

**Postal Enterprise:
Post Office Innovations with Congressional Constraints,
1789-1970**

by

**Richard B. Kielbowicz
Associate Professor
School of Communications,
University of Washington
Seattle, WA**

Prepared for the Postal Rate Commission

May 30, 2000

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1. Introduction

The spare language of the Constitution's postal clause--"The Congress shall have Power . . . To establish Post Offices and post Roads"--left undefined two important relationships: the relation of government posts to the private sector and the relationship between Congress and postal administrators.¹ The first fueled long-running debates about the limits of postal enterprise. How far could the government post be developed before it unreasonably or unconstitutionally intruded on services that should be left in private hands? The second presented recurring problems for those favoring postal enterprise. Did administrators have the authority to launch innovations on their own, or did they need specific permission from Congress?

The Boundaries of Postal Enterprise

A reasonable reading of the postal clause empowered the central government to set up an institution that moved information and at least some types of goods. Through most of the nineteenth century, the post office offered services that transmitted information and facilitated commerce. At the same time, however, the post office established itself as the principal federal presence in people's everyday lives, warned the private sector not to intrude on its mail monopoly, and began exercising considerable administrative latitude--all of which strengthened its later claim to offer expanded communication and transportation services.

When the post office considered adopting new technologies or services, the innovations elicited--even tested--different theories or understandings about the proper relationship between government and the private sector. Most agreed that

¹U.S. Const. art. I, sec. 8.

the post office should act in a business-like fashion while attending to acknowledged public service functions. This meant operating with some entrepreneurial instincts such as maximizing use of the department's nationwide infrastructure. Few disagreed that the postal service should facilitate communication and commerce; but at what point did facilitation become competition? Even when the post office refrained from competing directly with private sector firms, its decisions about services tended to favor some mailers over others. Postal innovations often altered competitive balances *within* the private sector and became a major source of controversy.

The boundaries of postal enterprise were tested more vigorously by the Populists and Progressives from 1880 to 1920 than at any other time in American history. Their notions of political economy offered the best-developed rationale for an aggressively innovative post office. The Populists, a coalition of rural interests that emerged in the 1880s, worked to redress some of the excesses of large-scale industrialization and commercial development that were transforming the United States. Early in the twentieth century, Progressives--a force in both major parties--carried much of the Populist agenda forward but with a more urban, cosmopolitan flavor.

For the most part, Populists sought an "active, neutral state," according to Norman Pollack. Government regulation of or participation in key sectors of the economy--transportation, communication, and banking--would preserve competitive opportunities for private enterprises regardless of size. Without state action in these basic services, Populists feared, capitalism degenerated into monopoly when firms parlayed transportation, communication, or banking advantages into anti-competitive positions. Formal American economic thought at the time, heavily influenced by German theorists, had much in common with the Populists' pragmatic notions of the activist state. Progressives accepted many Populist precepts, especially as they applied to public utilities, including some aspects of communication. Progressives also strengthened claims for government-run enterprises by championing "scientific management," shorthand for reducing the influence of partisanship while incorporating business-like principles in the administration of public affairs.²

²Norman Pollack, *The Humane Economy: Populism, Capitalism and Democracy* (New Brunswick: Rutgers Univ. Press, 1990), 136, 163; Morton Keller, *Affairs of State: Public Life in Late Nineteenth Century America* (Cambridge: Belknap Press of Harvard Univ. Press, 1977), 375, 429-430, 571.

When Populists and Progressives sought constitutional authority to support public enterprise, the commerce clause furnished some hope but proved more helpful in regulating private-sector activities than in initiating public-sector ones. Instead, enthusiasts for government enterprise embraced the postal clause. Citing that authority, Populists and Progressives spoke of postal savings, a postal express (i.e., parcel post), and a postal telegraph and telephone all in the same breath--and attained the first two objectives by 1912.³ This marked the heyday of efforts to expand the domain of postal enterprise. Later innovations occurred *within* the boundaries of postal enterprise drawn by the early twentieth century.

Congressional Control versus Administrative Discretion

Until the Postal Reorganization Act, Congress controlled--or could control, if it cared to--virtually all facets of postal activity. As a practical matter, the postmaster general enjoyed some administrative discretion. But the latitude accorded the post office often depended on the politics of the moment--the press of other matters occupying Congress's time, the partisan configurations within Congress and between the legislature and the White House, and the activities of postal patrons and competitors.

From the start, Congress closely supervised the modes of transportation used to move the mails because they affected the quality of postal service and shaped the transportation industry. But the post office usually saw the utility for postal purposes of innovations in transportation technology before Congress recognized their value. Thus, the post office often took the initiative to experiment with new technologies before their wide-scale adoption. Congress likely knew of most such efforts even if it had not expressly authorized them. But Congress had to legislatively acknowledge new transports before they could play a major role in moving the mails. Of course, the post office could partly engineer congressional approval for some innovations. After all, the post office controlled much of the pertinent information, commanded the relevant expertise, and--considering its centrality to the patronage system--exercised considerable political influence.

Although the post office evolved into a huge, complex institution between 1790 and 1970, mechanisms for formal congressional control grew apace. "The potential ability of Congress to influence and direct postal operations has little

³Wayne E. Fuller, "The Populists and the Post Office," *Agricultural History* 65 (Winter 1991): 1-16.

limit," a report for the Kappel Commission concluded on the eve of reorganization. The specific lines of congressional influence over the postal establishment took several pages to enumerate. Furthermore, postal innovations could be constrained by other players in the postal environment, most notably labor unions and regulatory bodies such as the Interstate Commerce Commission and the Civil Aeronautics Board.⁴

Scope of the Study

This study sketches the actual and perceived boundaries of postal enterprise from 1790 to 1970. It emphasizes major innovations in postal transportation and services. Other innovations, such as those in personnel management, ratemaking proceedings, mail handling, and so forth, fall outside the purview of this inquiry. In examining each innovation, this study focuses on such questions as: What was the original impetus for change: did it emanate from the post office, Congress, or elsewhere? What kind of controversy, if any, did proposed innovations kindle? To what extent were innovations structured to minimize competition with private firms furnishing similar services? If implemented, was the innovation subject to continuing scrutiny by Congress or other bodies? To what extent were innovations designed to protect the post office's monopoly over letters?⁵

⁴Arthur D. Little, Inc., "Report of the General Contractor," in *Towards Postal Excellence: Report of the President's Commission on Postal Organization* (Washington, D.C.: Government Printing Office, 1968), Annex 1, pp. 108-21, quote at 112.

⁵The Postal Rate Commission's statement of work for this study reads as follows:

Accordingly, the Contractor will research legislative, executive branch, judicial, scholarly and other available resources to develop an analysis of the manner and extent to which potential and actual innovations in the array of services provided by the United States Post Office Department, from its foundation up to passage of the Postal Reorganization Act of 1970, were subjected to scrutiny and control by Congress, the Executive Branch and the U.S. Courts. Among other germane topics, the analysis shall address with particularity: (1) the adoption of new technology by the Post Office Department, and its provision of new services, for the purpose of performing essential postal, as well as other functions; (2) the relationship of the Post Office Department's monopoly over the carriage of letter mail to the scrutiny and control applied to its innovations; and (3) the extent to which particular actual or proposed innovations effectively would have put, or did put, the Post Office Department into competition with private businesses, and the significance of such competition to the scrutiny and control applied to its innovation.

The report is divided into seven parts. The next section examines major transportation innovations. Part 3 reviews innovations in mail services; it devotes considerable attention to parcel post because that represented the most controversial innovation actually implemented. Part 4 is confined to one topic: postal savings banks; this innovation moved beyond traditional postal functions to compete, however modestly, with private banks. Part 5 sketches the eighty-year campaign for a postal telegraph and telephone; though never realized, this proposed innovation engages all the questions guiding this study. Part 6 deals briefly with innovations in the years leading up to postal reorganization. Part 7 summarizes the report and draws conclusions.

2. Transportation Innovations

The post office's most noticeable technical innovations, at least until the advent of sophisticated sorting equipment in the mid-twentieth century, came in the realm of transportation technology. The department adopted a succession of new transports--stagecoaches, fast schooners, steamboats, railroads, pneumatic tubes, airplanes, and more--to carry the mail. Each technology presented two questions that affected the post office's relationship with private firms and Congress: Should the post office operate transports itself or contract with private firms for the service? Did the department need congressional assent to innovate--to adopt the newest technologies?

From the start, most mail service was a joint public-private venture: the post office received mail, processed it, and delivered it to the recipient, but transportation from one town to another was purchased--with a few exceptions--from private firms. Although Congress retained ultimate control over the department's use of these transports, the post office often experimented with new modes of moving the mails before receiving legislative authorization.

Transportation Innovations before the Railroads

Initially, post riders employed by the post office carried mail from town to town. The first noteworthy improvement in mail transport, the use of stagecoaches, was authorized by the Continental Congress in 1785.¹ After the adoption of the Constitution, the new Congress in 1794 renewed the postmaster general's authority to contract with private stagecoach firms, though post riders and sulkies continued to provide much of the transportation.² Congress set the

¹29 *Journals of the Continental Congress* 684.

²Post Office Act of May 8, 1794, 1 Stat. 357.

basic terms under which the postmaster general purchased stagecoach transportation. The 1794 law required that expenses for stagecoach service should not exceed revenues.³

Purchasing transportation from stagecoach lines marked the beginning of a long-lasting policy that used mail contracts to encourage--even subsidize--the growth of private carriers. With the inducement provided by mail contracts, stagecoach companies presumably expanded their operations into new areas, building a transportation network for the young nation. Through mail contracts, Congress provided similar support for the expansion of railroads, ocean-going steamships and airlines. Rather than competing with private transports, except on rare occasions, the Post Office became one of their biggest customers and boosters.

One of the rare occasions in which the post office directly entered the transportation business came at the close of the 1700s. When private stagecoach transportation failed to provide satisfactory service on key lines, the post office experimented with operating its own transports--both schooners along the coast and stagecoaches on key segments of the main North-South post road. Apparently in both cases, Postmaster General Joseph Habersham inaugurated service on his own initiative.

Habersham first authorized the purchase of schooners to start a coastwise mail service in 1798. Fierce congressional debates in late 1798 and early 1799 had overburdened post riders with letters, public documents, and newspapers to such an extent that the mails were moving slower than usual, especially on the primitive post roads south of Petersburg, Virginia. Southern senators and congressmen complained to Habersham about the unsatisfactory service. The postmaster general decided to avoid the problem of the land route by carrying mails to the South using government-owned and operated schooners. He purchased three ships and arranged for crews and provisions.⁴

³Congress modified this condition slightly in 1802 by allowing the postmaster general to pay a premium of one-third above the amount for horseback service on the expensive-to-serve main post road between Petersburg, Virginia, and Georgia. Act of May 3, 1802, 2 Stat. 191.

⁴The best account of this experiment is Arthur Hecht, "Government-Owned and Operated Coastwise Mail Service of the Eighteenth Century," *American Neptune* 22 (January 1962): 55-64.

Habersham believed the new service would provide for the "safe conveyance of Newspapers and the regular and expeditious carriage of the mails" in ten days rather than the usual two weeks or more.⁵ Schooners sailed from New York City and Philadelphia to Charleston, where the mails were transported inland. One shipment of newspapers to Charleston, representing mails that had accumulated over two weeks, weighed 500 pounds. Despite advantages in shipping bulky mail by sea, the government-owned service died after sixteen months. The service was expensive, and taking on freight and passengers to defray costs made it difficult to adhere to a regular mail schedule. Also, once mails reached southern ports, they were still carried inland slowly, not appreciably improving delivery.⁶

In May 1799, Habersham began operating government-owned stages on the line between Philadelphia and Baltimore, "a bold experiment which few questioned at the time," in the words of one postal historian.⁷ The government service was probably inaugurated because private stages arranged their schedules more for passengers' convenience than to make mail connections on time. The Post Office Department's stage service survived the change from Federalist to Republican (i.e., Jeffersonian or Anti-Federalist) administrations. Habersham's successor, Gideon Granger, extolled the success of the government stages in a report to Congress. "For the last year and a half, the fare of the travelers [carried on the government stages] has defrayed the expenses of the establishment, and the actual profit has been for that time equal to the whole expense of transporting the mail." The government stages carried the mail "with unexampled regularity and despatch . . . and secured from robbery and inclement weather."⁸

The Senate had asked for Granger's report to assess the feasibility of expanding the government stagecoach line to the whole Maine-to-Georgia post road. Granger analyzed the economics of the proposed government system,

⁵Habersham to John Prior, Feb. 8, 1799, Letterbook of the Postmaster General, microfilm edition, roll 8, pp. 280-81.

⁶Hecht, "Coastwise Mail Service."

⁷Wayne E. Fuller, *The American Mail: Enlarger of the Common Life* (Chicago: Univ. of Chicago Press, 1972), 152-54, quote at 152; Wesley E. Rich, *The History of the United States Post Office to the Year 1829* (Cambridge: Harvard Univ. Press, 1924), 96-97.

⁸Gideon Granger to James Jackson, chairman of the Senate post office committee, March 23, 1802, *American State Papers: Post Office*, class 7, pp. 21-22 quote at 22. This experiment is also discussed in Oliver W. Holmes and Peter T. Rohrbach, *Stagecoach East: Stagecoach Days in the East from the Colonial Period to the Civil War* (Washington, D.C.: Smithsonian Institution Press, 1983), 118-19.

including the revenue that would be derived from carrying passengers along with the mail. He concluded that the northern portion of the line--from Maine to Virginia--might be operated profitably, but that the southern portion would not produce enough revenues to cover expenses.⁹ Congress declined to act on the ambitious proposal, but that did not deter Postmaster General Granger from adding another segment, the New York-to-Philadelphia line, to the government service in 1810. Private stages had "given unbelievably bad service" on this key route.¹⁰ When Return J. Meigs, Jr., became postmaster general a few years later, he tried to shift service on the New York-Philadelphia line back to private stages. But contractors tendered no reasonable bids. Meigs decided to continue the government stages to serve "as a check upon contractors, both in repressing, and stimulating contractors to a faithful discharge of their duty."¹¹ Meigs ultimately sold the government stage lines to a private contractor in 1818. By then, the extended lines were no longer profitable, the postmaster general was devoting too much time to managing the service, and private contractors were complaining about government competition.¹²

Steamboats represented the major innovation in transportation technology before the railroads. And yet steamboats had a relatively modest impact on domestic mail transportation (ocean-going steamship lines, however, proved significant in international mail exchanges).¹³ Apparently the post office did not use the new transports until Congress in 1813 authorized the postmaster general to consider awarding contracts to steamboat lines where they would provide service comparable, in regularity and cost, to land transports.¹⁴ In 1823, Congress declared waterways on which steamboats travelled to be post roads, curtailing the growing practice of steamboat crews and passengers carrying letters outside the mails.¹⁵

⁹Granger to Jackson, *American State Papers*, 21-27.

¹⁰Fuller, *American Mail*, 153.

¹¹Return J. Meigs, Jr., quoted in *Ibid.*

¹²Holmes and Rohrbach, *Stagecoach East*, 120.

¹³Ross A. McReynolds, "History of the United States Post Office, 1607-1931" (Ph.D. dissertation, Univ. of Chicago, 1935), 77-81.

¹⁴Act of Feb. 27, 1813, 2 Stat. 805.

¹⁵Act of March 3, 1823, 3 Stat. 764.

Postal Expresses

Until telegraph lines spanned the continent in 1861, most information moved through the nation at the speed of the mails. Newspapers and businesses dependent on the speedy transmission of information grew impatient with regular postal services. When they launched private expresses to bring information in advance of the regular mails, the Post Office Department responded with its own services. The postmaster generals believed--and Congress concurred--that postal expresses equalized people's access to timely news, especially market information. Fresh, *publicly available* market intelligence would reduce the advantages of brokers and speculators who had private channels of communication. Postal officials typically started expresses by modifying the terms under which regular mail contractors operated.

The post office launched its first express in 1825, though earlier relays had speeded military dispatches during the War of 1812. An upswing in cotton prices in 1824-25 convinced Postmaster General John McLean of the need for an express between New York and New Orleans. When news of Liverpool's rising cotton prices reached New York, speculators dispatched coastal packet ships to southern cotton markets. The first messengers to arrive made substantial profits for their employers by purchasing cotton at normal prices. This was hardly an isolated occurrence. Speculators in eastern ports, especially New York, sought advance information about fluctuations in distant markets. Ships from Europe sometimes dawdled along the coast while a courier carried market information ashore. Messengers then hurried southward. Some even alleged that mail contractors took bribes to delay the mails while private messengers dashed ahead to convert their exclusive market information into profits.¹⁶

Not surprisingly, commodity producers and brokers acting without the most current market information complained; they had to await the arrival of the much slower mails with their newspapers, price currents, and letters. In May 1825, McLean solicited bids from contractors willing to establish an express to connect northeastern commercial centers with the cotton-producing regions. The post office express would convey information about "any sudden and important change in the price of the principal staples of our Country." Postmasters along the route

¹⁶Robert G. Albion, *The Rise of New York Port* (New York: Charles Scribner's Sons, 1939), 53, 114-15; Richard R. John, *Spreading the News: The American Postal System from Franklin to Morse* (Cambridge: Harvard Univ. Press, 1995), 83-87.

would arrange for publication of the intelligence in local papers.¹⁷

A North Carolina newspaper near the proposed route applauded the plan:

on occasions of great importance to the commercial community, to send express mails on their [the mail contractors'] lines, at the rate of 11 miles an hour, and thus, by affording to all the news of important changes in the markets, to put a stop to the system of speculation which has lately been so extensively practised by individuals of one commercial town on those of another who were not possessed of the same means of information.¹⁸

But another editor complained, "Is this minute interference with the private relations of men compatible with the general duties of government?"¹⁹

The next postmaster general, William T. Barry, also initiated a postal express in the early 1830s when a New York newspaper began running its own horse relays. The New York *Journal of Commerce* launched an express to obtain Washington, D.C., news before the mails arrived. Readers prized timely political intelligence from the nation's capital as it often influenced financial and commercial markets. The post office responded with an express starting on January 31, 1833, so that all New York City newspapers, and their readers, would have equally timely access to market-moving political news. The department instructed the mail contractor to transport newspaper exchanges and some letters by a relay of horses in advance of the stagecoach mails.²⁰ The New York and Philadelphia postmasters were directed to "always have your office open at night for the receiving of the express. . . ." Editors could pick up their exchange papers and letters "at night, whatever may be the hour of its arrival."²¹

¹⁷Circular from John McLean, May 10 and 12, 1825, Letterbook of the Postmaster General, D: 441, Record Group 28, National Archives.

¹⁸*Fayetteville Observer*, May 19, 1825, reprinted in "The Mails," *Niles' Weekly Register* 28 (May 28, 1825), 194.

¹⁹Thomas Ritchie, editor of the *Richmond Enquirer*, June 3, 1825, quoted in John, *Spreading the News*, 84-85.

²⁰A number of letters and other documentary material relating to this express are in Sen. Doc. 86, 23d Cong., 2d sess. 59-69, 277-302 (1835). See also Richard B. Kielbowicz, *News in the Mail: The Press, Post Office and Public Information, 1700-1860s* (New York: Greenwood Press, 1989), 165-67.

²¹O. B. Brown, superintendent of contracts, to postmasters at Philadelphia and New York, Jan. 28, 1833, in Sen. Doc. 86, 23d Cong., 2d sess. 293 (1835).

