Going Postal: The Case for Postal Banking

By “Coach Vance” Trefethen

***Resolved: The United States federal government should substantially reform its banking, finance, and/or monetary policy.***

Case Summary: The poor are largely left out of the mainstream banking system. This happens either because banks don’t find it profitable to open branches in poor communities, or else because banks charge big monthly fees or high service fees that end up getting their accounts closed when they can’t pay them. Instead, the poor rely on non-bank “fringe” institutions (payday lenders, check cashing businesses, etc.) that charge large fees but only for each service (not an ongoing fee to keep an account open). Without reliable banking services that the rest of us take for granted, the poor spend up to 10% of their already meager income just to get access to that income. They’re trapped in a cycle of debt and poverty. Sen. Kirsten Gillibrand in 2018 offered a bill to have Post Offices offer small scale banking and financial services, ensuring access to banking in every zip code in the country at cost, without predatory pricing or profit concerns. It’s not a new idea: Most other industrialized countries have been doing it for a long time, and even the United States did it between 1911-1966. Postal banking would bring the “unbanked” back into the system and in many cases rescue them from cycles of debt and poverty. It’s hard to argue that it’s “unfair competition” with commercial banks, since banks don’t want these customers anyway and aren’t currently serving them. The banks have nothing to lose and the poor have everything to gain. And the Postal Service would net positive revenues from it, so taxpayers would lose nothing.

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African-American novelist James Baldwin said it best. QUOTE: “Anyone who has ever struggled with poverty knows how extremely expensive it is to be poor.”[[1]](#footnote-1) Please join my partner and me as we gain the comparative advantages of affirming that: The United States Federal Government should substantially reform its banking, finance, and/or monetary policy.

OBSERVATION 1. INHERENCY, the structure of the Status Quo

FACT 1. Banking fees

Bank fees are rising, complicating life for the poor and even worse for minorities

Casey Bond 2019. (journalist) HUFFINGTON POST 21 Feb 2019 “How Predatory Banking Fees Are Zapping Our Wealth” <https://www.huffpost.com/entry/bank-fees-high-cost-low-income_l_5c5ccfd9e4b03afe8d65f468>

Indeed, more banks are requiring customers to maintain minimum balances in order to avoid monthly maintenance fees, and the average overdraft fee at a bank is $30, a 50 percent increase from $20 in 2000. A [recent study](https://www.washingtonpost.com/news/wonk/wp/2018/06/21/it-can-cost-more-for-a-checking-account-if-youre-black-or-latino-study-says/?utm_term=.04e427228840) of 1,344 community banks also found that minimum opening deposit requirements and checking account fees are significantly higher in communities of color than in white neighborhoods. To avoid fees or account closure, the average white customer needs to maintain a checking account balance equal to 28 percent of a paycheck; that amount nearly doubles to 54 percent for Latinos and 60 percent for African-Americans.

FACT 2. The “Unbanked”

Millions can’t afford to use banks

Casey Bond 2019. (journalist) HUFFINGTON POST 21 Feb 2019 “How Predatory Banking Fees Are Zapping Our Wealth” <https://www.huffpost.com/entry/bank-fees-high-cost-low-income_l_5c5ccfd9e4b03afe8d65f468>

According to the [FDIC](https://www.fdic.gov/householdsurvey/), just under 19 percent of U.S. households are underbanked, which means they have a checking or savings account but also use financial products and services outside the banking system, like those outlined above. Another 6.5 percent of households are unbanked, meaning they don’t have a bank account at all. Half report it’s because the fees are too expensive.

FACT 3. Postal Banking abandoned

The US had postal banking, but abandoned it in 1966. And that’s when the problems started

Tonya Riley 2018 (editorial fellow in *Mother Jones’* DC bureau covering technology and politics) 6 Aug 2018 “Kirsten Gillibrand Has an Ambitious Plan to Take on Payday Lenders: The Post Office” <https://www.motherjones.com/politics/2018/08/kirsten-gillibrand-has-an-ambitious-plan-to-take-on-payday-lenders-the-post-office/>

While postal banking might seem like a modern invention to save an increasingly maligned public agency, the idea actually has deep roots in American history. In 1910, legislation was passed during the Taft administration to create a [“postal savings system.”](https://postalmuseum.si.edu/collections/object-spotlight/postal-savings.html) The plan, which was an attempt to counter public distrust in private banks, aimed to encourage immigrants and those skeptical of banking to invest and practice financial thriftiness.  [According to USPS](https://about.usps.com/publications/pub100/pub100_025.htm), at its peak in 1947, the postal bank had $3.4 billion in deposits. But by 1964 deposits had dropped to $416 million. Private banks enjoyed higher consumer confidence thanks to the FDIC and post-World War II reforms, and people shifted their accounts away from the post office. Congress eventually abolished the system in 1966.  But financial inequality has gotten worse in the decades since. [Growing overdraft fees](http://time.com/money/4977639/overdraft-fees-problem/), [limited free checking options](https://www.marketwatch.com/story/no-wonder-so-many-americans-arent-using-bank-accounts-2018-01-23), [decreases in loans to low-income communities](https://talkpoverty.org/2017/12/05/banks-stopped-lending-low-income-americans/), and [closures of thousands of banks since the 2008 financial crisis](https://www.weforum.org/agenda/2016/03/how-do-bank-branch-closures-affect-low-income-communities) are just a few factors that have ramped up the reliance of low-income Americans on pricey check cashing services and payday lenders.

