STATEMENT OF
JAMES C. MILLER III, MEMBER
BOARD OF GOVERNORS
U.S. POSTAL SERVICE
BEFORE THE
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
UNITED STATES HOUSE OF REPRESENTATIVES
APRIL 5, 2011

Mr. Chairman and Members of the Committee, thank you for holding this hearing into the U.S. Postal Service's fiscal crisis – and in particular, the sustainability of its outlays for workforce compensation.

I am but one member of the Postal Service's Board of Governors. Governor Giuliano, the Board's elected chairman, who is here today, speaks for the Board as a whole. To the extent any of my remarks differ from those of the Chairman's, they are my personal views and should not be attributed to the Board or to any other Governor.

As you may know, Mr. Chairman, the Board works in a very collegial fashion. Currently there are four Democrats, four Republicans, and one vacancy on the Board. These Governors were all nominated by either President George W. Bush or by President Barack Obama and confirmed by the U.S. Senate. But it is not a partisan organization, as our focus is on directing the operations of one of the nation's largest enterprises – and doing our very best, pursuant to law, to serve the American people.

Also, as you may know, Mr. Chairman, over the past several years the Board has focused like a laser beam on the Postal Service's increasingly dire outlook and what to do about it. A little over a year ago, after much discussion and debate, the Board authorized Postmaster General Jack Potter to announce a comprehensive strategic plan designed to restore the Postal Service to profitability. That plan envisioned measures the Postal Service could take on its own initiative, and others that require Congressional/Presidential action.

As Postmaster General Donahoe will describe, we have taken remarkable steps to cut costs – by trimming facilities, by reducing layers of management, and by economizing in other dimensions. We've also taken steps to strengthen our revenue base – by improving services and by acquiring more clients.

But other initiatives require Congressional (and Presidential) action, Mr. Chairman, and I hope this hearing will elucidate some of them. In particular, with respect to workforce compensation I am aware that some Members of the Committee have expressed disappointment with the agreement the Postal Service recently concluded with the American Postal Workers Union.

Let me say that I, too, am disappointed that we did not accomplish more in the negotiations. As everyone involved will confirm, the Postal Service bargained long and hard to achieve more. The reason we did not get more, and the reason we agreed in the end to the contract now out for ratification by the rank and file is that the current law governing our labor negotiations is biased against management and in favor of labor.

As you know, in the event of an impasse in any negotiation, the matter goes to arbitration. The history of arbitration in our case is one where labor wins and management loses. The unions know that, and we know that. Consequently, we did the best we could. If you agree that we need a stronger hand in negotiations, you can help make that happen, and I hope you will look favorably on such a prospect.

Mr. Chairman, with your permission, I ask that a paper I delivered to an academic audience last November be included in the record as an extension of my direct statement. It was given at the Southern Economic Convention in Atlanta, at a session in memory of Professor Roger Sherman, who followed postal issues with interest and care over many years.

Mr. Chairman, that concludes my statement. I shall be happy to address any questions you and other Members of the Committee might have.

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THE U.S. POSTAL SERVICE: DEVOLUTION OF A MONOPOLIST[1]

by

James C. Miller III[2]

Roger Sherman had many research/policy interests, one of which was the U.S. Postal Service. As you may know, Roger wrote several articles on postal issues, edited an American Enterprise Institute book on the subject, and even took a sabbatical as economic advisor to the Postal Rate Commission's Administrative Law Judge. Roger would be the first to tell you, however, that "It's no longer your father's Post Office." Over the past two decades, the organization's market environment has undergone rapid evolution, and its business model no longer works.

The Old Postal Service

The U.S. Constitution authorizes -- but does not require -- Congress "To establish Post Offices and post Roads."[3] Nevertheless, clearly the Founders envisioned a nexus between the federal government and the delivery of mail. Indeed, one of the key Founders -- Benjamin Franklin -- became the first Postmaster General under the Continental Congress. To protect the Post Office, in 1792 Congress passed, and the President signed, the first of a series of private express statutes reserving for the Post Office a monopoly on the delivery of letter mail. Nevertheless, over the years, private-sector competitors emerged, proliferated, and were responsible for much innovation -- including the Pony Express.[4] Price competition and "cream-skimming" threatened the financial viability of the Post Office, and so private carriers were forced out of business. In 1970, to eliminate both real and perceived political cronyism and to increase efficiency, Congress and the President transformed the Post Office into a new government-sponsored enterprise (GSE) called the U.S. Postal Service and established a Postal Rate Commission to regulate its rate levels and rate structure.