For the next few months during the 1832-33 congressional session, the *Journal of Commerce* and the post office each jockeyed to give its express advantages over the other. The post office revived its express during Congress's 1833-34 session.²² Doubts about the propriety of a government express prompted a Senate investigation. A committee reported in January 1835 that "the object of the Department was laudable and praiseworthy." Private "mode[s] of communication" allow individuals to receive intelligence and act upon it "before the community at large can have the benefit of it through the medium of the Government mails." When that happens, "the Government should not hesitate to adopt means, *although of an expensive character*, to place the community generally in possession of the same intelligence at as early a period as practicable."²³

The revival of the *Journal of Commerce's* express in December 1835, plus complaints from the West and South about commercial agents using their exclusive market intelligence to exploit farmers, prompted Congress to put post office expresses on a firmer footing.²⁴ A 1836 law empowered the postmaster general "to establish an express mail, in addition to the ordinary mail, on any of the post roads in the United States. . . ."²⁵ During the next three years, the post office ran expresses between the major commercial cities that cut delivery time by half. Horseback riders carried the express mails over most of the routes except where railroads or steamboats offered faster service. The Post Office Department discontinued its expedited service in 1839 as the speed of the regular mails--using more railroads and steamboats--approached that of the expresses.²⁶

The most celebrated express in American history ran between St. Joseph, Missouri, and San Francisco for eighteen months. It stemmed mainly from private rather than government initiative, but it did blur the distinction between the two.

²²William H. Hallock, *Life of Gerard Hallock, Editor of the New York Journal of Commerce* (New York: Oakley, Mason, 1869), 300-302.

²³Sen. Ex. Doc. 86, 23d. Cong., 2d sess. 113-14 (1835) quoted in Edward G. Daniel, "United States Postal Service and Postal Policy, 1789-1860" (Ph.D. dissertation, Harvard Univ., 1941), 222-23.

²⁴James L. Crouthamel, *James Watson Webb: A Biography* (Middleton, Conn.: Wesleyan Univ. Press, 1969), 68; Minority Rep. of Sen. Comm. on Post Offices and Post Roads, in *Register of Debates in Congress*, 23d Cong., 1st sess., appendix, 241 (1834).

²⁵Act of July 2, 1836, 5 Stat. 88.

²⁶Delf Nororna, "The Express Mail of 1836 to 1839," *American Philatelist* 56 (September 1943): 774-85; 1839 *Annual Report* 613.

The Pony Express was launched on April 3, 1860, by the stagecoach firm of Russell, Majors & Waddell. During 1860, Congress debated the merits of various arrangements to transport the mails overland to California. Russell, Majors & Waddell started running relays of horseback riders to attract favorable notice in Congress for its route. Not until March 1861 did Congress pass a law formally recognizing the Pony Express as part of the post office. Ironically, the company operating the Pony Express did not receive the mail contract; it went instead to the Butterfield Overland Mail Co. Butterfield, however, subcontracted some of the relays to Russell, Majors & Waddell.²⁷

The law incorporating the Pony Express into the federal postal system stipulated that the contractor could cease providing this special service on completion of the telegraph lines from the Missouri River to the Pacific. This occurred on October 24, 1861, ending the Pony Express eighteen months after it had started, and a mere seven months after it came under control of the Post Office Department.²⁸

Railroads

Railroads provided the bulk of inter-city mail transportation from the mid-1800s to the mid-1900s. To enhance railroads' value to the postal system, the department experimented with a number of innovations. For the most part, postal officials undertook the experiments before securing congressional authorization.

The attributes of railroad transport--speed, regularity, bulk, and weight--perfectly suited the Post Office Department's needs. Touting these advantages, railroad promoters sought aid from Congress in 1819, 1824, and 1825 to help launch the first rail lines. Congress declined to act. In the early 1830s, mail contractors, then relying principally on stagecoaches, began arranging with early railroad lines to carry the mail.²⁹ The department apparently consented to these arrangements. In his 1834 annual report to Congress, Postmaster General William

²⁷Le Roy Hafen, *The Overland Mail, 1849-1869* (1926; reprint ed. New York: AMS Press, 1969), 165-91; Arthur Chapman, *The Pony Express* (1932; reprint ed. New York: Cooper Square Publishers, 1971).

²⁸Act of March 2, 1861, 12 Stat. 206.

²⁹McReynolds, "History of the U.S. Post Office," 81; Daniel, "U.S. Postal Service," 140-42.

T. Barry noted that two railroads already "afforded great and important facilities to the transition of the great eastern mail." Barry advised Congress, however, that railroad "corporations may become exorbitant in their demands, and prove eventually to be dangerous monopolies."³⁰

Barry continued using railroads without express congressional authorization; by 1837, the mails were carried on 65 percent of the nation's 1,497 miles of rail lines.³¹ Some railroad mail cars were even constructed under the direction of the department.³² In 1838, Congress declared every railroad a post route and empowered the postmaster general to "cause the mail to be transported thereon, provided he can have it done upon reasonable terms," paying no more than 25 percent above "what similar transportation would cost in post coaches."³³ The postmaster general found the terms set by Congress too restrictive in negotiating contracts and he creatively interpreted them. Within seven months, Congress modified the conditions for purchasing railroad transportation. But this was just the beginning: for many decades, the railroads, post office, and Congress struggled over deciding the appropriate compensation for transporting the mail by rail.³⁴

Two post office innovations in railroad mail transportation--railway post offices (RPOs) and fast mail trains--substantially improved the speed of delivery. RPOs cut delivery times by having clerks sort mail while trains ran between stations. Small-scale experiments with RPOs apparently began in 1862 when a post office route agent arranged with a railroad company to fit a railway car with sorting cases.³⁵ Two years later, Postmaster General Montgomery Blair directed the postmaster in charge of the Chicago Distributing Post Office to "test [RPOs] by actual experience." He was empowered "to arrange with railroad companies to

³⁰1834 *Annual Report* 44-45, in Sen. Ex. Doc. 1, 23d Cong., 2d sess. (1835).

³¹Daniel, "U.S. Postal Service," 143.

³²*Niles' Weekly Register*, May 18, 1838, in Bryant A. Long and William J. Dennis, *Mail by Rail: The Story of the Postal Transportation Service* (New York: Simmons-Boardman Publishing, 1951), 98.

³³Act of July 7, 1838, 5 Stat. 283.

³⁴See Lewis H. Haney, *A Congressional History of Railways in the United States* (1908 and 1910; reprint ed. New York: Augustus M. Kelley Publishers, 1968), 1: 318-26, 2: 200-13; Daniel, "U.S. Postal Service," 144-72.

³⁵Carl H. Scheele, *A Short History of the Mail Service* (Washington, D.C.: Smithsonian Institution Press, 1970), 94.

furnish suitable cars for traveling post offices," designate "head offices," and select clerks.³⁶ The first post office-sanctioned RPO left Chicago on August 28, 1864. According to one account, RPO service started "in spite of the indifference of Congress . . . and the ridicule of businessmen."³⁷ Within several months, however, Congress passed legislation approving the employment of railway mail clerks and the service expanded rapidly.³⁸

Sorting mail en route helped speed the mails, but further improvements in the railway mail service could not be effected as long as trains were scheduled to mainly accommodate passengers and baggage. In 1875, the post office secured the cooperation of some railroads to experiment with special trains scheduled to suit the dynamics of the postal system. Dubbed "fast mail trains," they started service in September. The inaugural run of the New York-to-Chicago train carried 47 bags of letters, 663 sacks of newspapers, plus another 50,000 newspapers—a total of 33 tons. A carload of public officials, publishers and editors accompanied the mail to celebrate the new service.³⁹

Despite the unquestioned success of the experimental fast mail trains, the post office had to suspend service several months later. Congress, in one of its recurring struggles with railroads over compensation for carrying the mail, in 1876 reduced payments to railroads by 10 percent.⁴⁰ Within ten days, the railroads stopped cooperating with the department in providing the fast mail trains. Responding to complaints from railroads, the public, and postal officials, Congress in 1877 established a "special facilities fund" from which the postmaster general could draw funds to pay for rapid mail service. The fast mail trains resumed service.⁴¹

³⁶Montgomery Blair to George B. Armstrong, 1864, reprinted in Long and Dennis, *Mail by Rail*, 111-112.

³⁷Long and Dennis, *Mail by Rail*, 111. Congress, of course, was preoccupied by the Civil War.

³⁸Act of March 3, 1865, 13 Stat. 506.

³⁹"The New-York and Chicago Fast Train," *New York Times*, 26 Aug. 1875, p. 5; *History of the Railway Mail Service* (Washington, D.C.: Government Printing Office, 1885), 101-104, 182-83.

⁴⁰Act of July 12, 1876, 19 Stat. 79.

⁴¹Act of March 3, 1877, 19 Stat. 384; Haney, *Congressional History of Railways*, 210-11; Scheele, *A Short History of the Mail Service*, 104-105.

Pneumatic Tubes

Another transportation innovation to speed mail delivery in large cities was the pneumatic tube and, again, the Post Office Department pushed Congress to appropriate funds to develop the new technology. In his 1891 annual report, Postmaster General John Wanamaker wrote that he "thoroughly believe[d]" that the pneumatic tube, "though expensive in its introduction, is effectual and will certainly be self-sustaining if not profitable."⁴² He based this belief on the successful development of pneumatic tubes in Berlin, London, Paris and Vienna.⁴³ The next year Congress authorized \$10,000 to study a "more rapid dispatch of mail matter between large cities and post-office stations and transportation terminals . . . by means of pneumatic tubes or other systems."⁴⁴ The study was favorable, and the Post Office Department contracted for the first pneumatic tube in Philadelphia out of appropriation funds for its mail messenger service. Congress allotted \$35,000 to expand the system in 1896 and \$150,000 the next year.⁴⁵

Concerns over excessive costs and construction delays caused Congress to direct the Post Office Department in 1908 to investigate the possibility of the government purchasing, installing or operating the equipment for pneumatic-tube service in the cities where the service was in operation. The department concluded that it was not "feasible and desirable at the present time" for the government to take over the system.⁴⁶ Problems continued with the contractors. In 1912 Congress appointed a joint House/Senate commission to investigate again the desirability of taking over the pneumatic-tube service.⁴⁷ The commission recommended that the postmaster general be given the authority to negotiate purchasing the equipment from the pneumatic-tube companies. By this time, the companies' contracts needed to be renewed and Postmaster General A.S. Burleson appointed another committee to recommend action. That committee recommended

⁴²1891 *Annual Report* 6.

⁴³*Ibid.*, Appendix C, 150-161.

⁴⁴1892 *Annual Report* 18, 90-91.

⁴⁵1896 *Annual Report* 212; 1897 *Annual Report* 15. For further information about pneumatic tubes, see Clyde Kelly, *United States Postal Policy* (New York: D. Appleton and Company, 1932), 135; and Scheele, *A Short History of the Mail Service*, 1970), 131-135.

⁴⁶1909 *Annual Report* 149.

⁴⁷1913 *Annual Report* 163-164.

curbing the service substantially because of recurring problems with the contractors and the advent of a new technology--motorized vehicles. Burleson approved the recommendations, fully anticipating the industry to campaign bitterly against the action.⁴⁸ The service was discontinued in 1918 because it was "beyond question extremely costly and at the same time very inferior to the more modern methods of transporting mail."⁴⁹ The Post Office Department, however, resumed limited service in 1922 because of public demand, particularly in Philadelphia.⁵⁰ Use of all pneumatic tubes was formally suspended on Dec. 31, 1953.⁵¹

Airmail

In its quest to increase the speed of mail delivery, the Post Office Department played an important role in the development of another transportation innovation--the airplane. In 1911 Postmaster General Frank H. Hitchcock approved the first experimental aerial mail service; by June 1913, the department had experimented with airmail 54 times in various parts of the country at no departmental cost.⁵² That year the department asked Congress to appropriate \$50,000 toward an experimental airmail program and to give the postmaster general full discretion to contract for services.⁵³ It wasn't until 1916 that Congress earmarked the requested funds to finance an experimental airmail program. The next year Congress doubled the appropriation and in 1918, it authorized the postmaster general to set a special postage rate of not more than 24 cents per ounce for mail carried by airplane.⁵⁴

⁴⁸1915 *Annual Report* 141; 1916 *Annual Report* 20-22.

⁴⁹1918 *Annual Report* 45.

⁵⁰Scheele, *A Short History of the Mail Service*, 131-135.

⁵¹*Ibid.*

⁵²1913 *Annual Report* 26; see also Scheele, *A Short History of the Mail Service*, 151.

⁵³1913 *Annual Report* 26, 50. The department repeated its request in 1914 and 1915. 1914 *Annual Report* 25, 71, 182; 1915 *Annual Report* 50-51, 145.

⁵⁴1915 *Annual Report* 46; 1917 *Annual Report* 40; see also Paul T. David, *The Economics of Air Mail Transportation* (Washington, D.C.: The Brookings Institution, 1934), 6-8; McReynolds, "History of the United States Post Office, 1607-1931," 247; Act of May 10, 1918, 40 Stat. 548.

President Woodrow Wilson witnessed the first regular airmail flight between Washington and New York on May 15, 1918. The War Department furnished the planes and pilots until Aug. 12, 1918 when the Post Office Department took over the full operation.⁵⁵ The initial service was so successful that the postmaster general reduced the postage rate for airmail to 2 cents per ounce in 1919, the same rate charged any first-class mail matter, and Congress increased the appropriation to \$850,500 to extend airmail to Cleveland and Chicago.⁵⁶

Recognizing the enormous potential of airmail and realizing that the Post Office Department did not have the funds to maximize that potential, Postmaster General Burleson repeatedly asked Congress for additional appropriations to develop air service and for the authority "to make contracts with commercial enterprises for carrying the mail in connection with passenger and other traffic."⁵⁷ According to Burleson, "Congress [has] responded to this in an insufficient manner by the adoption of a provision in the law which requires that contracts for mail by airplane shall not result in a greater cost for transportation of the mail than by train."⁵⁸ Some of Congress's reluctance to increase funding and authority may be explained by lawmakers' frustration over the Post Office Department's unauthorized use of funds to promote airmail on unauthorized routes.⁵⁹ This friction continued until 1925 when Congress enacted the Air Mail Act, which gave the post office the authority to contract with commercial firms to carry airmail.⁶⁰ To encourage the use of airmail, Congress also reduced the postage rate for airmail to not more than 5 cents per ounce in 1928.⁶¹

⁵⁵1918 *Annual Report* 16-17; Arthur Summerfield and Charles Hund, *U.S. Mail: The Story of the United States Postal Service* (New York: Holt, Rinehart and Winston, 1960), 98; David, *Economics of Air Mail Transportation*, 12-15.

⁵⁶1919 *Annual Report* 13, 16.

⁵⁷1920 *Annual Report* 64.

⁵⁸*Ibid.*

⁵⁹David, *Economics of Air Mail Transportation*, 30-31.

⁶⁰Air Mail Act of Feb. 2, 1925, 43 Stat. 805; see also Stanley H. Brewer, *The Impact of Mail Programs and Policies on United States Air Carriers* (Seattle: University of Washington, 1967), 2-4; David, *Economics of Air Mail Transportation*, 44-53; and Gerald Cullinan, *The Post Office Department* (New York: Frederick A. Praeger, 1968), 136-137.

⁶¹Act of May 17, 1928, 45 Stat. 594.

According to one historian, the lower postage rates and favorable air contracts "had an enormous effect on the growth of the airplane and airline industries in this country."⁶² By 1932, Congress had appropriated \$47,267,000 for airmail development. "From a public welfare standpoint no better expenditure of Government funds was ever made," another postal historian wrote, "and the nation was fortunate in having the postal service as an agency through which the speediest of all methods of transportation could be developed and maintained."⁶³

⁶²Cullinan, *The Post Office Department*, 137.

⁶³Kelly, *United States Postal Policy*, 140.

3. Innovations in Mail Services

Not all postal innovations stemmed from new technologies. Some simply extended established services into unserved areas, such as Rural Free Delivery (RFD). Other innovations involved accepting new types of material as mailable matter; parcel post is the best example. And still other innovations involved adjusting postal rules to accommodate some mailers, as happened with patron mail. Of these three, parcel post provides the most insights: after considerable agitation, Congress authorized the Post Office Department to compete with well-established private firms. RFD was put on a permanent footing only after a considerable period of experimentation. And patron mail, a post office initiative, died in the face of opposition from newspapers and, probably, lawmakers.

From City Carriers to Rural Free Delivery

Throughout the nineteenth century, the vast majority of postal patrons called at the city or village post office to pick up their mail. Delivery to home or business addresses had started in the late 1700s; so-called penny posts carried mail from the city post office to a customer's home for a fee in addition to the postage. Such services operated sporadically in larger cities through the early and mid-1800s. Some were sanctioned by the post office and recognized in postal laws;¹ at the same time, private operations competed with the official service in some cities.² In 1863, Congress authorized free city delivery service in forty-nine large

¹See, e.g., "Sec. 36. *And be it further enacted*, That letter-carriers shall be employed at such post-offices as the Postmaster General shall direct. . . ." Act of March 3, 1825, 4 Stat. 112.

²Richard R. John, *Spreading the News: The American Postal System from Franklin to Morse* (Cambridge: Harvard Univ. Press, 1995), 150-54; Richard R. John, "Private Mail Delivery in the United States during the Nineteenth Century: A Sketch," *Business and Economic History* 15 (1986): 135-47.

cities. Lawmakers incrementally extended the service to smaller cities; by 1887, the postmaster general was empowered to provide carriers in cities as small as 10,000 residents.³

Despite these improvements, by 1890 only one-fourth of the nation's 76-million inhabitants enjoyed free mail delivery. Most disadvantaged were residents who lived along country lanes outside towns. Farm families typically went to town--and the post office--about once a week.⁴ Members of Congress representing rural constituencies increasingly pointed to the inequities in a system that provided daily free delivery to city households while requiring country residents--half of all Americans--to travel, often many miles, to retrieve their mail.⁵

Postmaster General John Wanamaker, appointed in 1889, envisioned a postal establishment that carried parcels, operated the nation's telegraph and telephone systems, and provided basic banking services. First, though, he labored to launch rural free delivery. Securing a small appropriation from Congress, Wanamaker began an experimental free delivery service in 46 communities. Although Wanamaker proclaimed the rural free delivery experiment a success in his 1891 annual report to Congress, the initiative actually tested the feasibility of delivery in small towns and villages rather than on roads running into the countryside.⁶

In fact, Wanamaker's successor, William Bissell, disparaged the experiment and recommended against the extension of free delivery to small towns. And even though Congress appropriated \$10,000 for a test of a true rural free delivery service, Bissell declined to experiment further. RFD, he estimated, would cost at least \$20 million. "[T]he Department would not be warranted in burdening the people with such a great expense," he reported to Congress.⁷ Bissell refused to spend a \$20,000 appropriation in 1895 for the same purpose.⁸

³Act of March 3, 1863, 12 Stat. 703; Wayne E. Fuller, *The American Mail: Enlarger of the Common Life* (Chicago: Univ. of Chicago Press, 1972), 71-74.

⁴Albert Britt, *An America That Was: What Life Was Like on an Illinois Farm Seventy Years Ago* (Barre, Mass: Barre, 1964), 92-95.

⁵Fuller, *American Mail*, 75.