OBSERVATION 2. The HARMS

HARM 1. Soaking the poor

Absence of legitimate banking services in poor communities leaves them soaked by “fringe banking” institutions

Casey Bond 2019. (journalist) HUFFINGTON POST 21 Feb 2019 “How Predatory Banking Fees Are Zapping Our Wealth” <https://www.huffpost.com/entry/bank-fees-high-cost-low-income_l_5c5ccfd9e4b03afe8d65f468>

As banks [leave low-income communities](https://www.npr.org/2013/11/13/244947836/dayton-ohio-is-latest-area-suffering-from-banking-desert) and jack up the cost of basic financial services such as checking accounts, many Americans instead have to rely on expensive and often predatory “fringe banking” institutions, such as check-cashing businesses, [payday lenders](https://www.huffpost.com/entry/private-equity-payday-lending_n_5a3301fde4b01d429cc750b6) and [pawnshops](https://www.huffpost.com/entry/community-banks-are-faili_b_3813223). Check-cashing businesses [process 150 million checks a year](https://prospect.org/article/bank-failure-financial-marginalization-poor) and generate about $790 million in fees. In fact, it’s estimated that an “unbanked” worker who earns $22,000 a year spends $800 to $900 a year in check-cashing fees alone, [according to research cited by PBS](http://www.pbs.org/wnet/need-to-know/opinion/america%E2%80%99s-poverty-tax/13863/). If you include additional fees for money orders and bill-paying services that the unbanked rely on, that amount rises to about $1,000 annually.

HARM 2. Debt and bankruptcy

Absence of legitimate banking services pushes poor Americans into a cycle of debt and often into bankruptcy

Mehrsa Baradaran 2018 (associate dean at the Univ of Georgia School of Law) 20 Aug 2018 “Postal Banking's Public Benefits” AMERICAN AFFAIRS <https://digitalcommons.law.uga.edu/cgi/viewcontent.cgi?article=2198&context=fac_artchop>

Without a viable alternative, many poor Americans are left with only volatile and usurious options, such as using payday lenders and check cashers. An empire of payday lenders has emerged to meet this demand. One independent report cited by the Consumer Financial Protection Bureau ( CFPB) estimated that there were 16,480 payday loan stores in the United States in 2015-more than all of the McDonald's in the United States and Canada combined}- These lenders charge rates that range from 300 to 2,000 percent APR, pushing their borrowers into a cycle of debt that lands many of them in bankruptcy proceedings.

HARM 3. Social inequality

A. The Link: Lack of banking for the poor leads to vast inequality, and we have an obligation to fix it

Mehrsa Baradaran 2018 (associate dean at the University of Georgia School of Law) 20 Aug 2018 “Postal Banking's Public Benefits” AMERICAN AFFAIRS <https://digitalcommons.law.uga.edu/cgi/viewcontent.cgi?article=2198&context=fac_artchop>

The dependency of bank lending activity on federal policy makes the exclusion of the poor from the banking system a national problem that must be faced by the federal government. The disparity between how banks treat most Americans and how they treat poor Americans does not have to exist, nor has it always existed. A social contract between banks and the government has been in place since the early days of the republic. The government supports the banks through trust-inducing insurance, bailouts, liquidity protection, and a framework that allows the allocation of credit to the entire economy. Banks, in turn, operate as the central machinery of the economy by providing transaction services, a medium for trade, and individual and business loans that spur economic growth. This entanglement between the state and the banking system means that banks should not be allowed to exclude a significant portion of the public from the bounty of government support. This is not just a problem of the banking market. It threatens our social fabric through the array of disruptive consequences that follow from the lack of normal banking and the vicious cycle of impossible loan payments. If the state is so heavily involved in the banking system, it has a direct interest in making sure that the banking system does not create or contribute to such vast inequality.