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[1] Paper given at a session in honor of (recently-deceased) Professor Roger Sherman; Southern Economic Association Convention; Atlanta, GA; November 20, 2010.

[2] Center for Study of Public Choice, George Mason University, and Hoover Institution, Stanford University. Jim@jimmiller.org. The views expressed need not be those of Postal Service management nor of any of my colleagues on the Postal Service's Board of Governors. Comments by James Campbell and Julie Moore on an earlier draft are gratefully acknowledged, though neither bears any responsibility for errors and other deficiencies.

[3] Article I; Section 8.

[4] The Pony Express was short-lived (1860-1861). As some will recall, a post rider on horseback with saddlebags carrying the mail was the official seal of the U.S. Post Office from 1837 until 1970.

Over the period between its founding as a government department and through its reconfiguration as a GSE and beyond, the operating model of the Postal Service could be summed up as follows: use rents from the delivery of first-class (letter) mail to offset losses on other classes of mail and other non-remunerative services. This model worked for over two centuries. Sure, some of the Postal Service's infrastructure (e.g., real estate) was provided by taxpayers, and the organization received other advantages, including a public subsidy that covered 10 to 15 percent of total expenses. As with any monopoly, there were criticisms of poor customer service, deficiencies in quality control, slowness of delivery ("snail mail"), and lack of innovation. But the model worked.

Not only did the model work, but given that the Postal Service was a price-regulated, multi-product monopolist, with a lot of common costs and some joint costs, the inverse-elasticity pricing structure that emerged after 1960 or so approximated allocative efficiency. The evidence is pretty powerful that the demand for letter mail is much less price elastic than the demand for most other types of mail. Many a proceeding before the Postal Rate Commission centered on whether the Postal Service's rate structure was, or was not, Ramsey-efficient. Moreover, the rate structure was arguably equitable, for all the reasons that "value of service" pricing held such sway in regulatory circles for so many years.

The New Postal Service

But what does the Postal Service do when first-class mail volume declines? That, in fact, is what has happened: gradually at first, then more rapidly. As shown in Table 1, after expanding every year for decades, first-class mail volume started to decline in fiscal year 2002 and has fallen virtually each year since.[5] Moreover, there is reason to believe that the demand for first-class mail has become progressively more elastic (at relevant prices), although estimates of partial price elasticity are volatile and do not show a particular trend.

[5] Unless it is clear to the contrary, references are made to fiscal years, which commence on October 1st of the previous calendar year, and the sources of data are various U.S. Postal Service publications. Total mail volume peaked in 2006.

Table 1: First-Class Mail Volume, in Millions of Pieces, by Fiscal Year

2000	103,526
2001	103,656
2002	102,379
2003	99,059
2004	97,926
2005	98,071
2006	97,617
2007	95,898
2008	91,280
2009	83,314

Some argue that the volume decline is due entirely to the recession. No doubt, some of the decline is for that reason. Mail tends to be income-elastic -- rising by more than GDP increases (in percentage terms), and falling by more in cases of contraction. But the decline in first-class mail began before the current recession. Rather, it is clear to almost every observer that what is happening is that electronic communication constitutes both an actual and potential substitute for mail. Already, the volume of e-mail swamps the volume of letter mail. More and more frequently, utilities are persuading customers to pay their bills over the Internet. Even standard mail -- those ubiquitous invitations to apply for credit cards, special offers at Wal-Mart, and cable vs. satellite TV -- has been affected by e-messaging.