⁶1891 *Annual Report* 6, 82-89, 117-29; 1892 *Annual Report* 11-14.

⁷1893 *Annual Report* ix.

⁸1895 *Annual Report* 8; the 1895 report was filed by Bissell's successor, William L. Wilson, but the decision not to undertake the experiment funded by Congress was Bissell's.

The next Postmaster General, William L. Wilson, also doubted the fiscal wisdom of trying to deliver mail to thousands of farmers' lanes, but when Congress in 1896 appropriated \$40,000 for a RFD experiment, he complied.⁹ RFD service commenced in October 1896. Because this initial service was considered experimental, the post office planned the first routes for a variety of states and conditions to test the likelihood of success if the service were expanded everywhere. "The general results obtained have been so satisfactory as to suggest the feasibility of making rural delivery a permanent feature of postal administration in the United States . . . in some gradual and gradated form. . . ." ¹⁰

Each of the next few years, Congress increased the appropriations for the still-experimental RFD. Of course, the addition of routes enlarged RFD's constituency among those who enjoyed the service and did not want the experiment to end, and those who heard about it and wanted RFD for themselves. Congress received countless petitions and in 1902 ended the experimental phase by putting RFD on a permanent footing. The postmaster general advised Congress that rapid extension would increase the department's deficits in the short term but that, once widely established, RFD would generate new revenue.¹¹

As RFD routes multiplied, families living along country lanes gradually found themselves tied into the national communication and marketing network. Daily receipt of correspondence reduced rural isolation. Newspapers and popular magazines immediately discovered the new market and began sending advertising-filled editions to rural reader-consumers. The big catalogue houses followed suit. Market news reaching farmers allowed them to make informed judgments about selling their livestock and crops. The Post Office Department observed that RFD even enhanced the real estate value of the now less-isolated farms.¹²

Apart from its own merits, RFD also increased demand for parcel post and proved to many rural residents and postal officials that the government could offer--and successfully administer--new services.

⁹1896 *Annual Report* 25, 129.

¹⁰1897 *Annual Report* 105.

¹¹1902 *Annual Report* 14-15.

¹²*Ibid.*, 14-16, 124-36. On the history and impact of rural free delivery, see generally Wayne E. Fuller, *RFD: The Changing Face of Rural America* (Bloomington: Indiana Univ. Press, 1964).

Parcel Post

Parcel post marked a dramatic departure in public-sector initiatives: it put the federal government in direct competition with well-established package-delivery firms. The federal government, of course, had long influenced business operations through contracts, grants, subsidies, and tariffs. Congress, however, had repeatedly resisted calls, particularly insistent during the Populists' heyday, for government ownership of key industries. Parcel post legislation stopped short of appropriating private firms, but proponents and opponents both acknowledged that it redefined the accepted domain of postal activity.¹³

From the 1880s, when parcel post was first seriously contemplated, to its enactment in 1912, supporters repeatedly advanced several reasons for establishing a government package-delivery service. First, it promised to complete the suite of postal services available to reader-consumers. Second, the Post Office Department sought to maximize the use of its nationwide infrastructure. Third, an American parcel post would allow the United States to participate more fully in providing international postal services. Fourth, private delivery firms--railroads and express companies--failed to serve millions of rural Americans. Fifth, government competition with private firms would, many believed, force down rates.

Package delivery before parcel post. Before the inauguration of parcel post on January 1, 1913, the post office accepted no package weighing more than four pounds and only then at the steep rate of 1 cent an ounce. This amounted to \$320 a ton compared to \$1.90 at railroad freight rates or about \$28 as railway express. Ironically, even though no parcel could weigh more than 4 pounds, some publishers mailed tons of their daily, weekly, monthly, or quarterly editions for 1 cent a pound.¹⁴

¹³The best overview of parcel post's origins and impact is Fuller, *RFD*, 199-233. For an examination of parcel post's implications for government-business relations, see Richard B. Kielbowicz, "Government Goes Into Business: Parcel Post in the Nation's Political Economy, 1880-1915," *Studies in American Political Development* 8 (Spring 1994): 150-72. See also Wayne E. Fuller, *The American Mail: Enlarger of the Common Life* (Chicago: Univ. of Chicago Press, 1972), 181-88; Daniel J. Boorstin, *The Americans: The Democratic Experience* (New York: Random House, 1973), 109-45.

¹⁴Sen. Doc. No. 485, 62d Cong., 2d sess. 3 (1912).

Parcel post formed the capstone in a postal communication and transportation system that already promoted marketing on a national scale. When Congress halved second-class postage to one cent a pound in 1885, advertising-filled popular magazines poured out of major cities. Mailings of periodicals, most filled with ads, rose twenty times faster than population between 1880 and 1920. Fast mail trains rushed big-city dailies to readers in the hinterlands; in 1894, Chicago papers dispatched more than twenty tons each day. The inauguration of RFD in the late 1890s brought city newspapers and national magazines directly to farmers' lanes. Mail-order retailers could now reach most of the nation with ads, and modest letter postage allowed reader-consumers to respond with orders. Yet at the outset of the twentieth century, Congress still prohibited the postal delivery of the commercial fruits of all this communication--parcels.¹⁵

Catalogue houses and mail-order retailers thus built their operations without the assistance of a government delivery service available in nearly every other industrialized nation. When mail-order merchandisers such as Montgomery Ward (1872) and Sears, Roebuck and Company (1887) began offering their wares to the nation, they relied on express companies to expedite packages or the slower but cheaper freight services to deliver loads above 100 pounds. Customers paid shipping charges, and the catalogue houses turned this to their marketing advantage: "RAILROAD COMPANIES USUALLY CHARGE NO MORE FOR CARRYING 100 POUNDS THAN THEY DO FOR 20 POUNDS," Sears reminded its customers, "so that in case you only have a small order and want it to come by freight, you could have some friend buy goods at the same time, send his order with yours, and have both orders shipped in your name. . . ." Mail-order firms thus converted customers into sales agents. Montgomery Ward and Co. estimated in 1911 that it shipped about 82 percent of its orders by freight, 10 percent by express, and only 8 percent by mail.¹⁶

¹⁵See Richard B. Kielbowicz, "Postal Subsidies for the Press and the Business of Mass Culture, 1880-1920," *Business History Review* 64 (Autumn 1990): 451-88; Richard B. Kielbowicz and Linda Lawson, "Protecting the Small-Town Press: Community, Social Policy and Postal Privileges, 1845-1970," *Canadian Review of American Studies* 19 (Spring 1988): 26-34.

¹⁶Sears catalogue quoted in 46 *Cong. Rec.* 2006 (1911); *Parcel Post: Hearings Before the Subcom. on Parcel Post of the Sen. Com. on Post Offices and Post Roads under S. Res. 56, 62d Cong., 2d sess. 882 (1911-12)*, (testimony of Montgomery Ward's general manager) [hereafter cited as 1912 *Senate Hearings*].

Although organized as separate entities, the big express firms used "the plant, equipment, and operating organization of the railroads." Express matter typically traveled on passenger trains, about twice as fast as freight, and received special attention at the terminals.¹⁷ Despite their incorporation as separate entities, express companies and railroads were one and the same in the public's mind. Popular magazines trumpeted a Senate report that found \$66.8 million in intercorporate ownership: railroads held \$20.7 million in express company stock; express companies owned railroad securities worth \$34.5 million; and express companies invested \$11.6 million in each other.¹⁸ "If in a hurry or the need is urgent, you ship by express at many times the freight rate, but it is all the same to the railroad; it gets the money, and there is and can be no competition between the general freight service and express transportation," a long-time critic of the expresses complained in 1910.¹⁹

Parcel post divides rural America. The parcel post debate revealed fissures in the facade of beneficent small-town commerce. The antagonists were buyers, who favored parcel post, and small-town retailers, who feared it would divert customers to faraway mail-order merchandisers.

Small-town residents often had only one or two modestly stocked general stores at which they could conveniently shop; farm families living along country lanes had trouble reaching even these. Without a parcel post, mail-order customers typically paid to have their packages shipped by railroad freight or express. Americans began to question why the government post office failed to carry parcels at a competitive rate. At a minimum, parcel post could deliver to the twenty million Americans who lived outside express companies' service areas. And lower postage rates would further open the countryside to urban merchandisers or, viewed from customer's vantage point, allow rural residents to choose from the offerings of a modern consumer society.²⁰

¹⁷Isaiah L. Sharfman, *The Interstate Commerce Commission: A Study in Administrative Law and Procedure* (New York: Commonwealth Fund, 1931), 2: 58.

¹⁸Allan L. Benson, "Why We Have No Parcels Post," *Pearson's Magazine* 25 (March 1911): 388-97, esp. 390.

¹⁹Nathan B. Williams, *The American Post-Office: A Discussion of Its History, Development, and Present-Day Relation to Express Companies*, Sen. Doc. No. 542, 61st Cong., 2d sess. 28 (1910).

²⁰1912 *Annual Report* 7. On the supposed advantages and disadvantages of parcel post for rural America, see Richard B. Kielbowicz, "Rural Ambivalence Toward Mass Society: Evidence from the U.S. Parcel Post Debates," *Rural History* 5 (Spring 1994): 81-102.

On the other side, parcel post's opponents evoked the romantic image of small-town retailing that still grips the imagination. Neighborly storekeepers offered advice about purchases, freely extended credit, performed other banking services, special ordered goods not in stock, provided a congenial gathering place for townspeople around a pot-bellied stove, and permitted customers to use the phone, often the first one in town. If parcel post opened the countryside further to mail-order merchandisers, small-town retailers would be circumvented entirely, they feared.²¹

Advocates of a parcel post testified that reputable mail-order firms offered a wider choice of goods at cheaper prices than any small-town store. "[T]he assertion of the local merchant that the parcel post will destroy or injure his business is an admission that he can not sell as cheaply as the mail-order house," a representative of farm groups told Congress. "This, in effect, is a demand that the farmer pay him a premium or bounty in order that he may continue to conduct business by antiquated methods and be protected from the progressive spirit of modern merchandizing and twentieth-century methods."²²

When small-town retailers realized they could not defeat parcel post by disputing the economies of mail-order shopping, they instead argued that it would foster a new, unhealthy commercial ethos. They also foresaw a general decline of small towns, a centralization of production and distribution, a disruption of the "natural" relations among labor, retailers, and consumers, and the aggrandizement of urban culture.²³

Parcel post advanced the broader agendas of the Grange and the National Farmers' Union, the two agrarian groups that worked most assiduously for its passage. These groups viewed express companies as corporate extensions of the

²¹Thomas D. Clark, *Pills, Petticoats and Plows: The Southern Country Store* (Indianapolis: Bobbs-Merrill, 1944); Lewis Atherton, *Main Street on the Middle Border* (Bloomington: Indiana Univ. Press), 43-55, 222-33; Kielbowicz, "Rural Ambivalence."

²²1912 *Senate Hearings* 851-875, quote at 860 (testimony of George P. Hampton representing the Farmers' National Committee on Postal Reform); see also *Parcels Post: Hearings Before the House Com. on the Post-Office and Post-Roads*, 61st Cong., 2d sess. 58-59 (1910) (testimony of T. C. Atkinson representing the National Grange) [hereafter cited as 1910 *House Hearings*].

²³Oskaloosa, Iowa, Commercial Club to J. P. Dolliver, Feb. 1, 1904, S58A-J62, Senate Records, Record Group 46, National Archives; 1912 *Senate Hearings*, 572.

railroads farmers so hated. And they believed that parcel post would bring producers and consumers into closer contact.²⁴

The Post Office Department champions parcel post. Much of the campaign for parcel post turned on beliefs about the capacity of the Post Office Department to handle new tasks. Could the department assume a private-sector function and operate it along businesslike lines? The size, complexity, and reach of the post office had earned the department accolades as "the greatest business concern in the world." In this view, the department possessed the requisite expertise to successfully manage a parcel delivery business.²⁵

Many postal officials believed that adding parcel post made good business sense because it capitalized on the department's unrivaled nationwide infrastructure.²⁶ They repeatedly observed that all other industrial nations had a parcel post. "[P]arcel post is a success wherever it is in operation" around the world, Postmaster General John Wanamaker proclaimed, blaming the "four great express companies" for blocking it in the United States. Moreover, foreign governments and international postal congresses asked the United States to provide parcel post on the same terms as other industrial nations to facilitate cross-border package exchanges.²⁷

The Post Office Department's critics, usually big mailers complaining about their high postage bills, impugned the department's business acumen and managerial skills. A 1908 essay in the *Journal of Political Economy* identified features of the post office that distinguished it from for-profit businesses and

²⁴The Populists and their predecessors, the Farmers' Alliance, placed strong parcel post planks in their 1889-1892 party platforms. By 1912, the Grange was aggressively rebuilding in the Midwest, and the Farmers' Union was extending its southern base into the region as well, tripling its membership there by 1914. John D. Hicks, *The Populist Revolt: A History of the Farmers' Alliance and the People's Party* (1931; reprint Lincoln: Univ. of Nebraska Press, 1961), 427-44.

²⁵Postmaster General Charles E. Smith, *Greatest Business Organization in the World: The United States Postal Service* (N.p.: n.p., 1899), 3; "A National Opportunity--A Business Postal Department," *World's Work* 19 (March 1910): 12643-44; 1912 *Senate Hearings* 202 (testimony of Postmaster General Hitchcock).

²⁶On the development of administrative capacities in the federal government generally, see Stephen Skowronek, *Building a New American State: The Expansion of National Administrative Capacities, 1877-1920* (New York: Cambridge Univ. Press, 1982), and in the Post Office Department specifically, see Leonard D. White, *The Republican Era, 1869-1901: A Study in Administrative History* (New York: Macmillan, 1958), chap. 12.

²⁷1891 *Annual Report* 7, 113, quote at 114; 1890 *Annual Report* 7-8.

concluded "that the Postal Department as now organized and operated would be utterly unable to compete with express companies upon purely a business basis."²⁸

Another argument for parcel post presumed that business imperatives should drive the post office; therefore, enterprising postal managers had an obligation to add services that capitalized on the system's infrastructure. Proponents had long argued that parcel post would take advantage of rural carriers' underutilized capacity, their partly loaded wagons. In fact, RFD carriers unofficially used extra space in their mail wagons to deliver parcels for patrons along their routes until postal officials and Congress curtailed the practice. Nonetheless, this unauthorized test heartened parcel post advocates and strengthened claims that the postal system could efficiently accommodate additional services. Proponents saw parcel post as the capstone in a postal communication and transportation system that already promoted marketing on a national scale.²⁹

Furthermore, some pointed out that the post office already had the unprofitable business--delivering parcels under four pounds to sparsely settled parts of the country--leaving the more lucrative shipments to the express firms. A full-fledged parcel post would develop profitable routes that compensated for the unprofitable ones found in any system promising universal service. Parcel post, in sum, would improve the department's finances. Opponents, of course, argued forcefully that any extension of service would just increase the postal deficit.³⁰

The failure of ICC regulation. After the turn of the century, the Progressives' penchant for investigations, data, and publicity kept railroads and express companies under a public microscope. The results of these inquiries suggested to many that merely regulating private delivery companies did not go far enough; they lent support to a more radical solution--government competition.

²⁸Don C. Seitz, "The Post-Office: An Obstructive Monopoly," *World's Work* 21 (February 1911): 13978-13986 (Seitz was a newspaper editor); Albert N. Merritt, "Shall the Scope of Governmental Functions be Enlarged So as to Include the Express Business?" *Journal of Political Economy* 16 (July 1908): 417-435.

²⁹Fuller, *RFD*, 113-18.

³⁰Fremont Rider, "The Parcels Post and the Retailer," *World's Work* 21 (April 1911): 14248-51; Henry A. Castle, "Defects and Abuses in Our Postal System--I," *North American Review* 174 (June 1902): 807-19.

The peculiar organization of express companies, "a distinctive American institution," did much to keep the parcel post campaign alive.³¹ Although largely offshoots of railroads, the express companies maintained separate corporate structures that allowed them to sidestep regulation until 1906.³² From its founding in 1887, the Interstate Commerce Commission narrowly construed its jurisdiction over express companies. The ICC noted that Congress had failed to list express companies among the enumerated carriers; moreover, some expresses were directly controlled by railroads while others were independent, at least nominally. "Either the entire express business should be left wholly on one side or it should all be included," the ICC explained in declining to regulate these carriers. The 1906 Hepburn Act resolved the jurisdictional question: Congress added expresses and other carriers to the Commerce Act.³³

With a broadened mandate, the ICC conducted a comprehensive study of express companies, the first ever, and acted boldly in 1912. The ICC's report basically corroborated what the pro-parcel post muckrakers had been telling magazine readers for several years: express companies double charged and over charged, refused to tell customers about free delivery areas beyond rail depots, sent shipments by circuitous routes to inflate costs, discriminated among customers, and more. The commission blamed most problems on the complexity of the system and rate schedules. "There are some thirty-five thousand express stations in the United States. To separately state the rates from each one of these stations to each of the others requires the statement of over 600,000,000 rates." The commission's own rate experts, let alone ordinary express agents, could hardly find the correct rates. Journalists and Progressive lawmakers, however, pointed to collusion among express companies, and between railroads and express firms, as the root of the problem.³⁴

³¹Sharfman, *The Interstate Commerce Commission: A Study in Administrative Law and Procedure*, 2:58-82, quote at 59.

³²Benson, "Why We Have No Parcels Post," 388-97, esp. 390; Williams, *The American Post-Office: A Discussion of Its History, Development, and Present-Day Relation to Express Companies*.

³³*In re the Express Cos.*, 1 I.C.C. 349-69, quote at 369 (1887). See also Sharfman, *Interstate Commerce Commission*, 2:58-82.

³⁴*In re Express Rates, Practices, Accounts, and Revenues*, 24 I.C.C. 380-541, quote at 413 (1912). For one example of the journalistic attack on railroad-express ties, see Frederick F. Ingram, "The Parcels Post," *Twentieth Century Magazine* 3 (March 1911): 514-22.

The ICC called its regulatory prescriptions "a revolution and renovation in the methods and rates of express companies."³⁵ It lowered rates and standardized them, developed a simple scheme for classifying express shipments and "enter[ed] into the minutiae of the billing, routing, and other details."³⁶ The ICC boasted, "This is probably the most important single piece of work ever done by the Commission."³⁷ The leading student of the ICC agrees. "The Commission's action was more sweeping and more boldly forward-looking than any it has ever taken in the railway field, and yet it met with the ready acceptance of the carriers and encountered no obstacles through judicial interference."³⁸

Parcel post in Congress. Stricter ICC regulation did not derail the parcel post movement in Congress. Years of devastating publicity about the express services had left the public and Progressive lawmakers amenable to a more radical solution.

Congress had declined to hold hearings on parcel post until 1910. Critics blamed the tardy congressional response on the private carriers' influence over such lawmakers as House Speaker Joseph Cannon and key senators.³⁹ The 1910 elections reconstituted Congress along lines more amenable to parcel post. "Angry consumers slaughtered the conservative Republicans," according to one historian, and voters replaced them with progressive Republicans and Democrats. Many voters believed that railroads and pro-railroad legislation had contributed to the rising cost of living; parcel post, touted as consumer legislation, was considered a partial remedy.⁴⁰

A month after Cannon was ousted from the speakership in March 1910, the House convened its first hearings on the subject and held another round in June 1911. The Senate provided the most extensive public forum, running from

³⁵1912 *I.C.C. Annual Report* 3.