B. The Impact: Economic inequality causes multiple bad social impacts

Prof. Richard Wilkinson 2011 (professor emeritus of social epidemiology at the University of Nottingham) “Why inequality is bad for you -- and everyone else” 6 Nov 2011 https://www.cnn.com/2011/11/06/opinion/wilkinson-inequality-harm/index.html

People have always known that inequality is divisive and socially corrosive. What is surprising, now that we have the data to compare societies, is how clear the effects of inequality are. A wide range of social problems are worse in societies with bigger income differences between rich and poor. These include physical and mental illness, violence, low math and literacy scores among young people, lower levels of trust and weaker community life, poorer child well-being, more drug abuse, lower social mobility and higher rates of imprisonment and teenage births. The differences in performance of more and less equal societies is often enormous: Most of these problems are between twice and ten times as common in countries like the United States, Britain and Portugal, which have large income differences compared to countries with smaller income differences like the Nordic countries or Japan.

OBSERVATION 3. We offer the following PLAN implemented by Congress and the President

1. Congress passes S.2755, the “Postal Banking Act.”

2. Funding through fees for services, interest on deposits, general federal revenues and the Federal Reserve.   
3. Enforcement through existing postal regulatory enforcement mechanisms.   
4. Timeline: Plan takes effect one year after an affirmative ballot.   
5. Affirmative speeches may clarify

OBSERVATION 4. ADVANTAGES

ADVANTAGE 1. Equal accessibility for all

Postal banking solves for the lack of access to banking services among the poor, and a Postal Service study says it will work

**Endorsing Sen. Gillibrand’s bill, which is what our plan implements, Mehrsa Barandaran at Univ. of Georgia Law School said in 2018 QUOTE:**

Mehrsa Baradaran 2018 (associate dean at the University of Georgia School of Law) 20 Aug 2018 “Postal Banking's Public Benefits” AMERICAN AFFAIRS <https://digitalcommons.law.uga.edu/cgi/viewcontent.cgi?article=2198&context=fac_artchop>

The most promising path toward a public banking option is to use the existing post office framework to extend credit and transaction services to individuals. American banks long ago deserted the most impoverished communities, but post offices, even two centuries later, have remained-still rooted in an egalitarian mission. There have never been barriers to entry at post offices, and their services have been available to all, regardless of income. The post office, America's oldest instrument of democracy in action, can once again level the playing field and, in the process, save itself from imminent demise. (Since I first proposed such a plan in 2013, many policymakers have championed it, including Senators Elizabeth Warren, Kirsten Gillibrand, and Bernie Sanders.) In fact, the USPS Office of Inspector General, a small regulatory branch of the Postal Service, issued a white paper in January 2014 outlining how such a system would work. Senator Gillibrand proposed a bill this year, which I helped draft, but postal banking does not depend on the legislature. It could proceed without legislation if the postmaster general decides to pursue it.

ADVANTAGE 2. Lower cost banking

Postal banking would save the poor billions of dollars and prevent bankruptcies

Office of the Inspector General, US Postal Service 2014. “Providing Non-Bank Financial Services for the Underserved” 27 Jan 2014 <https://www.uspsoig.gov/sites/default/files/document-library-files/2015/rarc-wp-14-007_0.pdf>

The Postal Service is well positioned to provide non-bank financial services to those whose needs are not being met by the traditional financial sector. It could accomplish this largely by partnering with banks, who also could lend expertise as the Postal Service structures new offerings. The Office of Inspector General is not suggesting that the Postal Service become a bank or openly compete with banks. To the contrary, we are suggesting that the Postal Service could greatly complement banks’ offerings. The Postal Service could help financial institutions fill the gaps in their efforts to reach the underserved. While banks are closing branches all over the country, mostly in low income areas like rural communities and inner cities, the physical postal network is ubiquitous. The Postal Service also is among the most trusted companies in America, and trust is a critical element for implementing financial services. With affordable financial offerings from the Postal Service, the underserved could collectively save billions of dollars in exorbitant fees and interest. This could make a big difference to struggling families — on average, people who filed for bankruptcy in 2012 were just $26 per month short of meeting their expenses.

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2A Evidence: Postal Banking

OPENING QUOTES

Postal banking would help the underserved, benefit the US economy and benefit the Postal Service

Office of the Inspector General, US Postal Service 2014. “Providing Non-Bank Financial Services for the Underserved” 27 Jan 2014 <https://www.uspsoig.gov/sites/default/files/document-library-files/2015/rarc-wp-14-007_0.pdf>

This paper aims to explain how the Postal Service could expand its offerings to include a broader suite of non-bank financial services and products. These new offerings could not only bring financial stability and flexibility to the underserved, but also could yield broad benefits to the U.S. economy, the financial services industry, and the Postal Service itself.

DEFINITIONS

Full text of the bill

<https://www.congress.gov/bill/115th-congress/senate-bill/2755/text>

Print out and bring with you to the debate round.

