



Insight

Turning the Post Office into a Bank is a Bad Idea

MEGHAN MILLOY | AUGUST 11, 2016

The recent proposals in the [2016 Democratic Party Platform](#) to turn the Post Office into a bank may sound like creative, new ideas to help the unbanked and underbanked gain access to basic financial services, but they're far from being new or creative. In fact, the United States had postal banking for about 50 years – from 1911 to 1966 – after several failed attempts to do so dating as far back as 1871. Unfortunately, as we saw back then and as we subsequently have learned from the efforts of other countries, trying to run a bank out of the post office is about as effective (or ineffective, as the case may be) as trying to turn your local community bank into a post office. Neither is equipped to do the job of the other, and they shouldn't be forced to try – especially with taxpayer dollars on the line.

And why should we be entrusting anything more to a postal service that [lost \\$2 billion](#) in a three-month span last fiscal year? If they can't break even after raising prices on their customers, why should Americans believe their hard-earned money will be safe there? Elizabeth Warren, Bernie Sanders, and other Democrats argue that, at the very least, post offices are geographically better suited to serve Americans than banks because there are more postal outposts than bank branches – thus giving Americans greater access. If that's their best argument for a postal bank, they don't have much ground to stand on, considering that there are three times as many bank branches in the United States as there are post offices. And that's not counting the array of non-branch banking services offered virtually or in nationwide retailers like Wal-Mart.

Supporters of postal banking submit that we are the only developed country in the world without a post office bank, but that's simply not the case. In fact, [only 60 countries](#) have some sort of postal bank. Of those, only 7 provide the range of financial services being proposed for the United States. Twenty-nine countries considered to participate in postal banking offer only the financial services *already provided* by our post offices: money orders, prepaid card purchases, and some check cashing. And nearly half (24) don't provide any financial services of their own at all. Rather, they partner with an actual financial institution – essentially taking a teller from a nearby bank and putting them in the post office to provide the same services, at the same prices, offered by that bank. While this may increase the geographic availability of financial services, it certainly doesn't do anything to help the [unbanked and underbanked](#) with banks' increasing servicing costs. Nor will it help rebuild the United States Post Office's balance sheets, [as many have suggested](#).

Unfortunately, the Democrat's platform fails to offer any substantive description of what services would be offered and at what cost, so it's hard to quantify exactly how bad these proposals are. [Bernie Sanders has simply said](#) that “the postal service, in fact, can play an important role in providing modest types of banking services to folks who need it.” USPS already offers modest types of banking service, yet the unbanked and underbanked population has continued to increase over the past few years.

Elizabeth Warren was slightly more specific in her description of what post office banking could look like. In a [HuffPo op-ed](#) she said that “[i]f the Postal Service offered basic banking services – nothing fancy, just bill paying, check cashing and small dollar loans – then it could provide affordable financial services for underserved families, and, at the same time, shore up its own financial footing.” Still, not a lot of substance to

go off of, but let's give it a shot.

The Democrats' goal for postal banking is to aid the unbanked and underbanked populations. A [2013 FDIC survey](#) on those populations revealed that 27.7 percent of American households are either unbanked or underbanked. In 2013, there were [122.46 households](#) in America, meaning that 33,921,420 households were either unbanked or underbanked and would be the target "customers" for a post office bank. To put that in perspective, in 2015 Bank of America had [47 million customers](#), or approximately 1.39 times as many customers as the would-be post office bank would serve. That same year, Bank of America's operating costs were \$57.2 billion, or \$1,217 per customer. At that rate, the annual operating costs of a post office bank would be \$41.3 billion.

In 2015, the operating expenses for the U.S. Postal service were [\\$73.8 billion](#), which resulted in a net loss of \$5 billion, after revenue and interest. So do we really want to add another \$41.3 billion in operating costs per year to a government entity that is already losing money? Taxpayers are already footing much of the postal service's bill at the rate of about [\\$18 billion each year](#). If the postal service implements these financial services and serves as a postal bank, it's total operating costs will be closer to \$115.1 billion, which would then necessitate a taxpayer subsidy of \$28.1 billion, or approximately \$220 per taxpayer per year. That is simply too much taxpayer money on the line for a program that may or may not work to provide services that are already readily available.