So, you have a business model that operates by generating rents on products with relatively inelastic demands and using these rents to offset losses on non-remunerative products -- and the rents are disappearing! It's fairly more complicated than that, but that's the basic idea. In any event, in each of the past two years, the Postal Service has lost over $7 billion -- a dime for every dollar it spent.[6]

Complications

Here are some of the complications. The first relates to rate structure. Cost considerations aside, you might think the Postal Service could simply raise rates on

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[6] Not counting the deferral in payments to retirees' health-care-plan fund passed by Congress the last day of 2009 but not signed into law until after the year was ended. The deferral brought the 2009 loss down to $3.88 billion. The Postal Service posted a loss of $8.5 billion in 2010.

letter mail even more (it's pretty certain that current rates on letter mail are lower than profit-maximizing levels) and/or raise rates on non-remunerative services. But in 2006 Congress passed and the President signed the Postal Accountability and Enhancement Act (PAEA) -- which, among other things, limits rate increases for each class of mail to no more than the most recent 12-month increase in the CPI. This obviously limits rate increases on letter mail, but also limits the Postal Service's ability to convert non-remunerative services into remunerative services. In fact, there is a little-known Catch-22 at play here. According to another provision of the PAEA, each class of mail must cover its attributable costs. As shown in Table 2, however, the rates on several categories of mail -- most notably publications -- are well below attributable costs, and even raising them the maximum allowed (CPI) would not put them above attributable costs. That's a dilemma that keeps Postal Service attorneys scratching their heads and Governors -- sworn to uphold the law -- in a state of anxiety.

Table 2: Examples of Mail Categories That Do Not Cover Attributable Costs, 2009

Category	Percent Cost Coverage
Periodicals	76.0
Standard Mail Flats	82.2
Media/Library Mail	84.1
Inbound International Letters	60.5

There is, in PAEA, a provision for an "exigent rate increase" which would allow the Postal Service to increase rates by more than the increase in the CPI. But the circumstances that qualify are very narrow -- developments that are truly unusual, unanticipated, unavoidable, *et cetera*.[7] Recently the Postal Service applied to the renamed Postal Regulatory Commission (PRC) for an exigent rate increase averaging about 5 percent, citing the recession as justification. The Commission refused the request, basically saying that the Postal Service's problems are systemic and were not caused by the recession.[8]

The second complication relates to the speed at which the Postal Service can change rates and introduce new products. The PAEA divides Postal Service products

[7] The qualifying PAEA language reads: "due to either extraordinary or exceptional circumstances." 39 U.S.C. section (36(d)(1)(E).

[8] U.S. Postal Regulatory Commission, "Order Denying Request for Exigent Rate Adjustments," Docket No. R2010-4, September 30, 2010.

into two classes: market-dominant, which accounts for 88 percent of revenue, and competitive, which accounts for 12 percent. Rate changes on market-dominant products -- basically all letters and publications -- and new products in this category must be approved by the Board of Governors and then submitted to the PRC at least 45 days before implementation. If the PRC believes the new rates are not in compliance with the law (primarily, that they are too high), the Postal Service can then resubmit new rates, restarting the 45-day clock. Rates on products in the competitive category -- such as packages and express mail -- can be approved by the Board of Governors, announced, and put into effect immediately. However, all such rates and services are then reviewed by the PRC to make sure they conform to legal standards (primarily, that they are above attributable costs and thus are not predatory), and in the event the Commission concludes that they don't conform, can order rescission and/or rebates. Obviously, this procedure disadvantages the U.S. Postal Service, especially when pricing or introducing new market-dominant products (risking delay and revision) or when pricing or introducing new competitive products (running the risk of having services withdrawn and/or having to give rebates).

On the cost side, the complications are even more vexing. The business of mail is really the business of logistics. When patterns of demand change, or when new technologies emerge, the optimal logistical pattern is likely to change as well. But the U.S. Postal Service has been thwarted in making basic changes to its logistical network by numerous "Not In My Backyard" (NIMBY) amendments to Congressional appropriations and other essential legislation. The costs to Postal Service consumers are quite large.

NIMBY is even more prevalent in efforts to close individual post offices. The net costs of such constraints are considerable. Consider: of the Postal Service's 30-thousand-plus post offices, only 6 thousand produce more revenue than costs.

A related issue is the current mandate that the Postal Service provide delivery six days per week. In some cases, of course, it makes sense to have delivery six days per week. But in other cases, delivery no more than five, or even three, or two days per week is all that is justified. Yet, each year, the relevant appropriations law mandates six-day-per-week service. Moreover, the Postal Service is required to deliver mail in every area of the country, regardless of cost. Thus, the Postal Service's "universal service obligation" (USO) is a key feature of its operations.