³⁶24 *I.C.C.* 389.

³⁷1912 *I.C.C. Annual Report* 3.

³⁸Sharfman, *Interstate Commerce Commission*, 2: 70.

³⁹John B. Walker, "The People versus the Express Companies," *Pearson's Magazine* 24 (July 1910): 56-60, advertising section pp. 28-30.

⁴⁰David P. Thelen, "Patterns of Consumer Consciousness in the Progressive Movement: Robert M. La Follette, the Antitrust Persuasion, and Labor Legislation," in *The Quest for Social Justice*, ed. Ralph M. Aderman (Madison: Univ. of Wisconsin Press, 1983), 33; *Record of the Postal Progress League for the Year Ending February 1st, 1912* (New York: The League, 1912).

November 1911 to April 1912, producing a hearing record that filled 1,290 printed pages. These two years of hearings fueled a wide-ranging discussion in newspapers, popular magazines, agricultural journals, trade publications, and pamphlets.⁴¹

By 1912, the Republican, Democratic, and Progressive Parties, and their presidential candidates, had all endorsed parcel post; Socialists subsumed it among more radical proposals. Accordingly, at least twenty parcel post bills were introduced in the House during the second session of the Sixty-Second Congress and referred to the post office committee. John A. Moon, a Tennessee Democrat who typified Southern progressives, chaired the House committee. His Senate counterpart was Jonathan Bourne, Jr., an insurgent Republican from Oregon who had worked for parcel post since 1906. In conference committee, they worked out key elements of the final parcel post plan. Parcel post was only one provision in an omnibus postal appropriations bill, and because the session was drawing to a close, members of Congress had little time to explore the plan's implications during the floor debate. Most of the debate dealt with parliamentary maneuvers, the merits of appropriating express companies versus competing with them, and the fine points of parcel post zones and rates.⁴²

Legislative choices and their relation to the private sector. As the parcel post debate crested, Congress considered four options: (1) leave the parcel delivery business entirely to private-sector competition; (2) subject private carriers to stricter regulation by the Interstate Commerce Commission; (3) launch a public

⁴¹1910 *House Hearings; Parcels Post: Hearings Before Subcom. No. 4 of the House Com. on the Post Office and Post Roads*, 62d Cong., 1st Sess. (1911) [hereafter cited as 1911 *House Hearings*]; 1912 *Senate Hearings*. A bibliography suggesting the scope of the debate is Hermann Henry Bernard Meyer, comp., *Select List of References on Parcels Post* (Washington, D.C.: Government Printing Office, 1911).

⁴²For parties' platform statements, see Arthur M. Schlesinger, Jr., ed., *History of U.S. Political Parties* (New York: Chelsea House Publishers, 1973), 3:1845, 2488, and 2594. Key players and their philosophies are discussed in Anna M. Moon and Joe Phillips, *John A. Moon: Father of the Parcel Post* (N.p., 1941), chap. 11; Anne Firor Scott, "A Progressive Wind from the South, 1906-1913," *Journal of Southern History* 29 (Feb. 1963): 53-70; Albert H. Pike, "Jonathan Bourne, Jr., Progressive" (Ph.D. dissertation, Univ. of Oregon, 1957), 1-3, 190-96, 248-49. House discussion of parcel post can be found at 48 *Cong. Rec.* 5641-52, 11749-61, and appendix 107-109, 137-57, 156-57, 194-95, 254-55, 583-86, 669, 742-45, 918-20 (1912). Senate deliberations are at 48 *Cong. Rec.* 9448-65, 11673-77, and appendix 128-30, 254-55, 669-75 (1912).

service to compete with the private sector; and (4) invoke the Constitution's postal clause to establish an outright public monopoly.

Years of investigations and exposes had destroyed the credibility of railroads and express companies in fighting parcel post. Fearing a public backlash, the express companies remained largely in the background throughout the congressional debates. Therefore, fighting for the first option--leaving parcel delivery entirely in private hands--fell mainly to small-town businesses and allied interests. They feared that parcel post would divert patronage to mail-order merchandisers, further undermining the economic and social foundation of their communities. Small-town merchants and their suppliers lobbied directly and through their trade associations, which in turn pooled resources in the 300-member American League of Associations (ALA). One line of attack was to cast doubts on the financial viability of parcel post.⁴³

The ALA and allied groups, however, quickly moved beyond the practicality of parcel post to matters of political economy. Letters, petitions, pamphlets, articles, and testimony warned against government intrusions into the realm of private enterprise, either as a monopolist or as a competitor. At a minimum, parcel post overstepped the traditional bounds of government activity, transforming an information utility, the Post Office Department, into a transportation common carrier. At its worst, parcel post represented federal paternalism and even socialism. The ALA invoked John Stuart Mill on the dangers of extending government power and Adam Smith and David Ricardo on the correct principles of political economy. The widespread adoption of parcel post in other countries suggested how alien it was to American political economy, they argued.⁴⁴

The arguments in favor of parcel post applied "to the telegraph and telephone and would inevitably precipitate the Government into the control of other large public utilities," a wholesaler told Congress.⁴⁵ Invoking the slippery slope argument, so common in policy debates, was not mere hyperbole here. After all, many parcel post advocates had vowed to use parcel post as the first step toward

⁴³For details on the ALA, see 1912 *Senate Hearings* 541-88 (testimony of E. B. Moon of the ALA); on small-town merchants' opposition, see Kielbowicz, "Rural Ambivalence."

⁴⁴42 *Cong. Rec.* 2846 (March 3, 1908) (remarks of Rep. Smith of Calif.); 1912 *Senate Hearings* 541-88, esp. 543, 563, 572 (testimony of E. B. Moon of the ALA).

⁴⁵1912 *Senate Hearings* 461-75, quote at 467 (testimony of Harry B. French, president of Smith, Kline & French Co.).

placing functionally related communication and transportation facilities under postal control, just as had been done in many other countries. Recognizing the strong sentiment for parcel post, opponents instead urged stronger regulation. "Would it not be better for the Government to undertake to regulate and guide commercial enterprises rather than to try to own them?" asked a representative of the National Retail Hardware Association.⁴⁶

At the other extreme were proponents of the fourth option--a government monopoly over parcel delivery. Some believed that the postal clause provided sufficient basis to acquire the express companies and operate them under the Post Office Department.⁴⁷ Many viewed government acquisition of the express industry as a realistic goal considering the relatively small capital investment involved (express firms relied heavily on railroads' organization and equipment).⁴⁸ Postmaster General Frank H. Hitchcock gave Congress a pragmatic reason for a government parcel-delivery monopoly: without one, the expresses would skim off the lucrative business, leaving revenue-losing routes to the department.⁴⁹

The successful option--a government delivery service that competed with private firms--was crafted mainly by Senate post office committee chairman Jonathan Bourne. He had embraced parcel post as part of his 1906 campaign platform and, once on the post office committee, vigorously sought information from all quarters. He gathered details about the workings of foreign parcel posts and sought data from the ICC on the U.S. express industry. Behind the scenes, he coordinated his parcel post campaign with lobbyists and journalists; publicly, Bourne contributed articles to popular magazines and muckraking journals.⁵⁰

Bourne believed that public-private competition in the package delivery business would maximize service and minimize rates. The most likely outcome, he predicted, was "decreased cost to the public whenever the Government can operate

⁴⁶1911 *House Hearings* 290-97, quote at 293 (testimony of W. P. Bogardus).

⁴⁷For one such proposal, see 1911 *House Hearings* 246-65 (testimony of James L. Cowles for the Postal Progress League).

⁴⁸John Brisben Walker, "The Aid Which the Post-Office Department Might Render to Commerce," *Cosmopolitan* 36 (February 1904): third unnumbered page following p. 378; "The Enormous Profits of the Express Companies," *Mail Order Journal* 13 (December 1909): 30.

⁴⁹1912 *Senate Hearings* 191-241.

⁵⁰Memorandum from J.W. Slack, assistant to the Senate Post Office committee, to Bourne, Aug. 15, 1911, box 33, folder 10; drafts of speeches on parcel post, box 33, folder 7, Jonathan Bourne Papers, Univ. of Oregon Library; *Parcel Post in Foreign Countries* (1912) (committee print prepared under Bourne's direction).

as cheaply and efficiently as a private individual." Outright government ownership "tends toward paternalism and bureaucracy," Bourne argued, though he held it out as "a dernier resort, where regulation has been demonstrated to be a failure."⁵¹ Others who supported postal competition with private expresses invariably applauded its value in making "express companies come to a just price in sending articles."⁵² President William H. Taft endorsed parcel post even though Bourne headed the National Progressive Republican League, a group working to find another presidential candidate for the 1912 elections.⁵³

As passage of parcel post in some form appeared inevitable by late 1911, even the express companies grudgingly accepted the idea of public-private competition to head off government absorption of their business. The express companies calmly reassured stockholders that government competition would not unduly affect earnings. The most violent reaction came from small-town retailers and the industries that served them. Lashing out, small retailers threatened to disregard partisan loyalties and support anyone who stood against parcel post.⁵⁴

The decision: limited competition with the private sector. Several features of the parcel post law constrained the post office's ability to fully compete with the private sector. As passed, the law raised the fourth-class weight limit to 11 pounds, the International Postal Union's standard, and charged postage graduated according to distance. Furthermore, the law suggested that rates needed to be adjusted when necessary to cover costs. These three provisions--a strict weight limit, zoned postage, and rates tied to costs--constrained the POD's ability to compete with private carriers. Nonetheless, parcel post initially reached twenty million people outside the service areas of private express companies and early tests comparing the two showed that the government service generally was faster.⁵⁵

⁵¹Jonathan Bourne, Jr., *Parcels Post: Report Submitted to the Subcom. on Parcel Post of the Sen. Com. on Post Offices and Post Roads* (Washington, D.C.: Government Printing Office, 1912), 12. See also 1912 *Senate Hearings* 235 (remarks of Sen. Bourne).

⁵²R. W. Lynn, Agency, Iowa, to Sen. William B. Allison, Dec. 30, 1908, Senate Records, file S60A-J110.

⁵³John M. Stahl, Farmers National Congress, to Bourne, June 10, 1912, Box 28, file 1, Bourne Papers. Stahl's letter quotes President Taft: "You can count on my giving the bill every assistance in my power."

⁵⁴Bureau of Railway Economics, *A Study of the Proposed Parcel Post as Affecting the Railways* (Washington, D.C.: The Bureau, 1912); "A Parcel Post An Assured Fact," *Mail Order Journal* 15 (April 1912): 25; "The Fight Against the Parcels Post," *ibid.* 15 (December 1911): 22.

⁵⁵Fuller, *RFD*, 230; 1912 *Annual Report* 7-8.

Charging postage according to distance was the most notable element of the new mail service designed to keep the Post Office Department from gaining undue advantages over private carriers. By 1912, virtually all postal rates were flat--they did not increase with distance--in sharp contrast to the scaled rates common through the mid-nineteenth century.⁵⁶ Thus, creating nine rate zones (local plus eight out-of-town) represented a marked departure from the prevailing postal philosophy that favored flat rates to provide uniform service across the nation. In fact, farm interests strongly favored a flat parcel rate structure partly because it would punish private carriers with formidable government competition. Senator Bourne, however, stood fast for zoned postage as a means to put the government service on terms similar to those of private carriers.⁵⁷

The low weight limit--11 pounds--and relatively high rates for the near zones displeased farm interests that envisioned parcel post fostering farm-to-consumer trade. But the law provided a unique remedy: it empowered the postmaster general to modify weight limits, rates, and zones. The law authorized the postmaster general to make such changes "in order to promote the service to the public or to insure the receipt of revenue from such service adequate to pay the cost thereof."⁵⁸ In contrast, Congress had always set postage and the basic terms for every other mail class. Agrarian groups had insisted upon giving the postmaster general these powers.⁵⁹ But the postmaster general's discretion was not unchecked; the law further provided that the postmaster general seek the ICC's consent for adjustments in basic terms of the parcel service. Thus, the government's parcel delivery service was subject to scrutiny by the same body that regulated similar private services.

Implementation. Before leaving office, President Taft's postmaster general recommended that his successor cut rates and raise weights. He did. Woodrow Wilson appointed as postmaster general Albert S. Burleson, a member of Congress from Texas who, though conservative on social issues, subscribed to most of the

⁵⁶In 1912, the only rate distinction based on distance was found in the second class: in-county rates were lower than those for delivery out of county. See the tables in U.S. Post Office Department, *United States Domestic Postage Rates, 1789-1956* (Washington, D.C.: Government Printing Office, 1956), 21-36.

⁵⁷Fuller, *RFD*, 222-27.

⁵⁸Act of Aug. 24, 1912, 37 Stat. 558.

⁵⁹"Statement of Provisions Essential to a System of Parcel Post Adequate to Meet the Service Requirements of Producers and Consumers by the Farmers National Committee on Postal Reform, June 1, 1912," Senate Records, file S62A-F20.

old Populist agenda on government enterprise. Within a year, Burleson had cut rates for all zones, most sharply for the first two, and dramatically increased the weight limit. He also admitted books over four pounds to the mail as parcels, a goal long sought by the nation's librarians that Congress had just as long ignored. To stimulate use of parcel post, Burleson, acting under power given him by Congress, also authorized two accessory services. Collect-on-Delivery (COD) provided a measure of certainty in transactions between parcel mailers and recipients who usually did not know each other. Insurance on parcel shipments was also provided for a fee.⁶⁰

Parcel post, plus stepped-up ICC regulation, did affect the express companies. The securities of the four largest carriers--highly overvalued in the minds of many--dropped \$32 million one month after government entered the field. Within a year, the express companies stopped competing with parcel post in many small towns. When the government took over operation of the railroads during World War I, the express companies consolidated their operations in a unified service, the American Railway Express Co. The railroads reverted to private management in 1920, but the Railway Express Co. continued, becoming the Railway Express Agency in 1929.⁶¹

The highly touted farm-to-table food service never came close to realizing the potential envisioned by parcel post's backers. Shortly after parcel post started in 1913, the agriculture and post office departments began promoting food sales by mail. A modest farm-to-city food service, involving mainly eggs, butter, cheese, and fruits, did grow out of parcel post but withered after World War I, except in

⁶⁰Adrian N. Anderson, "Albert Sidney Burleson: A Southern Politician in the Progressive Era" (Ph.D. dissertation, Texas Tech, 1967), 166-77; Jane Kennedy, "United States Postal Rates, 1845-1951" (Ph.D. dissertation, Columbia Univ., 1955), 75-77; Post Office Department, *Domestic Postage Rates*, 16; Daniel C. Roper, "Fundamental Principles of Parcel-Post Administration," *Journal of Political Economy* 22 (June 1914): 526-35.

⁶¹See editorial from the *Syracuse Post-Standard*, Feb. 8, 1913, attached to letter from Bourne to the paper's editor, Feb. 10, 1913, Box 28, file 1, Bourne Papers; Alden Hatch, *American Express: A Century of Service* (Garden City, N.Y.: Doubleday & Co., 1950), 130; Anderson, "Albert Sidney Burleson," 175; T. W. van Metre, *Transportation in the United States* (Chicago: Foundation Press, 1939), 166-67.

the citrus industry.⁶² Within a few years the catalogue houses were the dominant parcel post mailers.⁶³

Continued competition and congressional scrutiny. The postmasters general exercised their discretion to raise rates and modify zones several times between 1913 and 1930; in each case, the ICC consented in unreported decisions.⁶⁴ Some members of Congress apparently believed that the ICC consented too causally. Language in the 1912 law, "subject to the consent of the Interstate Commerce Commission after investigation," was replaced in 1916 with "the proposed change shall be approved by the Interstate Commerce Commission after thorough and independent consideration in such manner as it may determine." Postmaster General Burleson complained that additional ICC supervision "will greatly retard the improvement in the service, as well as interfere with its businesslike administration." Congress restored the original language in 1925.⁶⁵

Many of the postmaster generals' adjustments in weight, rates, and zones were designed to make the parcel post more competitive with private parcel delivery. At least one change in the fourth class--admitting larger catalogues--aimed at improving overall department business, especially first class mail. In 1939 the postmaster general created a subclass for larger catalogues. Effective July 1, individually addressed catalogues consisting of 24 or more pages and weighing less than 10 pounds passed at about half the regular zone rates.⁶⁶ In seeking the Interstate Commerce Commission's consent, the postmaster general stated that increasing numbers of catalogues were being diverted from the mail to private channels. The department predicted that the new subclass would recapture this business, "lower the unit cost of handling, and increase the demand for other post office services."⁶⁷ More catalogues in circulation, the post office believed,

⁶²See, e.g., Lewis B. Flohr, "Shipping Eggs by Parcel Post," *U.S. Department of Agriculture Farmers' Bulletin No. 594* (Washington, D.C.: Government Printing Office, 1914); Grover C. Tarman and Lawrence Leer, *The Producer's Marketing Guide: The Connecting Link Between Producer and Consumer* (New Paris, Ind.: By Auther, 1915); Hamilton H. West, *Parcel Post Profit from Farm Produce* (Rockford, Ill.: Producer's Marketing Guide, 1915); St. Louis Post Office, *United States Parcel Post Produce List: The Farm to Table Plan* (St. Louis, 1917).

⁶³Sen. Doc. No. 944, 63 Cong., 3d sess. 5-7 (1915).

⁶⁴Interstate Commerce Acts Annotated 3194 (1930).

⁶⁵*Ibid.* 3193; 1916 *Annual Report* 17.

⁶⁶Postmaster General Order No. 13098, June 29, 1939.

⁶⁷"New Postal Rates for Catalogs," *Publishers' Weekly* 136 (July 8, 1939): 106.

would generate demand for first-class mail, money orders, and parcel post shipments.⁶⁸

Congress did not retire entirely from the business of setting rates on parcel post. It sporadically adjusted postage on parcel post in some omnibus postal bills. In fact, the postmaster general and Congress seemingly alternated in adjusting parcel post rates--Congress in 1928, the postmaster general in 1932, Congress in 1948, and the postmaster general in 1951 and 1953.⁶⁹ Indeed, Congress forced the postmaster general's hand in the steep 1951 rate increase. Congress had underscored its displeasure with below-cost parcel post rates in 1950 by requiring the postmaster general to "certify in writing" that he had sought consent from the ICC to raise parcel rates enough to pay for the service. Until the postmaster general provided such certification, the department was barred from drawing Treasury funds appropriated for the fiscal year.⁷⁰

In the early 1950s, Congress reduced parcel size and weight limits partly at the request of private carriers, especially the Railway Express Agency. The sponsor of a successful 1951 bill asserted that parcel post was damaging Railway Express. Mail-order houses, in contrast, generally preferred to keep or increase the weight limits. Nonetheless, Congress cut the 70-pound weight limit to 40 pounds in the first and second zones and to 20 pounds in the third to eighth zones when parcels were delivered at first-class post offices. In a concession to rural patrons, the 70-pound weight limit was retained for smaller offices and mailings to and from rural and star routes.⁷¹ (See Chapter 6 for a discussion about parcel post in the 1960s.)

⁶⁸1939 *Annual Report* 54.

⁶⁹Act of May 29, 1928; Postmaster General Order No. 2388, April 7, 1932; Act of July 3, 1948; Postmaster General Order No. 46380, June 1, 1951; Postmaster General Order No. 55214, June 19, 1953 in Post Office Department, *Domestic Postage Rates*, 79, 83, 98, 102, 105.

