOUGLAS HOLTZ-EAKIN | OCTOBER 5, 2021

Eakinomics: Going Postal on Banking

Let's suppose you are a (quasi) governmental agency that is simply uncompetitive in its core line of business, a financial dilemma exacerbated by legacy retirement pension and health benefits. What could you do? You might streamline the core business to be cost-competitive and negotiate a workout on the retirement liabilities with your unionized employees.

Or, you could go into the banking business on the side.

Your post office is choosing the latter option. This little gem was reported by the *Washington Post*, which noted that: "Postal customers can now redeem paychecks in Washington, Baltimore, Falls Church, Va., and the Bronx, for Visa gift cards topping out at \$500, an agency spokesperson said. Postal officials expect to expand the pilot into a fuller study with more locations and financial products, such as bill-paying services and ATMs, according to three people involved with the program who spoke on the condition of anonymity to discuss sensitive business strategy."

The pilot program was launched in consultation with the postal workers' union and the support of some Democratic lawmakers. Among them, Senator Kirsten Gillibrand of New York reasoned: "[Postal banking] creates the revenue stream, and with that kind of revenue stream, they can hire the right number of employees.... They can have the right number of delivery days. They can create a service that is more commensurate with their charter and what they're asked to do."

That's right, having forfeited the market for first-class mail, failed to manage its labor costs, and delivered a steadily declining quality of service?,the post office promises to unwind each of these failures with the money it will make on cashing paychecks.