By far the greatest cost complication relates to the fact that over 80 percent of the Postal Service's costs are salaries and benefits, including retirement. No doubt certain savings could be made by streamlining Postal management. But the largest opportunities for savings lie in further downsizing and reform of the pay and benefits granted members of the Postal Service's four craft unions -- primarily the American Postal Workers Union (210 thousand employees) and the National Association of Letter Carriers (205 thousand employees). Under the 1970 Postal Act, employees have a right to organize, but no right to strike. Management has no right to lock out. Management and labor are required to negotiate "in good faith," but if there is an impasse, the matter goes to a three-person arbitration panel. The union gets to pick one member of the panel; the Postmaster General picks one member; and the third member is chosen from a neutral source.

Over time, on those occasions when a labor dispute has gone to arbitration, the arbitration panels have granted labor generous concessions, and this history is a factor in each negotiation. Econometric work, some of which was sponsored by the Postal Service, has found that postal workers typically receive some 25 percent to 30 percent more than those doing comparable work in the private sector.[9] Moreover, Postal Service employees' benefits are even more generous than those of other government employees. As an example, the federal government pays 72 percent of the cost of most employees' health insurance, but the Postal Service pays 79 percent for its employees.

Of concern also are the work rules imbedded in the Postal Service's labor contracts. They contain no-lay-off provisions for career employees and limits on the number of non-career employees. Obviously, when mail volume is contracting, this poses a problem that becomes more acute (and costly) every year. Moreover, for full-time employees, all shifts must be for a full eight hours. The processing of mail is characterized by peaks and valleys. Both FedEx (non-union) and UPS (union) make great use of four-hour shifts and utilize a lot of part-time employees (primarily college students) to accommodate their mail flows at considerable savings.

Still another cost consideration is the fact that the Postal Service is required, by law, to grant free or (otherwise) reduced rates to certain classes of customers. Although the 1970 Act envisions Congress's defraying some of the shortfalls in revenue, Congress has since decided to let other mailers pay for most of these reduced-rate privileges.

A final cost complication is that the Postal Service is required to contribute each year to a fund that will be sufficient to pay retirees' health benefits. However, independent actuaries as well as the Postal Service's Inspector General have

[9] See, for example, Michael L. Wachter, "On the Issue of Wages and Benefits in the Postal Service and How They Compare to the Private Sector," Testimony before the Senate Committee on Governmental Affairs, February 4, 2004.

concluded that the amount far exceeds what is warranted, especially given that total employment is contracting.[10] PAEA mandates a payment schedule ranging from $5.4 billion to $5.8 billion for fiscal years 2007 through 2016. By contrast, the U.S. Postal Service Inspector General has concluded that the fund's needs over the next few years would be met by payments averaging some $4 billion less each year.[11]

What Has Been Done

In response to the changing mail environment and to increase productivity, the Postal Service has not been standing still. Within the four corners of the master agreements with the unions, the Postal Service has reduced the total number of employees from 902 thousand in 2000 to 672 thousand in 2010 -- see Table 3. It has done this with respect to career employees through attrition, by providing incentives for early retirements, and (indirectly) by reassigning employees to more central work stations. Also, it has laid off or discharged a slightly larger portion of its non-career employees.[12]

Table 3: Number of U.S. Postal Service Career, Non-Career, and Total Employees, 2000-2010

Year	Career	Non-Career	Total
2000	788	114	902
2001	776	115	891
2002	753	101	854
2003	729	98	827
2004	707	100	807
2005	705	98	803
2006	696	100	796
2007	685	101	786
2008	663	102	765
2009	623	89	712

[10] See Office of Inspector General, U.S. Postal Service, "Estimates of Postal Service Liability for Retiree Health Care Benefits," July 22, 2009. The Inspector General has also opined that Postal Service contributions into the Federal Employees Retirement System -- to fund the pensions of Postal employees -- have been excessive as well, by nearly $7 billion. See Office of the Inspector General, U.S. Postal Service, "Federal Employees Retirements System Overfunding," August 16, 2010.

[11] Ibid. The fund already has a considerable surplus, according to the Inspector General.

[12] Non-career employees do not have no-layoff rights.