⁷⁰Act of Sept. 27, 1950, 64 Stat. 1050.

⁷¹*Readjustment of Size and Weight Limitations on Fourth Class (Parcel Post Mail): Hearings Before the House Com. on Post Office and Post Roads*, 82d Cong., 1st sess. (1951); Act of Oct. 24, 1951, 65 Stat. 610.

Patron Mail Experiment

With a seemingly innocuous change in rules, the post office in 1953 launched the patron mail experiment and ignited a controversy about the merits of so-called junk mail. "It was instituted with the avowed purpose of reducing the huge loss in handling third-class mail and of providing additional service," Postmaster General Arthur E. Summerfield explained when he terminated the experiment.⁷² The department believed that patron mail, which allowed locally delivered third-class mail to omit names and addresses, would stimulate mailings and reduce sorting costs. Carriers simply would leave one of the identical pieces at each address.⁷³ Under the experiment launched August 21, 1953, advertisers delivered to their local post office enough mail bundled for each carrier's route covering the targeted areas selected by local retailers to reach prospective customers. Small businesses welcomed patron mail because it eliminated the costly task of maintaining and updating mailing lists and provided concentrated coverage not possible with most newspapers.⁷⁴

Simplified address systems had seen limited and noncontroversial use since 1924. Before 1953, third-class mail could be addressed simply "Rural or Star-route box holder," "Post Office box holder," or "Postal patron" in towns without carrier service. The local post office noted how many pieces were needed to cover a rural route or boxes and the mailers supplied the correct number. No names or addresses were needed for this saturation mail, making it attractive to advertisers striving to reach every potential customer in a community. Until 1953, this simplified address system applied only to post offices without village or carrier service, about 32 percent of the population. The advent of patron mail in 1953 allowed advertisers to reach almost all of the remainder using only a simplified address.⁷⁵

Newspapers recognized patron mail as a threat to their position as the principal purveyors of local retail advertising. Locally produced direct mail was a nearly perfect substitute for newspaper ads. After World War II, newspapers

⁷²"Junk Mail to End," *Editor and Publisher* 88 (Jan. 1, 1955): 7-8.

⁷³*The Postal Bulletin* 74 (Aug. 25, 1953): 1-2; "Ground Rules for New, Simplified Addressing," *Reporter of Direct Mail Advertising* 16 (September 1953): 70-72.

⁷⁴*Ibid.*

⁷⁵1924 *Postal Laws & Regulations* 189, 225; 1948 *Postal Laws & Regulations* 262-63; Virgil E. Harder, "History of Direct Mail Advertising" (Ph.D. dissertation, Univ. of Illinois, 1958), 156.

watched with alarm as direct mail (national and local) attained a rough parity with other forms of advertising. In 1947, \$579 million was spent on direct mail, growing to \$1.42 billion ten years later. The American Newspaper Publishers Association warned its members that some retailers were switching from newspapers to patron mail. To make matters worse, patron mail was inaugurated at a time when newspapers saw their advertising revenues threatened from another quarter--television. Newspapers could do little to curb the burgeoning television industry. But direct mail was another matter.⁷⁶

Newspapers retaliated by attacking "junk mail," a term that they wielded regularly for the first time. The anti-junk mail campaign asserted that patron mail unduly burdened postal carriers, delayed letter deliveries, paid postage that was too low in relation to letter rates, and bothered households with unsolicited material. The direct mail advertisers offered concrete responses to the first two charges: federal law limited carriers' bags to a maximum of 35 pounds and postal regulations gave letters priority in processing. But disputes about the cost of patron mail, especially in comparison to the postage paid by newspapers and magazines, continued endlessly. Perhaps most elusive was the value--to senders, recipients, and the economy--of third-class advertising mail. Was junk mail indeed junk?⁷⁷

When Postmaster General Summerfield discontinued the patron mail experiment on March 31, 1955, the direct-mail industry blamed newspapers and magazines for pressuring the post office to kill it. As the newspaper campaign against direct mail crested, the postmaster general was developing a bill to raise postage rates. Killing the patron mail experiment may have been a gambit to curry favor with publishers and with Congress. Patron mail's opponents pronounced the experiment a failure, though direct mail advertisers insisted that no evaluation had established its impact on postal finances.⁷⁸

⁷⁶Harder, "History of Direct Mail," 137; "Mur-Durr!!," *Reporter of Direct Mail Advertising* 17 (October 1954): 41-45.

⁷⁷"Deluge of 'Junk Mail' Angers Taxpayers'," *Pittsburgh Press*, Oct. 21, 1954, p. 21; "The War Is On," *Reporter of Direct Mail Advertising* 17 (December 1954): 17-20; "H.R. 2988," *ibid.*, 23-28; "MUR-DURR," 41-45; Harder, "Direct Mail Advertising," 160-65.

⁷⁸Post Office Department press release no. 3242, Dec. 30, 1954 (U.S. Postal Service Library, Washington, D.C.); *New York Times*, Dec. 27, 1954, p. 28; *ibid.*, Dec. 31, 1954, p. 1; "The December 30th Story," *Reporter of Direct Mail Advertising* 17 (January 1955): 14-16; "H.R. 2988," 23-28. For remarks of one congressman who decried patron mail, see 100 *Cong. Rec.* 2147 (1954) (statement of Rep. Jones).

4. Postal Savings Banks

Although Progressive reformers were not successful in establishing a permanent postal telegraph, they were able to persuade Congress to enact legislation in 1910 creating a savings bank within the Post Office Department. The congressional action expanded the department's responsibilities into the business of financial savings, leading one postal official thirty years later to declare that the Postal Savings Division of the U.S. Post Office had become America's largest bank.¹ This section discusses the reasons for establishing the postal savings system, describes the congressionally imposed limitations intended to prevent the department from competing directly with private financial institutions, and explains why Congress discontinued the system in 1966.

Origins

As early as 1861, a patron of the Pittsburgh, Penn., post office urged the local postmaster to establish a bank where citizens could safely deposit money without fear of losing their savings.² It wasn't until the Panic of 1873, which brought the collapse of three leading securities firms and a 10-day closure of the New York stock exchange, did Postmaster General John Creswell recommend such a savings system as a way to reassure Americans. "The events of the past few weeks have awakened a lively interest in a plan . . . for securing the savings of the

¹Daniel C. Roper, *Fifty Years of Public Life* (Durham: Duke Univ. Press, 1941), 130. First Assistant Postmaster General Roper wrote: "I was startled at the outset to learn that by whatever comparison, number of employees, scope and complexity of operations, or volume of business handled, the United States Postal Service was the 'biggest business' in the world. The Postal Savings Division was America's largest bank."

²Clyde Kelly, *United States Postal Policy* (New York: D. Appleton and Company, 1932), 177.

great body of the people by a pledge of the credit and faith of the United States," Creswell asserted in his 1873 annual report.³ Creswell, however, resigned the next year and his replacement, Connecticut businessman Marshall Jewell, immediately abandoned Creswell's proposal to establish a postal savings system. In his 1874 annual report, Jewell stated "that the time has come when a resolute effort should be made to determine how far the Post Office Department can properly go in its efforts to accommodate the public, without trespassing unwarrantably upon the sphere of private enterprise."⁴

Nevertheless, the idea of savings banks, housed in the Post Office Department, continued to gain popular support and by 1882 the new postmaster general urged Congress to authorize the department to establish such an operation.⁵ Many Populists saw a savings system as a logical extension of the Post Office Department's civic responsibilities. Postal banks, they asserted, would encourage thrift among immigrants, the working class and rural inhabitants and would promote economic stability by bringing unused money into the economy to stimulate business and by helping to stop the flow of U.S. dollars to other countries. The banks would also protect vulnerable people against "swindlers, unsafe deposits and unwise investments, and at the same time increase the investors' loyalty to the government by giving them a stake in a stable economy."⁶ And, proponents opined, postal savings banks would require "no new organ of government."⁷ In fact, one advocate argued:

The post-office, of all institutions, seems to be the best adapted to carry the influence of the savings banks to every fireside. The most pervasive, the best understood, and the most familiar institution of any civilized country is the post-office. And

³1873 *Annual Report of the Postmaster General* xxxii-xliii as cited in Carl H. Scheele, *A Short History of the Mail Service* (Washington, D.C.: Smithsonian Institution Press, 1970), 99.

⁴1874 *Annual Report* 28 as cited in Scheele, *A Short History of the Mail Service*, 99.

⁵Postmaster General Howe saw the postal savings bank "as a place near at hand, where a dollar may be deposited and may be secure against the temptations of the burglar, the thief and the saloonkeeper." Cited in Kelly, *United States Postal Policy*, 178.

⁶Wayne E. Fuller, *The American Mind: Enlarger of the Common Life* (Chicago: The University of Chicago Press, 1972), 178-180, quote at 179.

⁷James Henry Hamilton, *Savings and Savings Institutions* (New York: The Macmillan Company, 1902), 306. Hamilton was a professor of sociology at Syracuse University. See also Hamilton's "The Relation of Postal Savings Banks to Commercial Banks," *Annals of American Academy of Political and Social Science* 11 (January 1898): 44-53.

likewise in every rural community the most widely known individual is the postmaster, and in every urban community the most familiar individual is the letter carrier. . . . Thus, he is peculiarly qualified to serve the savings bank, which requires not only facilities but missionaries.⁸

Furthermore, proponents asserted that postal savings banks would not compete against regular banks because people interested in depositing money in postal banks would not be the same people investing in private institutions. One postal study, for example, reported that many Americans, especially in the South and the West, lived hundreds of miles from private savings banks.⁹

Opponents, on the other hand, argued that a postal savings system would indeed intrude upon private enterprise and would most likely be "mismanaged, inefficient and costly, and [would] serve the public less well than privately managed businesses."¹⁰ Bankers, in particular, aggressively--and successfully for many years--lobbied against federal legislation to enact such a system.¹¹ They worried that their customers would close their banking accounts and redeposit the money in government-protected postal accounts.¹²

The late 1800s and early 1900s brought renewed political interest in the Populist and Progressive agendas, including the establishment of postal savings banks.¹³ During this time period, many foreign countries, including the United

⁸Hamilton, *Savings and Savings Institutions*, 300-301.

⁹Edwin W. Kemmerer, *Postal Savings: An Historical and Critical Study of the Postal Savings Bank System of the United States* (Princeton: Princeton Univ. Press, 1917), 10-13. See also Arthur Summerfield and Charles Hund, *U.S. Mail: The Story of the United States Postal Service* (New York: Holt, Rinehart and Winston, 1960), 90.

¹⁰Fuller, *The American Mind*, 179. See also Edwin W. Kemmerer, "The United States Postal Savings Bank," *Political Science Quarterly* 26:3 (1911): 465.

¹¹Between 1873 and 1910, congressional members, mostly from the South and from states west of the Mississippi, introduced eighty bills to establish postal savings banks and most of the legislation died without debate. Kemmerer, *Postal Savings*, 1; Kemmerer, "The United States Postal Savings Bank," 462; Gerald Cullinan, *The Post Office Department* (New York: Frederick A. Praeger, 1968), 197.

¹²Kemmerer, *Postal Savings*, 12.

¹³Fuller, *The American Mind*, 183; see also Library of Congress, *List of Books with References to Periodicals relating to Postal Savings Banks*, compiled under the direction of Appleton Prentiss Clark Griffin (Washington, D.C.: Government Printing Office, 1908).

Kingdom and Canada, established successful postal savings systems.¹⁴ At the request of Congress, the National Monetary Commission instructed U.S. consuls serving around the world to investigate postal savings banks in their respective countries.¹⁵ The Postmaster General also sent a postal expert to Canada to determine why the Canadian system worked so well.¹⁶

It took, however, the 1907 banking panic with the accompanying collapse of numerous banks to provide the impetus for the enactment of the 1910 postal savings law. President Theodore Roosevelt and Postmaster General George von L. Meyer urged Congress to authorize a postal savings system to help restore Americans' faith in the virtue and security of systematic savings. The major political parties endorsed the idea in their party platforms¹⁷ and, when President William H. Taft assumed the presidency in 1909, he made postal savings banks one of his top legislative priorities. Postmaster General Frank H. Hitchcock summarized the reasons for enacting such a service:

¹⁴Germany was the only other industrial country without a postal savings system, and it had established municipal savings banks. Patricia Hagan Kuwayama, "Postal Banking in the United States and Japan: A Comparative Analysis." In *IMES Discussion Paper Series* (Tokyo: Institute for Monetary and Economic Studies, Bank of Japan, June 1999), 5. For the language of the United Kingdom's 1881 establishing act, see the *Annual Report of the Secretary of the Treasury of the State of the Finances for the Year 1897* (Washington, D.C.: Government Printing Office, 1897), 362-363. See also Edward T. Heyn, "Postal Savings Banks," *Annals of American Academy of Political and Social Science* 8 (November 1896): 464; and Kelly, *United States Postal Policy*, 177.

¹⁵National Monetary Commission, *Notes on the Postal Savings-Bank Systems of the Leading Countries*, Sen. Document No. 658, 61st Cong. 3d sess. (Washington, D.C.: Government Printing Office, 1910), 59-128.

¹⁶"Postal Service Extension: What Postal Savings Banks and a Cheap and Efficient Parcel Post Would Mean to the Farmer and Wage-Earner: By the Editor," *Craftsman* 14 (September 1908): 587-94.

¹⁷The Republican 1908 platform supported "the establishment of a postal savings bank system for the convenience of the people and the encouragement of thrift." The Democratic platform favored guaranty of bank deposits and "a postal savings bank if the guaranteed bank cannot be secured, and that it be constituted so as to keep the deposited money in the communities where it is established." The Prohibition Party platform advocated "the establishment of postal savings banks and the guaranty of deposits in banks"; the Populist platform demanded "that postal savings banks be instituted for the savings of the people"; and the Independence League platform stated "government postal savings banks should be established where the people's deposits will be secure, the money to be loaned to the people in the locality of the several banks at a rate of interest to be fixed by the Government." Kemmerer, *Postal Savings*, 4-5; Kemmerer, "The United States Postal Bank," 464.

The establishment of postal savings banks is earnestly recommended. It is believed that they would prove here, as they have elsewhere, an inestimable benefit not only to those who directly use them, but also to the general business community, including the banking interests. . .

Our private savings banks neither are nor can be sufficiently numerous and accessible to meet this growing need . . . [In 1909 there was one bank for every 270 square miles in the United States compared with one post office for every 50 square miles.¹⁸] The occasional failure of a bank is sufficient to transform . . . natural caution into a kind of distrust that restrains . . . people from depositing at any time in a bank On the other hand, all classes have unshakable confidence in the Government and its guaranty. A system of postal savings banks representing the national credit would constitute a conservative and reassuring influence in the financial and business affairs of the country. . . .¹⁹

Despite Hitchcock's reassuring words, banking interests continued aggressively to oppose any legislation that would establish, from their perspective, a competing financial institution within the government.²⁰ According to Senator Albert Cummins (R-Iowa), "The banks of the United States are opposed unanimously to the institution of a postal savings system. . . . I venture the assertion that during the nearly two years that I have been a member of this body . . . I have received the protest of nearly every bank in my State against any such scheme, and those protests have usually been accompanied by a very large number of petitions, secured, I have no doubt, through the industry and energy of the bank officers."²¹ During House Post Office Committee's hearings, the American Banking Association representative summarized the industry's concerns: "We hold that the postal savings bank could add an unnecessary burden on the Federal

¹⁸Kelly, *United States Postal Policy*, 179.

¹⁹1909 *Annual Report* 17-19.

²⁰The American Bankers Association approved the following resolution in 1908: "Resolved, that it is the sense of this association that we should condemn in unqualified terms the proposition for the establishment of postal savings banks or any other system by which the government enters directly into banking relations with the people." Cited in Kemmerer, *Postal Savings*, 15.

²¹*Cong. Rec.*, 61st Cong., 2d sess. 8535 (June 20, 1910).

Government, that there is not the need or demand for it that many people think, and that its establishment would derange the present developing banking system of the country and inconvenience the multitudes as compared to a few who might be served."²² Advocates for postal savings countered that the banks had nothing to fear because they already had the advantages of an established clientele, and the ability to set higher interest rates and higher limits for deposits.²³

Acknowledging the banking industry's concerns, policymakers constructed the legislation in such a way as not to compete directly with private banks. Specifically, they set the interest rate payable to depositors at 2 percent, half of what private banks could offer under the Bowery Savings Bank Act.²⁴ This was the lowest interest rate of any postal savings system in the world, even though the American private banks at the time were paying the highest interest rates on deposits.²⁵ They also set the maximum account balance at \$500,²⁶ and specified that the money the local postal bank collected from depositors should be redeposited in solvent local banks, if available.²⁷ Although the American Bankers Association committed one million dollars to halt the legislation, it finally conceded that the creation of voluntary postal savings banks was inevitable and

²²U.S. Congress, Hearings Before House Subcommittee No. 2 on Committee on Post Office and Post Roads (Feb. 25, 1909), 113 as cited in Jean Reith Schroedel and Bruce Snyder, "People's Banking: The Promise Betrayed?," *Studies in American Political Development* 8 (Spring 1994): 187-188.

²³Kemmerer, *Postal Savings*, 15. "Petitions Supporting Postal Savings," Records of the U.S. Senate, Record Group 46, file Sen. 56A-J31.3, National Archives.

²⁴Act of June 25, 1910, 36 Stat. 816; 39 U.S.C. 757. In 1916, the postmaster general wanted to recommend a "slight increase in the rate of interest paid to depositors" but waited until 1920 to do so. Congress declined to act on his recommendation. 1920 *Annual Report* 111.

²⁵On average, the private banks were paying 3 1/2 percent in interest. Washington Bankers Association, *The Postal Savings System of the United States*, No. 4 rev., Fourth of a Series of Studies made under Direction of the Research Committee of the Washington Bankers Association (1937), 4. See also Kemmerer, "United States Postal Savings Bank," 485.

²⁶Upon the postmaster general's recommendation, Congress increased the maximum balance to \$2,000 in 1916 with only the first \$1,000 getting 2 percent interest and again in 1918 to \$2,500 with all the funds earning interest. 1915 *Annual Report* 30-31; 1916 *Annual Report* 28; 1918 *Annual Report* 38-39. See also Washington Bankers Association, *The Postal Savings System of the United States*, 3-4.

²⁷Act of June 25, 1910, 36 Stat. 814-819, 39 U.S.C. 751.

certainly preferable than legislative action to guarantee bank deposits, another proposed remedy stemming from the Panic of 1907.²⁸

Administration

Effective Jan. 1, 1911, the postal savings system "was established as an experiment in a new field of public benefits."²⁹ To administer the program, Congress appointed a three-member board of trustees, consisting of the postmaster general, the secretary of the Department of Treasury and the attorney general, and appropriated \$100,000 for the first year's operating funds. Given the limited funding, the board decided to select one post office in each state and territory to receive deposits on a trial basis in 1911.³⁰

Although Congress designed the board to represent administrative, financial and legal interests and gave it wide discretionary powers, it soon determined that the board's administrative structure was flawed. It was simply too difficult for the three members to meet on a regular basis to set policy and procedures. Consequently, Congress amended the law in 1911, giving the postmaster general the sole authority to designate postal savings depositories and to make rules for deposits and withdrawals. Investments and the control of deposits, however, continued to be entrusted to the board.³¹ In 1913, the postmaster general issued an administrative order, creating the Division of Postal Savings and placing it under the Bureau of the Third Assistant Postmaster General.³²

In keeping with congressional intent, the Post Office Department at first actively targeted the immigrant community to encourage participation in the postal savings program. The department issued circulars in 23 languages and provided special assistance for non-English speaking users. By 1915, 58.7 percent of the

²⁸Schroedel and Synder, "People's Banking," 187; Kemmerer, *Postal Savings*, 3-4.

²⁹Kelly, *United States Postal Policy*, 182.

³⁰1910 *Annual Report* 9-10.

³¹Edwin W. Kemmerer, "Six Years of Postal Savings in the United States," *American Economic Review* 7 (March 1917): 46-90.

³²1913 *Annual Report* 26-28; see also Kelly, *United States Postal Policy*, 180; Kemmerer, "Six Years of Postal Savings in the United States," 47.

depositors were born outside of the United States and 71.8 percent of the total deposits were from immigrants.³³

The postal savings system flourished in the 1930s and 1940s, reaching its peak in 1947 with 4,196,517 depositors and a balance of \$3,392,773,461.³⁴ As the Depression brought interest rates plummeting in the private sphere, the postal savings banks' interest rate of 2 percent became more competitive. An American Bankers Association survey, conducted in the mid-1930s, concluded "that the Postal Savings System is now a significant competitor to the Banking System in the savings deposit field."³⁵ Postal savings banks were no longer serving primarily citizens without convenient access to local banks; indeed, 78.6 percent of them were operating in communities with local financial institutions, the association contended.³⁶ They also were not redepositing investors' money in the local banks as Congress originally intended. And they were no longer necessary as a safe haven for conservative, bank-wary investors because most private banks were now members of the Federal Deposit Insurance Corporation, which insured most deposits.³⁷ For all of these reasons, the American Banking Association urged Congress to amend the program "to bring the administration of the System again within the purpose governing its establishment, namely, to furnish supplementary and non-competitive savings facilities."³⁸

The board of trustees overseeing the postal savings system recognized that the 2 percent interest rate offered by postal savings banks was indeed higher than what banks in some states were offering their customers. Consequently, the board

³³1915 *Annual Report* 30. The department, however, stopped advertising in later years because of concerns over competing with private banks. Kuwayama, "Postal Banking in the United States and Japan: A Comparative Analysis," 10.

³⁴House Rept. No. 1065, *Cong. Rec.*, 89th Cong., 2d sess. 5595 (March 14, 1966).

³⁵American Bankers Association, *The Postal Savings System of the United States*, 8. See also Maureen O'Hara and David Easley, "The Postal Savings System in the Depression," *Journal of Economic History* 39:3 (September 1979): 745; and Cullinan, *The Post Office Department*, 198.

³⁶American Bankers Association, *The Postal Savings System of the United States*, 5-8.

³⁷*Ibid.*, 7.

³⁸*Ibid.*, 3.

lowered the postal banks' interest rate in New Jersey and Mississippi to 1 percent in 1939 and in 1945 respectively.³⁹

This action, however, did not curb criticism of the postal savings system. As early as 1949, the Commission on Organization of the Executive Branch of the Government (the Hoover Report) questioned whether the system's original aims were still applicable in the current financial environment. Three years later, a General Accounting Office audit raised similar concerns, and legislation was introduced to abolish postal savings banks.⁴⁰

In the meantime, postal savings banks--limited by law to a 2-percent interest rate--were no longer attracting serious investors because private financial institutions had markedly raised their interest rates after World War II. Instead, the system was often used for trivial purposes, a 1953 investigation showed. At some East Coast beaches, for example, people who didn't want to rent a locker would deposit their cash in a postal savings bank, go swimming for a few hours and then withdraw their deposits. Likewise, race track gamblers would deposit enough money in a local post office to pay their fare home after a day of betting.⁴¹

Postal administrators agreed with the almost universal assessment that postal savings banks had served their original intent and were no longer needed. With the support of the Post Office Department, Congress voted to discontinue the banks in 1966.⁴² Even at the point of dissolution, however, members of Congress reiterated, "The Postal Savings System was not designed to compete with private enterprise, and it has not done so."⁴³ Established as a "safe and convenient

³⁹In New Jersey, the rate was increased to 1 1/2 percent in 1946 and restored to 2 percent in 1947. In Mississippi, it was increased to 1 1/2 percent in 1954. *United States Domestic Postage Rates: 1789 to 1956* (Washington, D.C.: Post Office Department), 15; 1948 *Postal Laws and Regulations* 560.

⁴⁰Ronald Moe, *Hoover Commissions Revisited* (Boulder, Colo.: Westview Press, 1982), 51; Kuwayama, "Postal Banking in the United States and Japan: A Comparative Analysis," 27.

⁴¹House Rept. No. 1065, *Cong. Rec.*, 89th Cong., 2d sess. 5595 (March 14, 1966); Cullinan, *The Post Office Department*, 198.

⁴²Public Law 89-374, *Cong. Rec.*, 89th Cong., 2d sess. 5595 (March 14, 1966). Unclaimed savings were turned over to the Department of Treasury. Cullinan, *The Post Office Department*, 199.

⁴³House Rept. 1065 in *ibid.*

savings depository," the postal savings system had simply "outlived its usefulness," the Post Office Department concluded.⁴⁴

⁴⁴1966 *Annual Report* ix.

5. Postal Telegraph and Telephone

Except for the United States, virtually every nation regarded the telegraph and telephone as natural extensions of the state's mail monopoly and operated them under a postal ministry.¹ The U.S. Constitution did not foreordain telecommunication's development as a private-sector function. To the contrary, the Constitution's postal clause left the principal information-transmitting institution in government hands.² Why, then, did the Post Office Department fail to secure its most far-reaching expansion of service--into telecommunication?

Part of the answer, of course, may stem from the reservations Americans supposedly harbor about government ownership of industries or commercial services. Students of comparative public policy customarily point to historical experiences and philosophical predilections to explain these reservations: the Revolution's legacy of opposition to state authority; the division of power between lawmaking and administrative institutions; the federal structure of U.S. government; an individualism nurtured by the frontier experience; the early inroads

¹Volker Schneider, "Telecommunications and the State: A Historical and Comparative Perspective," *Trends in Communication* (no. 3, 1997): 7-33. Of course, for two or more decades the trend has been toward privatizing formerly public telecommunication services. See Raymond M. Duch, *Privatizing the Economy: Telecommunications Policy in Comparative Perspective* (Ann Arbor: Univ. of Michigan Press, 1991).

²Ithiel de Sola Pool, *Technologies of Freedom* (Cambridge: Harvard University Press, 1983) has discussed the disjunction between the communication policies governing the postal system and those applied to telecommunication. The best, albeit dated, study of the postal clause is Lindsay Rogers, *The Postal Power of Congress: A Study in Constitutional Expansion* (Baltimore: Johns Hopkins Univ. Press, 1916).

of laissez-faire economics; and suspicion of an eastern-governing elite by the rest of an expansive nation.³

Indeed, opponents of postal--i.e., government--telecommunication constructed their brief from these and related principles. Tenets of American political economy, however, remained far from settled during the wide-ranging public debate over a postal telegraph and telephone that lasted from the 1830s to 1920. Thus this debate, which tested the boundaries of postal enterprise, figured centrally in the process of contesting, refining, and validating principles about the role of the state, especially federal bureaucracies. In short, this debate did not apply established rules of political economy to proposals for a postal telegraph and telephone--it helped create the rules.

The Post Office Launches--and Relinquishes--the Telegraph

Most people associated with the first American telegraph line, built with federal funds, viewed it as a natural extension of the state's postal power. The Secretary of the Treasury's 1837 call for proposals to establish a telegraph system assumed that it "might most properly be made appurtenant to the Post Office." When Samuel F. B. Morse submitted his plan, he similarly compared a telegraph network to the "mail system." Congress, however, declined to fund a line in 1837-38 and Morse turned to Europe for the government subvention he needed to demonstrate his invention. Travels abroad failed to yield the state funding he sought, but it did give Morse a sense of the different institutional settings in which telecommunication could evolve.⁴

Congress reconsidered plans to establish a telegraph network and in March 1843 awarded Morse \$30,000 to build a demonstration line between Washington and Baltimore. With the 1844 message "What hath God wrought!," Morse signaled the birth of telecommunications in the United States. Sensing the power

³See Byron E. Shafer, *Is America Different? A New Look at American Exceptionalism* (Oxford: Clarendon Press of Oxford Univ. Press, 1991), especially chapters by Seymour Martin Lipset, "American Exceptionalism Reaffirmed," and Richard Rose, "Is American Public Policy Exceptional?"

⁴House Doc. 15, 25th Cong., 2d sess. quote at 1 (1837). A good descriptive overview of the establishment and early operation of the telegraph can be found in Robert L. Thompson, *Wiring A Continent: The History of the Telegraph Industry in the United States, 1832-1866* (Princeton: Princeton Univ. Press, 1947): 1-34.

of the new technology, and perhaps influenced by his discussions with European officials, Morse favored telegraphy controlled by the government, possibly with some regulated private competition. The founder of American telecommunication had more reservations about abuses of his technology in the hands of the private sector than by government administrators.⁵

Morse initially operated his Washington-to-Baltimore telegraph under the supervision of the treasury department until Congress shifted control to the post office. Congress asked Postmaster General Cave Johnson to recommend whether the government should retain the line or turn it over to Morse. Johnson conceded that the line had not proved a financial success and yet telegraphy in private hands, he feared, could become a formidable competitor for the postal system; the department "must necessarily be superceded in much of its most important business in a few years, if the telegraph be permitted to remain under the control of individuals." The post office thus recognized at this early date that telecommunication could substitute for letters. Johnson recommended in 1845 and 1846 that Congress retain and extend the network of wired communication. Congress declined and the line was sold to a the Magnetic Telegraph Co. in 1847.⁶

The congressional decision did not turn on the constitutionality of a government telegraph. An 1845 report from the House Ways and Means Committee concluded that the postal clause furnished sufficient authority. The committee further noted that it would be a "manifest dereliction" to allow the post office to "lag behind the improvements of the age." The post office should adopt any "newly discovered agency or contrivance possessing decided advantage of celerity over previously used methods." To let the telegraph develop solely in private hands would mean that the "post office, in its transportation of all correspondence and news, would lag not hours, but days, behind the transmission of the same things through another medium. . . ." And with this medium in private hands, private interests could capitalize on their access to information before it became available through public channels.⁷

⁵Richard R. John, Jr., "A Failure of Vision? The Jacksonians, the Post Office, and the Telegraph, 1844-1847" (unpublished paper presented at the 1986 meeting of the Society for Historians of Technology, Pittsburgh).

⁶Sen. Doc. 1, 29th Cong., 1st sess. quote at 861 (1845); Sen. Doc. 1, 29th Cong, 2d sess. 689 (1846); Thompson, *Wiring A Continent*, 56.

⁷House Rep. No. 187, 28th Cong., 2d sess. quotes at 3 and 5 (1845).

The decision to remove the post office from telegraphy stemmed mostly from circumstances of the moment rather than fundamental objections to the principle. Mounting post office deficits at the time made the addition of a new service financially risky. The poor financial showing--\$400 in revenue for \$4,000 in operating expenses between April and October 1845--was largely a result of the demonstration line's short reach. The Washington-to-Baltimore line needed connections to Philadelphia or preferably New York City to prove its financial viability. When the Senate considered continuation of the postal telegraph, most of the opposition stemmed from a failure to appreciate that a longer line would attract sufficient patronage from businesses and the public. Behind-the-scenes bickering by Morse and his partners, including a member of Congress, also undermined support for expansion of the first government telegraph.⁸

From Competition to Monopoly and Renewed Government Interest

With telegraphy in private hands, competition between the Morse interests and rival lines fueled wildcat growth. The small, poorly capitalized local and regional telegraph companies, however, frustrated the technology's potential to provide uninterrupted long-distance communication. Telegraphy's principal customers, businesses of all kinds, complained about wasteful competition in a service that would function best under unified control.⁹

The industry first tried to reduce the ravages of competition through cooperation. The 1857 "Treaty of the Six Nations" divided the United States into six sectors and protected the dominant telegraph company in each from competition by other signatories. In the long run, however, consolidation proved more powerful in rationalizing the industry. Western Union, a key regional firm before the Civil War, emerged from the conflict poised to acquire competitors that had been partly integrated into a nation-wide network by the Union government.¹⁰

⁸John, "A Failure of Vision?," 11-13; M. Elliot Vittes, "Postal Service and the Public: A Case Study in Public Policy" (Ph.D. dissertation, Univ. of Massachusetts, 1983), 87-88; Richard R. John, *Spreading the News: The American Postal System from Franklin to Morse* (Cambridge: Harvard Univ. Press, 1995), 86-89.

⁹Thompson, *Wiring a Continent*; Richard B. Du Boff, "Business Demand and the Development of the Telegraph in the United States," *Business History Review* 54 (Winter 1980): 459-79.

¹⁰Thompson, *Wiring a Continent*, 259-446.

The telegraph industry's new industrial configuration revived calls for a postal telegraph. Although the issue of public ownership arose in connection with other institutions, especially railroads, no industry presented the matter as sharply and as urgently as the telegraph. No single railroad, for instance, came close to dominating its field the way Western Union occupied an entire economic sector--telecommunication--from coast to coast. Also, the telegraph--the first modern information utility and the first industry to use electricity--had by the 1860s become the nervous system for commerce, finance, transportation, journalism, and governance. "[T]he telegraph was a new and distinctively different force of production that demanded a new body of law, economic theory, political arrangements, management techniques, organizational structures, and scientific rationales," a communications historian has observed. These innovations were needed "to justify and make effective the development of a privately owned and controlled monopolistic corporation."¹¹

In 1866, the year that Western Union absorbed its two major rivals, Congress passed a law with the potential to restructure the telegraph industry. On one hand, the law gave telegraph companies land-grant privileges similar to those enjoyed by railroads. Companies could construct their lines along post roads and across public lands, using resources in the public domain, in return for allowing the government to send messages at rates fixed annually by the postmaster general. On the other hand, the legislation provided that the government could purchase, after 1871, any company that accepted these privileges. The purchase price would be set by a five-person committee jointly selected by the government and industry.¹²

This law gave the government two options for postalizing (a nineteenth-century term) the telegraph. Exercising its option after 1871, the government could take over telegraph companies to operate as a monopoly. Or it could acquire one firm and operate it in competition with Western Union. Even Western Union accepted the terms of this law as it promised to respect shareholders' rights.¹³

¹¹James W. Carey, "Technology and Ideology: The Case of the Telegraph," *Prospects* 8 (1988), 303-25, quote at 306.

¹²Act of July 24, 1866, 14 Stat. 221.

¹³For a legislative history of the 1866 act, see Lester G. Lindley, "The Constitution Faces Technology: The Relationship of the National Government to the Telegraph, 1866-1884" (Ph.D. dissertation, Rice Univ., 1971), 41-83. See also Richard John, "The Politics of Innovation," *Daedalus* 127 (no. 4, 1998): 198.

Populists Lay a Foundation for a Postal Telegraph

Looming in the background, the 1866 law--congressional acceptance of the possibility of a government telegraph--heartened advocates of post office innovation. The nationalization of the British telegraph in 1869 reinvigorated the U.S. campaign for a postal telegraph. British experience was frequently invoked in the American debate, both because it provided a precedent for nationalizing an established industry and because of the relative congruence of the two nations' values. When the Royal Post Office assumed control of the British telegraphs in 1870, it left the United States and Canada as the only major industrial nations with telegraph systems largely in private hands.¹⁴ Accordingly, at least one hundred bills to create a postal telegraph (later including the telephone) were introduced in Congress before 1900; "and at least twelve times between 1870 and 1896, congressional committees, after citing Western Union malpractices, reported in favor of government participation in the telegraph business." Similar legislation was continually debated between 1900 and 1920.¹⁵

Advocates of a postal telegraph developed quite a bill of particulars against Western Union. While giving huge discounts to commercial customers, Western Union's high rates for individuals confined social uses of the telegraph to less than 5 percent of the traffic; in contrast, the post office-operated telegraphs of Europe were widely used by the general public for correspondence. In addition, the company influenced lawmakers and opinion leaders by liberally conferring telegraph franking privileges. Exclusive contracts with railroads and other customers handicapped competitors. And cozy contractual agreements with the leading press association kept much of the media aligned with Western Union's interests. For instance, Western Union "inspired" stories in American newspapers, datelined London, that recounted problems with the British takeover of the telegraph.¹⁶

¹⁴C. R. Perry, *The Victorian Post Office* (Woodbridge, UK: Boydell & Brewer, 1992), 85-144. See, e.g., Leon Trousdale, *The Postal Telegraph System . . . Examined in Its Relations to American Institutions* (Memphis: Dalton & Price, 1869) (suggesting that a government telegraph would subvert a free press).

¹⁵H. H. Goldin, "Governmental Policy and the Domestic Telegraph Industry," *Journal of Economic History* 8 (May 1947): 57.

¹⁶*Ibid.*, 57-58; Lindley, "Constitution Faces Technology," 84-133.

With such ammunition, well-organized agrarian groups--the Grange, Farmers' Alliance and the Populists--joined the Post Office Department's efforts to secure a postal telegraph. Western Union's own operations and rhetoric suggested that competition in telegraphy wasted resources and yielded inferior service. And yet competition was the touchstone of private-sector enterprises. The agrarian groups thus popularized the view of telegraphy (and later the telephone) as a natural monopoly. Furthermore, telecommunications had become a strategic input for other sectors of the economy--finance, commerce, transportation, and more. But in private hands, a monopolistic telegraph company could use its power to restrict competition in industries dependent on the information it transmitted. And Western Union earned a reputation--partly derived from the machinations of key stockholders such as Jay Gould and Cornelius Vanderbilt--of using its control over the transmission of information to stifle competition in finance, transportation, and other sectors of the economy. Thus, agrarian groups could plausibly argue that a telegraph operated by the Post Office Department would preserve competition in industries dependent on the electrical transmission of information.¹⁷

The Populists' campaign for a postal telegraph derived considerable support from the administrative resources of the Post Office Department. Most postmaster generals after 1870 endorsed the idea, none more vigorously than John Wanamaker. He and other administrators were developing a view of their institution as the proper locus for government initiatives, a conclusion derived in part from their familiarity with postal ministries around the world. The Post Office Department drew on its international connections to amass data on the operation of postal telegraphs in other countries. The findings provided ammunition to postal officials and Populists who pressed their case in Congress.¹⁸

The campaign for postal involvement in telecommunications also received indirect support from the U.S. Supreme Court. An 1877 decision, *Pensacola Telegraph Co. v. Western Union Telegraph Co.*, construed the postal clause elastically. In this case, Florida law blocked Western Union from competing with a company chartered within the state. The Supreme Court upheld Western Union's challenge to such state regulation; it considered both the constitution's postal and

¹⁷John D. Hicks, *The Populist Revolt: A History of the Farmers' Alliance and the People's Party* (1931; reprint Lincoln: Univ. of Nebraska Press, 1961), 427-44; Nathaniel P. Hill, *Speeches and Papers on the Silver, Postal Telegraph and Other Economic Questions* (Colorado Springs: Gazette Printing Co., 1890), 167-98.