2010 (pre.)	584	88	672

Because non-career employees are less well paid than career employees, however, the savings have been less than the reduction in the number of employees would imply. And, opportunities of this sort are running out.

Despite the existence of numerous NIMBY legal restraints and, at least equally important, threats of NIMBY amendments, the Postal Service has been able to reduce the scope of, and streamline, its logistical system to some extent. For example, since 2000, the number of Post Offices has declined from 34,645 to 32,292 in 2010, and the number of plants has fallen from 675 in 2004 to 565 in 2010. Moreover, while total mail volume fell 14.6 percent between 2000 and 2009, total inflation-adjusted expenses fell 10.7 percent. Even though the latter figure is smaller than the former, this represents remarkable success, given the constraints under which the GSE operates.

Nevertheless, the latest Postal Service forecast envisions another $7 billion or so in losses for 2011, and without an unanticipated resurgence of mail, substantial regulatory relief, and/or legislative liberalization the Postal Service will not be able to pay its bills at the end of the year.[13]

What More Could Be Done

The Postal Service can continue to downsize, even though that is getting more and more difficult. It can also take more aggressive steps in consolidating operations, both to eliminate duplication of facilities (as mail volume falls) and to take advantage of obvious scale economies. Success, however, will depend on the forbearance of Congress.

A major step forward would be adoption of some or all of the restructuring plan Postmaster General Potter unveiled last March.[14] This proposal, which had been developed by Postal management and the Board of Governors over a several-month period, contains the following key elements:

1. Retiree health benefits prefunding. Enact legislation to reduce the mandated annual payments to levels that are really required.

[13] This forecast assumes borrowing from the U.S. Treasury in the amount of $3 billion -- the legal maximum borrowing in any year -- but also reaching the $15 billion legal limit on borrowing.

[14] See, for example, U.S. Postal Service, "Ensuring a Viable Postal Service for America: An Action Plan for the Future," March, 2010.

2. Delivery frequency. Enact legislation to permit the Postal Service to adjust delivery frequency -- specifically change from six-days-per-week service to five-days-per-week service.

3. Expand access. Enact legislation to enable (or at least promise not to block) the Postal Service's providing services more responsive to consumers -- locations, hours, and partnerships with other service providers.

4. Workforce. Obtain union agreement to allow the Postal Service to increase workforce flexibility to adapt to customer demands and take advantage of the increasing number of retirements over the next few years to "right-size" total employment.

5. Pricing. Enact legislation and obtain PRC cooperation to allow the Postal Service more flexibility to price market-dominant products in line with costs and market conditions.

6. Expand products and services. Enact legislation and obtain PRC cooperation to give the Postal Service additional flexibility to introduce services ancillary to its basic mission to deliver the mail.

7. Oversight. Reinforce these changes with more clearly-defined, appropriate, and agile oversight roles and more streamlined processes.

More steps could be considered, with the goal of not just restoring the Postal Service's financial viability, but increasing the efficiency of the broader postal market.

The most obvious proposal is to demonopolize and privatize the Postal Service -- simultaneously freeing the Postal Service from rate/product supervision by the PRC, putting additional distance between the Postal Service and the complications associated with political management (see above),[15] and subjecting the Postal Service to the additional pressure of having to answer to stockholders with a keen interest in the "bottom line." A request to repeal the private express statutes as well as privatize the Postal Service was contained in President Reagan's 1987 budget proposal to Congress. The initiative got absolutely no support -- none. Moreover, despite more recent proposals by Rep. Dana Rohrabacher and a few other Members of Congress to transfer Postal Service ownership to its employees in exchange for demonopolization, they have

[15] The two issues are separate. Of the two, from the standpoint of efficiency, the more important is demonopolization, as even with government ownership an enterprise will fail if it is not "competitive."

garnered little support or even interest. In today's political environment, demonopolization/privatization is simply a non-starter.

That leaves trying to make the Postal Service function as an efficient business enterprise and allowing it more competitive freedom as the market continues to evolve. That would both increase the organization's operating effectiveness and increase the efficiency of the broader postal market.

Additional steps might be considered. For example, the current contract negotiations with the American Postal Workers Union and the next year's negotiations with the National Association of Letter Carriers are viewed by many as a test of whether the current special labor law can work in a fashion that approximates what would obtain in an industry facing a similar market environment. If the outcome of the negotiations, possibly with arbitration, are not viewed positively, Congress and the President might consider directing the arbitrators more explicitly about what constitutes truly comparable pay. Or, they might even consider giving the unions the right to strike and management the right to lock out -- and in either of those cases, of course, trigger an automatic suspension of the private express statutes.

Relaxing the Postal Service's USO might also be considered. The typical response is that the result would be a widespread curtailing of service. But adaptation of service in special circumstances is the more likely outcome, and the vast majority of Postal patrons would see little or no diminution in the services they receive. Consider that the same argument was made in opposition to airline and trucking deregulation in the 1970s. Yet, following deregulation service flourished in most areas of the country, and curtailments were few and far between. Also consider that neither FedEx nor UPS has a USO, yet their service is truly ubiquitous.

Perhaps relaxing the Postal Service's USO might be accomplished in exchange for repeal of the private express statutes. Consider, for example, that the PRC, in response to a mandate contained in the PAEA, performed a two-year study which concluded that the USO costs the Postal Service some $4.4 billion annually, whereas the value to the Postal Service of its monopoly on letter mail (including the mailbox) is $3.5 billion annually.[16]

In a similar vein, responding to another requirement of the PAEA, the Federal Trade Commission (FTC) made an extensive study of the advantages and

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[16] U.S. Postal Regulatory Commission, "Report on Universal Postal Service and Postal Monopoly," December 19, 2008.

disadvantages of the Postal Service's special GSE status relative to its competitors in the competitive category of service.[17] The FTC concluded that the USPS's "unique legal status likely provides it with a net disadvantage versus private carriers" and that both the burdens imposed on the Postal Service and the implicit subsidy likely to exist in the Postal Service's provision of competitive services are "two distortions that compound each other and negatively affect the provision of competitive mail products." The FTC went on to recommend, among other things, that Congress consider reducing constraints on the Postal Service's competitive operations, that the PRC be vigilant in making sure pricing in the competitive area does, indeed, cover attributable costs, and that Congress consider narrowing the Postal Service's monopoly to allow for greater competition. The point, of course, is that while there are special preferences that help the Postal Service, the myriad of constraints are more than offsetting.

Another way to give the Postal Service more "running room" would be for the PRC to exercise its authority under PAEA to put more classes of mail in the "competitive" category -- such as publications, which are not covered by the private express statutes. That would allow the Postal Service to respond more quickly to market conditions.

Surely too, Congress might wish to revisit its policy of expecting Postal Service rate-payers to subsidize certain types of Postal customers. If that is a truly favored social policy, then there is strong argument that the subsidy should come out of the U.S. Treasury rather than out of rate-payers' pockets. In short, this would mean that Congress would appropriate to the U.S. Postal Service the justifiable shortfalls in providing losing services such as publications and media/library mail, and defray the costs of meeting the USO.[18]

Finally, the Postal Service might consider increasing its use of contract employees. Besides being lower in cost than full-time employees, the work rules for contract employees are not nearly so confining -- and thus pose an opportunity to increase productivity as well. The major reason the Postal Service has not moved more decisively in this direction is the likelihood of Congressional action to forbid all

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[17] U.S. Federal Trade Commission, "Accounting for Laws That Apply Differently to the United States Postal Service and Its Private Competitors," December, 2007. The rest of the paragraph is based on pp. 8-11, *infra*.

[18] Pursuant to the 1970 Act, the U.S. Postal Service is reimbursed, generally, for free mal to the blind and other such mandates.

contracting out or to limit it severely. Thus, utilization of this means to increase Postal Service efficiency depends very much on Congressional forbearance.[19]

Concluding Remark

The U.S. Postal Service is one of the world's largest business enterprises. On the basis of revenue, it ranks among the top 30 in America. Right now it is facing a fiscal crisis of the sort it has not seen since the Great Depression. It is important to understand that the problem is systemic. Solving it requires a new approach, not fine-tuning. No doubt, the current economic recession has exacerbated the problem. So has recent legislation, which established a more burdensome regulatory regime and requires excessive payments to the U.S. Treasury. But the main contributor is an old business model which no longer works. Return of a robust economy, some regulatory acquiescence, and temporary relief from payments will not solve the long-term problem. The U.S. Postal Service faces a very different business environment than just a few decades ago. Continued use of the old business model is a formula for failure. A new approach, such as outlined here, is essential if the U.S. Postal Service is to survive and meet its mandated responsibility of providing high-quality postal services to all Americans.