¹⁸A convenient summary of statements on postal telecommunication by postmasters general can be found in Sen. Doc. 399, 63d Cong., 2d sess. 22-30 (1914).

commerce clauses in reaching its decision. "Post-offices and post-roads are established to facilitate the transmission of intelligence," the Court wrote.

The powers thus granted are not confined to the instrumentalities of commerce, or the postal service known or in use when the Constitution was adopted, but they keep pace with the progress of the country, and adapt themselves to new developments of time and circumstances. They extend from the horse with its rider to the stage-coach, from the sailing-vessel to the steamboat, from the coach and the steamboat to the railroad, and from the railroad to the telegraph, as these new agencies are successively brought into use to meet the demands of increasing population and wealth.¹⁹

The court declined to decide in this case whether "Congress may assume the telegraph as part of the postal service, and exclude all others from its use."²⁰

Enter the Telephone--and AT&T's Opposition to Postal Telecommunications

Unlike the telegraph, the telephone began strictly as a private-sector service, at least in the United States. For seventeen years after he patented his device in 1876, Alexander Bell and his partners guided the development of the American telephone industry. But when key patents expired in 1893 and 1894, independent--that is, non-Bell--companies mushroomed. A period of vigorous competition ensued. The Bell Co. faced small and medium-sized rivals throughout the nation, forcing it to cut rates in many markets. Because of this competition--half the nation's cities had two or more phone companies--and because telephony remained largely a local communication service, the drive to postalize it made little headway.²¹

The picture changed, however, in the first decade of the twentieth century, reigniting a broader campaign for postal telecommunications. In 1907, the J. P. Morgan banking interests brought in Theodore N. Vail to revive AT&T's fortunes.

¹⁹96 U.S. 1, 16 (1877).

²⁰*Ibid.*, 18-19.

²¹Alan Stone, *Public Service Liberalism: Telecommunications and Transitions in Public Policy* (Princeton: Princeton Univ. Press), 54-140.

Instead of competing with the many independents, Vail offered to interconnect with strategically placed rival systems, a prelude to absorbing many of them. And, to strengthen its position in long-distance communication, AT&T acquired a controlling interest in Western Union (it was another several years before AT&T completed its own coast-to-coast telephone lines).²²

To complement these business tactics, Vail launched "the first, the most persistent, and the most celebrated of the large-scale institutional advertising campaigns of the early twentieth century."²³ This campaign--whose slogan "One Policy, One System, Universal Service" appeared in AT&T ads and literature--intended to convince Americans that telephony functioned best under a unified system of control. Vail realized that a unified system could be structured in one of two ways: by a private sector firm, say a paternalistic AT&T, or a government agency, the Post Office Department.²⁴

AT&T's resurgence prompted two legal responses. First, the 1910 Mann-Elkins Act gave the ICC jurisdiction over interstate rates charged by the telegraph, telephone, and cable industries. Second, AT&T's brazen takeover of Western Union prodded the Wilson administration to threaten the nationalization of telecommunications. AT&T retreated, signing an agreement with the Justice Department to relinquish control over Western Union and to seek the ICC's approval before acquiring independent telephone companies. But that hardly quieted the matter; the public hostility aroused by AT&T's maneuvers--the press now portrayed it as a grasping octopus--resurrected the drive to postalize the nation's telegraph and telephone systems.²⁵

With passage of postal savings (1910) and parcel post (1912), it seemed to many--including AT&T--but a short step to a postal telegraph and telephone. Informed commentators proclaimed congressional enactment of a postal telecommunications system a near certainty. But AT&T responded with a broad and sophisticated campaign against any further expansion of postal enterprise. Going beyond the usual publications, speeches, and congressional testimony,

²²Robert B. Horwitz, *The Irony of Regulatory Reform: The Deregulation of American Telecommunications* (New York: Oxford Univ. Press, 1989), 98-99.

²³Roland Marchand, *Creating the Corporate Soul: The Rise of Public Relations and Corporate Imagery in American Business*, quoted in Richard R. John, "Theodore N. Vail and the Civic Origins of Universal Service," *Business and Economic History* 28 (Winter 1999), 71.

²⁴Stone, *Public Service Liberalism*, 140-54.

²⁵Horwitz, *Irony of Regulatory Reform*, 100-101.

AT&T organized a public information campaign designed to build a bulwark against further postal innovations. The most potent weapon in this campaign was a looseleaf service, *Brief of Arguments Against Public Ownership*. Started around 1913, the looseleaf service supplied opinion leaders with hundreds of documents that challenged government enterprise generally and postal innovations in particular. Each item arrived complete with instructions on how to file it according to type of utility (railroads, postal, telecommunications, energy), country (more than a dozen), and the nature of the argument.²⁶

The brief, or outline of arguments, started by conceding that some government regulation of private utilities was healthy. But then it provided "general arguments against public ownership," including the "inapplicability of foreign precedents." The heart of the brief asserted that government ownership harmed the public in a variety of ways. It interfered with the "primary function of government," "increased opportunities for political corruption and abuses," exerted "undue political influence" by expanding the civil service, and produced an "undemocratic tendency toward centralization, militarism and bureaucracy." Furthermore, public ownership destroyed "individual initiative." It hurt public finance by encouraging false accounting, fixing rates according to political pressure, and taxing members of the public who did not use the service. Consumers would suffer from "poor service," "arbitrary treatment" by government employees, "high rates," and from a stodgy bureaucracy's reluctance to adopt the latest innovations. Ordinary consumers would suffer discrimination in rates set to favor those with political influence.²⁷

AT&T gathered evidence for each of these arguments, and others, to be used in its campaign against postal telecommunications. The evidence ranged from short news items published in the United States and abroad to lengthy excerpts from U.S. and foreign government reports. The smallest and silliest evidence against government-owned telecommunications was not overlooked. Item No. 107, Index No. D1 (arguments about government systems' poor service), filed under "COUNTRY: Germany" and "UTILITY: Telephones" came from the New York *Times* Marconi Transatlantic Wireless Telegraph datelined Berlin: A witness, testifying at hearings on the telephone, "asserted that . . . Government telephone girls had been permitted by the Inspectors to utilize one of the big

²⁶American Telephone and Telegraph Co., Commercial Engineer's Office, comp., *Brief of Arguments Against Public Ownership* (New York: n.d., ca. 1913-14).

²⁷All quotes from "Index" in *ibid.* (capitalization altered slightly).

exchanges for the reception of their fiances." Another "amusement of the girls of this exchange was to look up all the subscribers having the same name, to connect all of them, ring them all up, and laugh loudly at the result."²⁸ The message: employees of postal telephone systems rendered poor service. Most of the items in the *Brief* were more substantial, but all were intended for wide circulation in the campaign against postal telecommunications.

The AT&T campaign rebutted proposals put forward by the Wilson administration's postmaster general, Albert S. Burleson, and members of Congress such as Representative David J. Lewis. In 1913, Burleson, Lewis, and members of post office committees in Congress began working on legislation to buy the nation's telegraph and telephone lines and turn them over to the Post Office Department. President Wilson reportedly agreed with the plans²⁹ but backed away when AT&T agreed to divest its Western Union interests. Burleson, Lewis and others, however, pushed ahead. Lewis worked tirelessly to counter AT&T's information campaign with publicity of his own. In December 1913, for instance, he filled seventy-two columns of the *Congressional Record* with data about postal telegraphy and telephony around the world, evidence that pointed toward the merit of government systems. Lewis' plan died when Democrats who had originally backed postalization decided that the newly authorized ICC supervision of the telegraph and telephone was sufficient reform for the time being.³⁰

The Possibility of Government Ownership Foreclosed

Just when it appeared that the campaign for postalization of telecommunication had stumbled in the arenas of public opinion and policymaking, war presented a last chance. The outbreak of World War I gave the Post Office Department an opportunity to prove its administrative capability. In December 1917, Congress subjected railroads to government control as a wartime measure

²⁸Ibid., item no. 107.

²⁹In an April 4, 1913, letter to Burleson, President Wilson wrote, "For a long time I have thought that the government ought to own the telegraph lines of the country and combine the telegraph with the post office. How have you been thinking in this matter?" Burleson Papers, Box 6, Library of Congress.

³⁰Cong. Rec. 63d Cong., 2d sess., 1377-1412 (1913). See generally Thomas D. Masterson, "David J. Lewis of Maryland: Formative and Progressive Years, 1869-1917" (Ph.D. dissertation, Georgetown Univ., 1976), 403-28; David Lewis, *The Postalization of the Telephone and Telegraph* (Washington: Government Printing Office, 1914).

and several months later put the Post Office Department in charge of the nation's wire communications. Postmaster General Burleson's goal of converting the Post Office Department into a Department of Communication seemingly had been realized except for the name change.³¹

Because the authorizing legislation required government to pay equitable compensation to the telecommunication companies, Burleson was forced to raise phone rates and institute service charges. Wages rose rapidly with wartime labor shortages, and strikes by workers further undermined the post office's management. In such a situation, "the public could see no advantage in government operation." Congress returned wires to private control after one year, much faster than the railroads, because the experience had been so bad. Some congressional postmortem analyses tried to show that Burleson's management--not public control per se--was the problem. Regardless, the campaign for a postal telegraph and telephone was dead.³²

In the 1920s, the Post Office Department played a small role in the development of radio communication as an adjunct to airmail transport. This made the post office a player, albeit a minor one, in the struggle to develop a permanent regulatory scheme for radio.³³ Congress in 1927 vested regulatory authority in the Federal Radio Commission and later in the Federal Communications Commission seven years later. The 1934 law transferred the postmaster general's remaining powers over telegraphy--basically to negotiate rates at which companies sent government telegrams--to the FCC.³⁴

³¹On Burleson's long-standing interest in the subject, see his report, "Government Ownership of Electrical Means of Communication," printed as Sen. Doc. 399, 63d Cong., 2d sess. (1914).

³²Richard W. Howard, "The Work of Albert Sidney Burleson as Postmaster General" (unpublished M.A. thesis, Univ. of Texas-Austin, 1938), 85-95, quote at 91; Horwitz, *Irony of Regulatory Reform*, 101-102.

³³Paul T. David, *The Economics of Air Mail Transportation* (Washington, D.C.: Brookings Institution, 1934), 34, 40-41; Philip T. Rosen, *The Modern Stentors: Radio Broadcasting and the Federal Government, 1920-1934* (Westport, Conn.: Greenwood Press, 1980), 25-29, 40-46.

³⁴Communications Act of 1934, Public Law 416, sec. 601(b), reprinted in *A Legislative History of the Communications Act of 1934* (New York: Oxford Univ. Press, 1989), 962.

6. Postal Innovation and Postal Reorganization

Congress, through the Postal Reorganization Act (PRA), clearly intended to commit the U.S. Postal Service to a program of continual innovation. But the intended boundary between appropriate postal enterprise and unwarranted competition with the private sector is only implied by the official proceedings that culminated in reorganization.

Reviewing the postal crisis that precipitated reorganization, the Kappel Commission's report, and key elements in the development of the PRA suggest three conclusions about congressional understanding of postal innovation: First, lawmakers seemed preoccupied with innovations in management, facilities, mail processing, transportation, personnel matters, and ratemaking. Second, Congress paid little attention to how developments in electronic communication might affect the Postal Service. Third, lawmakers did recognize the importance of granting the new postal establishment considerable flexibility and latitude to innovate.

Postal Crises and Innovations in the 1960s

Several developments converged in the 1960s to highlight the need for an overhaul of the postal system. At the same time, the Post Office Department was exploring innovations to address looming problems.

By the 1960s, the postal system was suffering noticeably from the decline of railway mail transportation. Although more mail moved by airplanes and trucks, neither allowed for the sorting en route that had long made railway cars so attractive. Instead, poorly equipped big-city post offices became the processing centers. And when rising volumes of mail flowed into cramped urban post offices,

relatively small technical or managerial problems created massive logjams.¹ Such a crisis occurred in the Chicago post office--at 60 acres, the world's largest--in October, 1966. For two weeks, paralysis at the Chicago facility slowed mail delivery through much of the nation.²

During the 1960s, the post office looked to several innovations--each partly dependent on others--to handle a growing avalanche of mail. ZIP Code, instituted in 1963, promised to speed mail processing. It worked in conjunction with sectional processing centers. The ultimate goal was to use ZIP Codes as part of an automated mail-sorting system.³ But when the post office announced that some second- and third-class bulk mail would have to be presorted, starting July 1, 1965, affected mailers complained to Congress and the department postponed implementation until 1967.⁴

In the one mail class that faced private-sector competition--parcel post--Congress continued its tug and pull with the post office during the 1960s. (See chapter 4 for an account of parcel post through the mid-1950s.) The Postal Policy Act of 1958 declared that some mail classes provided distinct public services for the nation. For these--notably publications and nonprofit mailings--revenues did not have to cover costs; the Treasury made up the difference. Parcel post, however, fit in another category; the 1958 law reiterated Congress's original intention with parcel post: revenues and expenditures had to balance so that the post office did not subsidize a service that competed with private businesses. Because parcel post showed chronic deficits, Congress gave the postmaster general a precise mandate in the 1958 law: change rates, with the ICC's consent, whenever costs and revenues varied by more than four percent.⁵

¹"Danger of Breakdown in Mail Service?" *U.S. News & World Report* 60 (March 14, 1966): 58-59, 62.

²"A Question the World Over: 'What's Wrong with the Mails?'" *U.S. News & World Report* 61 (Oct. 24, 1966): 95-96; "Breakdown Ahead in Mail Service," *ibid.*, 61 (Nov. 7, 1966): 52-54; "Insider Explains Mail Breakdown," *ibid.*, 61 (Dec. 5, 1966): 50-51.

³U.S. Postal Service, *History of the United States Postal Service* (Washington, D.C.: U.S.P.S., 1993), 15.

⁴John A. Gronouski, "The Best Form of Efficiency," *Reporter of Direct Mail Advertising* 27 (March 1965): 14-15; *Zip Code System in the United States Postal Service: Hearings on H.R. 5180 and Similar Bills Before the Subcom. on Postal Facilities and Modernization of the House Com. on Post Office and Civil Service, 89th Cong., 1st sess. (1965).*

⁵Act of May 27, 1958, 72 Stat. 143.

The postmaster general dutifully raised parcel rates in 1960 and, as before, the volume dropped, producing a 20 percent deficit in 1961. The postmaster general sought a further rate hike, which the ICC approved. But the ICC turned aside the postmaster general's request to relax the weight and size limitations that Congress had legislated in 1951 as a response to complaints from private carriers. The ICC claimed that only Congress could make such changes in its own laws. "The Postmaster General reported to Congress that he was unable to certify that a rate increase alone would achieve the break-even objective for parcel post because of the inevitability of further volume losses which would preclude a cost-revenue balance."⁶ Frustrated, the postmaster general asked Congress to assume sole authority for setting parcel post rates. Congress declined. It did, however, authorize an inquiry that culminated in the Parcel Post Act of 1966, which gradually raised the size-weight maximum to make the government service more competitive with private carriers. The 1966 law slightly altered the ICC's role in ratemaking: POD proposals became effective automatically unless the ICC decided to investigate.⁷

The tension between Congress and the Post Office over parcel post illustrates, in microcosm, some of the problems that beset the post office on the eve of reorganization. Ironically, it also pointed toward a solution: give the post office considerable autonomy but subject its decisions to the scrutiny of another federal agency.

Kappel Commission

Headed by the former chairman of AT&T, Frederick R. Kappel, the President's Commission on Postal Organization provided the most comprehensive review of the postal establishment undertaken in the years preceding reorganization. Concern about postal innovation pervaded the study; it dwelled on obstacles to innovation created by the old postal structure and touted the freedom to innovate that could be realized under a new postal organization. When it came to tangible proposals, though, the Kappel Commission confined its discussion of

⁶Foster Associates, "Rates and Rate-Making: A Report to the President's Commission on Postal Organization," *Towards Postal Excellence* (Washington, D.C.: Government Printing Office, 1968), Annex, 2: 2-50 [hereafter cited as *Kappel Commission*].

⁷Act of Sept. 20, 1966, 80 Stat. 815. See also "Project: Post Office," *Southern California Law Review* 41 (Spring 1968): 671-73.

innovations to those that addressed postal problems evident in 1968, not problems--such as those posed by an entirely new communication environment--that loomed at some point in the future.

The Kappel Commission's general view of postal innovation might be summarized as follows: Congressional control over postal affairs helped the system produce a number of positive externalities during the development of the United States. But by the mid-twentieth century, the indirect social benefits of the system could not substitute for reasonably priced, efficient services, especially when most mail was related to business affairs. If freed from political control, postal officials could apply business principles to the management of the enterprise. This involved long-range planning, research and development, and the flexibility to respond to patrons' needs--the basics of innovation. The Kappel Commission clearly had this in mind. The postal corporation it envisioned would be able to offer new postal services where the market supported them. And it should be free to develop or contract for appropriate technologies.⁸

But what were the boundaries of postal enterprise? Could the new postal service enter other sectors of communication where private firms had already established a strong presence? "Today the nation is linked together by many communications and transportation networks," the Kappel Commission observed. Indeed, the commission believed that the increasingly competitive nature of the communication environment was a major reason to overhaul the structure of the post office.⁹ "Telephone communications surpassed mail communications by six billion in 1950 and by over fifteen billion in 1960," a consultant's report noted.¹⁰ Furthermore, telephone calls could substitute for one-third of the general correspondence then being mailed.¹¹

Ironically for a commission headed by the former chairman of AT&T, telecommunication's impact on mail received scant attention in the plans for the new postal establishment. "New telecommunication systems will not appreciably

⁸See *Kappel Commission*, 1-6 (summary of report). "Only a Post Office quick to identify and meet market needs can successfully serve a changing economy. Obsolete and inefficient postal facilities should be replaced. Existing technology must be fully applied and new technology brought to bear through vigorous research and development." *Ibid.*, 3.

⁹*Kappel Commission*, 46-47, quote at 47.

¹⁰Arthur D. Little, Inc., "A Description of the Postal Service Today," *Kappel Commission*, Annex 3, p. 1.20.

¹¹*Kappel Commission*, 91

affect mail volume but will satisfy latent and presently unrealized demands," Arthur D. Little, Inc., predicted in its report to the commission. "The combined effect of new telecommunication systems, which in some sense will parallel the mail, will not change volume by more than 3%. Checkless banking within the foreseeable future will not change mail volume by more than 10%." This 13-percent total represented a loss in the projected growth of first-class mail.¹²

From the vantage of 1967-68, the Kappel Commission could not see how electronic communications would transform the environment in which the postal system operated. Its contractors noted two developments in telecommunications that might affect the mails, the "coming availability of broadband [digital] circuits which can be switched and interconnected" and acoustically coupled facsimile. The commission's consultants downplayed these technologies; people preferred receiving documents over raw information transmitted electronically and the high cost of long-distance telephone connections discouraged use.¹³

Only once did the Kappel Commission report--or, more precisely, a contractor's study--hint that the post office might offer telecommunication services. In discussing alternative structures for the new postal organization, Arthur D. Little, Inc., speculated that a regulated private postal corporation "would be allowed to compete with other forms of communication and distribution. It would flourish or wither as changes in economic requirements or technology might dictate, subject to the capacity of the Corporation to change to meet new challenges." In this scenario, the private corporation would be subject to the same regulatory supervision as other communication firms. None of the other alternative structures permitted this latitude to innovate, in the consultant's analysis.¹⁴

The Kappel Commission did not expressly indicate whether the postal establishment it envisioned could transmit information via telecommunication as a complement to or extension of traditional services. The commission did, however, suggest that a business-minded postal service should enjoy considerable flexibility in making arrangements to move information. "[P]ostal managers should have the authority to select whatever means of transportation is best suited to the needs of

¹²Arthur D. Little, Inc., "A Description of the Postal Service Today," *Kappel Commission*, Annex 4, pp. 8.35-8.48, quote at 8.35.

¹³*Ibid.*, Annex 4, pp. 8.35-8.36, quote at 8.35.

¹⁴*Ibid.*, Annex 1, pp. 179-220, quote at 211.

the postal service," the commission recommended. It urged Congress to "relieve from special involvement in postal transportation matters those agencies whose intervention, however well administered, constitutes a reduction in postal management authority."¹⁵ And the commission entertained the possibility of the postal service offering some services jointly with private firms.¹⁶

"The new technology of recent years and the explosion of communications requirements have brought into question the traditional role and practices of post offices in this country and elsewhere."¹⁷ The implications of this provocative observation, buried deep in the contractor's report, did not prompt the commission to recommend in 1968 that the postal service enter the domain of electronic communication. But nine years later, when another commission examined the postal service, it regarded electronic communication as occupying a central place in the postal service's future.¹⁸

Postal Innovation in the Reorganization Act

As the drive for postal reform moved from the Kappel Commission to the White House and Congress, lawmakers dwelled mostly on addressing postal problems evident in the late 1960s. But in crafting the charter for a new postal establishment, Congress granted the U.S. Postal Service considerable freedom to innovate.

During the roughly fifteen years preceding reform, the post office enjoyed considerable freedom to experiment with innovations in moving the mail without first securing express congressional approval. One example was the post office's increasing use of airplanes for the inter-city transport of first-class mail. (Of course, the post office had long used aircraft for airmail, a congressionally

¹⁵*Kappel Commission*, 171-72.

¹⁶The Kappel Commission approved of joint public-private services expressly for parcel post; it is not clear whether the commission envisioned this for other postal services. *Ibid.*, 173.

¹⁷Arthur D. Little, Inc., "Postal Problems and Their Causes," *Kappel Commission*, Annex 3, pp. 1.11. This entire section of the contractor's report, labeled "The Post Office in the Age of Telecommunications," consists of the sentence quoted above plus one other: "The last few years have seen the beginning of the third and perhaps most important stage of development in the postal services."

¹⁸Commission on Postal Service, *Report* (Washington, D.C.: Government Printing Office), 6, 19-24.

sanctioned mail class.) After World War II, the decline in passenger trains cut sharply into the quality of inter-city mail transportation. To continue providing timely delivery of first-class mail, the Post Office Department studied "what might be done with available extra space on airlines. . . ." In 1953, the department started experimental airlifts of first-class mail and expanded service thereafter. Railroads challenged the post office's authority to experiment in such a fashion, but the court of appeals upheld the department.¹⁹

The post office twice experimented with telecommunication as a partial substitute for transportation. Looking for better means of transmitting mail, the post office developed an experimental facsimile service, Speed Mail, in 1959. The department's own research and development unit performed much of the early work in cooperation with federal agencies experienced with advanced electronic communication. In January 1960, the post office awarded a contract to IT&T to design a complete package of equipment. To protect privacy, Postmaster General Arthur E. Summerfield explained, the equipment would "receive sealed communications, unseal and transmit them [by microwave], and deliver a sealed [addressed] envelope at the receiving end." During the experiment, the service successfully transmitted government communications--letters, reports, maps, photographs and more--among post offices around the nation. The post office planned to offer the service to the public at 71 post offices for the equivalent of 7-cent airmail postage; or, for a 30-cent special delivery fee, a message could be sent across the nation and delivered to the recipient's door in an hour or two.²⁰

Before Speed Mail became publicly available, however, the next postmaster general, appointed by newly elected President John F. Kennedy, "quietly de-emphasized" such projects. J. Edward Day believed that "facsimile mail was a blatant intrusion into wire communication which is a private enterprise." He also preferred to concentrate on improving the delivery of mail through ZIP Code and increasingly mechanized processing.²¹ In fact, opposition emerged during

¹⁹Arthur E. Summerfield, *U.S. Mail: The Story of the United States Postal Service* (New York: Holt, Rinehart and Winston, 1960), 105-108, quote at 106; *Atchison, Topeka and Santa Fe Railway Co. v. Summerfield*, 229 F2d 777 (D.C. Cir. 1955), cert. denied 351 U.S. 926 (1956). After the experiment started, Congress did acknowledge it by asking for reports. 229 F2d 782.

²⁰Sumerfield, *U.S. Mail*, 202-209, quote at 207. Summerfield was postmaster general at the time. See also "The Mails Go Through--electronically," *Business Week* (Oct. 31, 1959): 31; "Mail to be Sent by Electronic Scanner," *Computers and Automation* 9 (December 1960): 2B.

²¹J. Edward Day, *My Appointed Round: 929 Days as Postmaster General* (New York: Hlt, Rinehart and Winston, 1965), 39.

Summerfield's experiment: Western Union, backed by its telegraphers, criticized Speed Mail for competing with its facsimile business and the press speculated that Congress might not approve full-scale operations.²²

When the post office started experimenting with mailgrams in 1969, it did so with Western Union as a partner. Mailgrams exploited the two institutions' strengths--Western Union's electronic transmission network and the post office's carrier force. Customers transmitted their messages over Western Union's network to teleprinters in 110 post offices in twelve cities. They were printed, enclosed in an envelope, and delivered to addressees by letter carriers. Western Union paid the post office 25-cents for each mailgram. The mailgram provided service faster than mail but cheaper than a telegram.²³

The new service attracted relatively little attention in 1970-71 during the genesis of the Postal Reorganization Act and the beginnings of the U.S. Postal Service. The president of Western Union saw the experiment as "breaking down . . . artificial institutional barriers" between the "Post Office and Western Union." Mailgrams exemplified "how they may support one another and . . . eliminate wasteful duplication for which the consumer pays in cost and efficiency."²⁴ The *New York Times* editorialized that mailgram service might succeed if the post office became a government corporation.²⁵ The post office touted mailgrams as exemplifying the kind of speedy service tailored to business needs intended by the PRA.²⁶ Mailgrams apparently did not attract much attention in Congress during the development of the PRA. For instance, when the chairman of the House post office committee commented on the new service, he did not question the legitimacy

²²"Instant Mail," *Newsweek* 56 (Nov. 14, 1960): 103; "Government to Test Facsimile Mail," *Public Utilities Fortnightly* 66 (Sept. 29, 1960): 464-65; "Facsimile Mail Test," *ibid.*, 66 (Nov. 24, 1960): 827-28; "Western Union Protests Government Facsimile," *ibid.*, 66 (Dec. 22, 1960): 967-68. But see *Cong. Rec.*, 86th Cong., 2d sess. 1254-57, esp. 1257 (Jan. 24, 1960) (remarks by Senator Carlson and article entered in the record seemingly favoring such projects).

²³"Untangling the Mess in the Post Office," *Business Week* (March 28, 1970): 78-82, esp. 82; *New York Times*, July 1, 1969, p. 1.

²⁴Russell W. McFall, *Making History by Responding to its Forces* (New York: Newcomen Society, 1971), 15-17, quote at 16; McFall was chairman of Western Union.

²⁵*New York Times*, July 11, 1969, p. 34.

²⁶See, e.g., "As New Mail Service Gets Set--Changes You Can Expect," *U.S. News & World Report* 69 (Oct. 19, 1970): 44-45.

of the innovation; instead, he expressed concerns about the privacy of mailgrams.²⁷

The most vigorous opposition to mailgram service came from the United Telegraph Workers Union. In a complaint to the Federal Communications Commission, which it carried to federal court during final congressional deliberations on reorganization, the union objected that federal law governing the post office and telecommunication did not permit such joint public-private services. Its argument relied heavily on congressional rejection of the postal telegraph proposals in the late 1800s and early 1900s. The court of appeals did not consider this persuasive. Instead, it found that the post office "has clear authority under 39 U.S.C. sec. 504(a) (1964) for engaging in experiments as part of a research and development program to improve the economy and efficiency of its business." Furthermore, the 1955 *Atchison* decision upholding the transportation of first-class mail in airplanes "counsels that the Post Office's mandate to improve mail service through innovative techniques should not be frustrated by implied or niggardly restrictions upon its authority."²⁸

When Congress began considering postal reorganization bills, and specifically the importance of innovation in a reformed establishment, it--like the Kappel Commission--conceived of modernization largely in familiar terms. The vast majority of the comments offered at hearings, the explanations given in House and Senate reports, and the remarks during the floor debate dealt with providing existing services more efficiently rather than launching new ones. Terms such as "innovation" and "modernization" usually appeared in discussions about devising new management structures, building modern facilities, adopting equipment for mail processing, and arranging more efficient transports for moving the mail. To the extent that Congress exhibited concern about the potential loss of first-class mail, it perceived the threat arising mainly from the post office itself; that is, a

²⁷*Post Office Reorganization, Pt. 2: Hearings Before the House. Comm. on Post Office and Civil Service, 91st Cong., 1st sess. 724-25 (1969) (remarks of Thaddeus J. Dulski).*

²⁸*United Telegraph Workers, AFL-CIO v. Federal Communications Commission, 436 F.2d 920, 926 (D.C. Cir. 1970).* This case was argued on June 22, less than two months before the Aug. 12 passage of the PRA; the case was decided about four months after the PRA passed.

failure to modernize would force some mailers, especially businesses, to look elsewhere to satisfy their communication needs.²⁹

In developing the PRA, Congress repeatedly stated that one of the principal mandates of the postal service was to transmit mail as fast as possible.³⁰ At least four parts of the act's general statement on postal policy emphasize that speed of transmission is a key consideration in adopting new means of moving the mails or adding new services.³¹ One constraint--that the postal service shall fairly distribute "mail business to carriers providing similar modes of transportation services"³²--reminded the postal service of its long-standing role in supporting a range of transportation technologies, many of which survived in a carefully regulated environment.³³ In an unusually specific direction for an otherwise general statement of policy, Congress gives as one primary goal the adoption of express mail.³⁴ Businesses had expressed considerable interest in this innovation.

The chapter of the Reorganization Act outlining the postal service's general authority accords the postal service considerable flexibility to adopt new innovations. A House report put it most expansively: "The Postal Service is empowered to engage in research and development programs directed toward the expansion of present postal service and the development of new services responsive

²⁹This summary is based mainly on the key House and Senate reports preceding passage of the PRA. See, e.g., House Rep. 988, 91st Cong., 2d sess. (1970) 2-4; House Rep. 1104, 91st Cong., 2d sess. 2-5 (1970); Sen. Rep. 912, 91st Cong., 2d sess. 1-3 (1970). Of course, large parts of these reports and other elements of the legislative proceedings dealt with ratemaking, labor relations, a rate commission, and other aspects of reorganization.

³⁰See, e.g., House Rep. 988, 91st Cong., 2d sess. 4 (1970); Sen. Rep. 912, 91st Cong., 2d sess. 4 (1970).

³¹Congress directed the postal service to "provide prompt, reliable, and efficient services to patrons. . . ." 39 U.S.C. 101(a). "In determining all policies, . . . the Postal Service shall give the highest consideration to the requirement for the most expeditious collection, transportation, and delivery of important letter mail." 101 (e). Similarly, "In selecting modes of transportation, the Postal Service shall give highest consideration to the prompt and economical delivery of all mail. . . ." 101(f).

³²39 U.S.C. sec. 101(f).

³³Sen. Rep. 912, 91st Cong., 2d sess. 17 (1970); *Cong. Rec.*, 91st Cong., 2d sess. 21713 (June 26, 1970) (remarks of Sen. McGee).

³⁴"Modern methods of transporting mail by containerization and programs designed to achieve overnight transportation to the destination of important letter mail to all parts of the Nation shall be a primary goal of postal operations." 39 U.S.C. sec. 101(f).

to the evolving needs of the United States."³⁵ Thus, Chapter 4 of the act grants the postal service specific powers plus "all other powers incidental, necessary, or appropriate to the carrying on of its functions. . . ."³⁶ Beyond carrying "written and printed matter, parcels, and like materials . . . [it can] provide such other services incidental thereto as it finds appropriate to its functions and in the public interest."³⁷ This chapter confers specific powers, one of which was "to provide, establish, change, or abolish special nonpostal or similar services. . . ."³⁸ Although this might seem like an open-ended mandate, the context suggests that "nonpostal or similar services" meant mostly philately, selling packing materials, and the like.

The Postal Reorganization Act's chapter on finance also contains a section that bears on innovation. "The Postal Service shall promote modern and efficient operations and should refrain from . . . engaging in any practice . . . which restricts the use of new equipment or devices which may reduce the cost or improve the quality of postal services. . . ."³⁹

³⁵House Rep. 1104, 91st Cong., 2d sess. 9 (1970).

³⁶39 U.S.C. sec. 401(10).

³⁷39 U.S.C. sec. 403(a).

³⁸39 U.S.C. sec. 404(a)(6).

³⁹39 U.S.C. sec. 2010.

7. Summary and Conclusions

Adam Smith, no friend of government involvement in the economy, offered a surprisingly charitable view of postal enterprise. "The post office is properly a mercantile project," he wrote in *The Wealth of Nations*. "It is perhaps the only successful mercantile project which has been successfully managed by, I believe, every sort of government." Despite the apparent thrust of these remarks, few American proponents of postal enterprise would find them heartening. Their context--in his book and in history--indicates that Smith regarded the post office as a revenue-generating unit of government.¹ But the public service nature of American postal policy was one of the most powerful imperatives driving postal innovations. In fact, the post office's ventures into new enterprises varied with the shifting emphasis on revenue considerations and public service obligations.

Several conclusions emerge from this history of postal enterprise:

1. The Constitution empowered Congress to launch far-reaching postal innovations, though it sometimes declined to do so. Congress tested the boundaries of its power when it considered adding telecommunication to the suite of postal services. Once, at the birth of the telegraph, Congress nearly launched American telecommunication under the auspices of the post office. Short-term practical considerations dissuaded lawmakers from following this course in the 1840s. Later, when telegraphy had emerged as a near monopoly, Congress again considered the merits of a postal telegraph. In 1866 Congress created a mechanism, which it never activated, for acquiring private telegraph lines and placing them under the post office. In its 1877 *Pensacola* decision, the Supreme

¹Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776; reprint Chicago: Encyclopedia Britannica, 1952), 358. This passage appeared in a chapter on sources of government revenue; furthermore, England at that time operated the Royal Posts as a revenue-generating agency.

Court read the postal clause as permitting the post office to adopt, with congressional concurrence, the latest transportation and telecommunication technologies.

2. Congress allowed the post office considerable latitude in applying new technologies to existing tasks; when it came to creating new services, however, lawmakers guarded their prerogatives more jealously. Typically, when new technologies became available to transport the mail, the postmaster general would undertake experiments. In fairly short order, though, Congress would legislate terms for their regular use. In contrast, proposals to offer new services--e.g., Rural Free Delivery, postal savings banks, and parcel post--provoked long-running debates before Congress directed the post office to act.

3. The successful campaigns for postal savings banks and parcel post mobilized those who opposed further postal enterprise. Most notably, AT&T redoubled its efforts to derail a postal telegraph and telephone. It popularized arguments against federal enterprise generally and postal innovation in particular. For instance, AT&T literature frequently asserted that some new government services violated accepted principles of American political economy. Another common theme disparaged the administrative ability of the Post Office Department. Carefully disseminated throughout the nation, such arguments informed the campaigns of later opponents.

4. Apart from performing its existing missions more efficiently, the post office and its allies advanced two major reasons to justify significant innovations. First, some innovations assured more nearly universal service. For instance, postal expresses of the 1830s intended to equalize access to market data on which many people based business decisions. Two other examples: RFD extended to the countryside postal services long enjoyed in the city; postal savings banks served some communities without other banks. Another reason to launch new services was to compete with private firms and thereby force them to act more efficiently. This was frequently offered as one justification for parcel post.

5. Congress explicitly circumscribed new postal services that competed directly with private firms. The most obvious example was parcel post. Rates and size-weight limits were designed to keep the post office from undercutting private carriers. Furthermore, the Interstate Commerce Commission, which regulated the private carriers, also had to approve changes in the post office's service. And Congress mandated that parcel post break even: if it incurred a deficit, rates had to be raised. When the postmaster general failed to make the necessary changes,

Congress stepped in and legislated them. Some of these interventions, though, protected the interests of private carriers by undercutting parcel post.

Congress likewise tightly limited postal savings banks. By capping interest rates and the maximum deposit, Congress minimized competition with private institutions. In fact, postal savings banks collected money *for* private banks; under law, money collected at post offices was redeposited in private institutions. Not all banks, however, benefited in this fashion.

Congress had more subtle tools to guide the actions of the Post Office Department as it tried innovations. In the early days of RFD, for instance, Congress appropriated money each of several years, in increasing amounts, for a phased test of the service. But this incremental development spawned such a large constituency so quickly that Congress had to expand the service more rapidly than it had planned. Finally, simply expressing displeasure--as some in Congress probably did when the post office tested patron mail--could produce the desired effect.

6. Decisions about postal innovations altered the posture of private firms in competition with each other. The most tangible illustration was parcel post's impact on small-town retailers. The post office did not itself compete with these merchants, but by opening a new channel of commerce it substantially altered the existing relationships in the nation's marketing system. Large-scale, urban mail-order merchandisers presumably benefited. Similarly, newspapers decried patron mail because it helped a competitor, direct-mail advertisers.

As a major purchaser of transportation services, the post office exerted considerable influence over private carriers. When it turned to a new transport, old ones suffered. Hence Congress expected the Post Office Department to consider established relations among carriers--e.g., railways, airlines, trucking--in arranging mail transportation.

Similar dynamics affected the post office's two experimental telecommunication services in the decade preceding reorganization. With Speed Mail (1960), the department arranged its own electronic network to transmit facsimile mail; Western Union and telegraphers unions complained about unwarranted intrusion into their realm. Ten years later, the post office offered mailgrams in partnership with Western Union. Speed Mail created an enemy; mailgrams cultivated an ally.

7. The post office developed new services mindful of their likely effect on the first-class letter monopoly even though that was not the foremost concern. For instance, when Congress added steamboats and railroads to the repertoire of postal

transports, it also declared water routes and railways to be post roads subject to the post office's monopoly for letter carriage. The decision to adopt the latest and fastest technology was prompted mainly to satisfy mailers by providing expeditious service. The post office knew, however, that competitors would use the same technologies to the extent permitted by law.

The telegraph and telephone, of course, diverted communications that would otherwise travel by mail. When urging Congress to purchase Morse's telegraph, the postmaster general worried about the future of the post office in an era of electric communication. Strangely, though, postal officials from that time to the 1960s did not single out telecommunications as the principal threat to the continuation of basic postal services.

8. The circumstances that led to the Postal Reorganization Act suggest that the reformed establishment should enjoy the utmost freedom to innovate in fulfilling its mission. Its realm clearly encompassed the physical delivery of documents and probably the delivery of materials that had been transmitted partly through electronic channels. Although some involved in the development of the legislation knew about the declining share of mail in the total communication market, this did not translate into an unequivocal mandate for the postal service to develop full-fledged telecommunication services in competition with the private sector.