[19] Numerous proposals along the lines just described have been advanced in the literature and by government agencies. The reason for citing agency reports here is that they are the ones most likely to come to the attention of government policymakers and are typically based, in part, on the academic literature. For more such proposals, see U.S. General Accountability Office, "U.S. Postal Service: Strategies and Options to Facilitate Progress toward Financial Viability," April, 2010.

James C. Miller III

April, 2011

James C. Miller III is a Senior Advisor at Husch Blackwell, LLP, an international commercial law firm. He is also a Distinguished Fellow of the Center for Study of Public Choice at George Mason University and a Senior Fellow (by courtesy) of the Hoover Institution at Stanford University. In addition, he is Chairman of the Executive Committee of the International Tax and Investment Center, and a member of the Board of Directors of Americans for Prosperity. In 2003 he was appointed by President Bush to the Board of Governors of the U.S. Postal Service and later was confirmed by the U.S. Senate; he served as elected Chairman of the Board from 2005 until 2008 and presently serves as Chairman of the Board's Audit and Finance Committee.

Moreover, Dr. Miller is a member of the Boards of three of the American Funds family of funds: Washington Mutual Investors Fund, the Tax-Exempt Fund of Maryland, and the Tax-Exempt Fund of Virginia, as well as a member of the Boards of the JPMorgan Value Opportunities Fund and Clean Energy Fuels Corp. He serves as chairman of the Audit Committee and is the Designated Financial Expert of each of these organizations.

From 2002 until 2006, Dr. Miller served as Chairman (or Chairman Emeritus) of The CapAnalysis Group, a consulting arm of the international law firm, Howrey, L.L.P.

Dr. Miller is frequently called on to comment on public issues. He has appeared on the Today Show, CBS Morning News, Good Morning America, Meet the Press, Face the Nation, This Week, Inside Edition, MacNeil-Lehrer NewsHour, Crossfire, Inside Politics, Inside Edition, Late Edition, Kudlow-Cramer, and Wall Street Week. His opinion pieces have appeared in the Wall Street Journal, New York Times, Washington Post, Washington Times, USA Today, Investors Business Daily, and other major newspapers. He has also been an occasional commentator for Marketplace Radio.

In 1994, Dr. Miller was a candidate for the Republican nomination to the U.S. Senate from Virginia, losing a close race to Col. Ollie North at the state party's convention in June. In 1996, once again Dr. Miller was a candidate for the Republican nomination to the U.S. Senate, losing to incumbent Sen. John Warner in the June primary. In 1998, he was treasurer of his wife's campaign to represent Virginia's 8th Congressional district (winning the primary but losing the general election) and assisted her with another (losing) run for the same office in 2000.

From October 1985 to October 1988, Dr. Miller was Director of the Office of Management and Budget, was a member of President Reagan's Cabinet, and was a member of the National Security Council. From October 1981 to October 1985, he was Chairman of the Federal Trade Commission. And from January 1981 to October 1981, he was Administrator for Information and Regulatory Affairs at OMB, where, among other things, he set up President Reagan's program of regulatory relief.

The holder of a B.B.A. in economics (University of Georgia, 1964) and a Ph.D. in economics (University of Virginia, 1969), Dr. Miller is the author of over 100 articles in professional journals and is the author, co-author, or editor of nine books, the most recent of which is Monopoly Politics, published in 1999 by the Hoover Press at Stanford University.

Dr. Miller was born in Atlanta on June 25, 1942, and was raised in Conyers, Georgia. He resides with his wife, Demaris (holder of a Ph.D. in psychology from George Mason University), in Rappahannock County, Virginia. The Millers have three grown children, one daughter-in-law, one son-in-law, two granddaughters, and two grandsons: Katrina Miller; Felix, Anna, Natalie & Paulina Miller; and Sabrina, Fernando, Tristan & Rommel Pagkalinawan.