INHERENCY

Poor lack financial services – they’re only for the middle class and wealthy, and the federal government isn’t helping

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The continuous, underspecified debate between more and less regulation of the banking sector overlooks one very grave problem: the financial services sector has elected to serve only the middle class and the wealthy, leaving the underbanked poor in the hands of predatory and payday lenders, check-cashing services, and other providers of typically usurious loans. Since the federal government cannot force banks to serve the public through low-cost credit and banking services, they have chosen not to.

25% are unbanked or underbanked. Poor and minorities lack access to financial services

NEWSWEEK 2019 (journalist Daniel Moritz-Rabson) 30 May 2019 “WHAT IS POSTAL BANKING? PROGRESSIVE BANK SYSTEM COULD BENEFIT COMMUNITIES OF COLOR” <https://www.newsweek.com/postal-banking-what-1438341>

According to the Federal Deposit Insurance Corporation, an independent government agency, 25.2 [percent](https://www.fdic.gov/householdsurvey/) of houses in the United States are unbanked or underbanked. Low income househoulds, as well as black and hispanic households, were more likely to lack accessible financial services. Those who support a postal banking system have emphasized the compounding impacts of poverty. Americans who rely on cash are limited in the ways in which they can save and spend their money, and living without a bank account proves costly. Services like payday lenders often fill the gaps, but their inflated lending rates often create debt cycles.

26.9% of US households are unbanked / underbanked. They go outside the system because banks don’t want them

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But, eager to avoid account maintenance costs for low-dollar accounts, banks discourage poor households from using their services. They charge account fees for failing to maintain a minimum balance or for failing to have a job that offers direct deposits. For instance, in January 2018, Bank of America began to charge its lower-income clients a $12 monthly fee for their accounts unless the customer had a direct deposit of $250 or more, or a minimum daily balance of $1,500. This fee would be in addition to overdraft fees, ATM fees, and other fees that add up for poor customers. The FDIC reported in 2016 that 26.9 percent of U.S. households were either unbanked or underbanked, meaning that they obtained financial services and products outside of the commercial banking system.

Who are the underserved / unbanked?

Office of the Inspector General, US Postal Service 2014. “Providing Non-Bank Financial Services for the Underserved” 27 Jan 2014 <https://www.uspsoig.gov/sites/default/files/document-library-files/2015/rarc-wp-14-007_0.pdf>

The underserved are a geographically, economically, and demographically diverse group of people who, by choice or circumstance, operate partially or completely outside the traditional banking system. We define underserved as primarily consisting of two main groups: the unbanked, who have no checking or savings account, and the underbanked, who have a bank account but also used at least one non-bank financial service during the past year. These non-bank financial services include check cashing, money orders, remittances, payday lending, pawnshops, rent-to-own agreements, and other similar products and services. We refer to them in this paper as “alternative financial services.” In addition, there also are many fully-banked consumers who are unhappy with their current options and are seeking alternatives. There are about 34 million underserved U.S. households, comprising more than a quarter of all American families, as Figure 1 illustrates.

A/T “Banks and credit unions already meeting the need” – They’re not interested in small accounts of the poor

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There will also be opposition from banks, which for two centuries have reliably and consistently opposed any potential threat to their market share-even before they are certain it will be a threat. Whenever a postal banking proposal has been advanced, banking industry lobbyists have quickly responded not only that they were already meeting the market needs, but also that it was a terrible idea-"the worst idea since the Ford Edsel." The credit union lobbyists have also opposed the idea and reasserted that they are meeting these needs. These claims were also made a hundred years ago about postal banking, and they were as wrong then as they are now. Banks are no longer interested in small accounts or small loans.

AT “Existing banks meet the needs” – Banks are raising fees and don’t care about the underserved

Office of the Inspector General, US Postal Service 2014. “Providing Non-Bank Financial Services for the Underserved” 27 Jan 2014 <https://www.uspsoig.gov/sites/default/files/document-library-files/2015/rarc-wp-14-007_0.pdf>

Even in neighborhoods that still have bank branches, there is no guarantee that the underserved will find what they need. Less than half (43 percent) of banks reported that they actively develop products and services for underserved consumers. While free checking used to be a widespread offering from banks, it has become much less common. At the same time, banks have continued to increase existing fees and introduce new fees across a wide range of products and services.

We once had Postal Banking in the US, but abandoned it in 1966. And that’s when problems started…

Mehrsa Baradaran 2014 (associate dean at the University of Georgia School of Law) 18 Aug 2014 “A Short History of Postal Banking” SLATE <https://slate.com/news-and-politics/2014/08/postal-banking-already-worked-in-the-usa-and-it-will-work-again.html>

In 1946, 68 percent of the nation’s towns and cities had both postal savings depositories and banks. And because banks could charge higher interest than the post office and were just as safe, the USPSS was no longer an attractive option for deposits. This is no longer true today as banks have been squeezed on all sides by money markets, capital markets, and foreign banks. Banks began to abandon poor areas and post offices remained, but without banking services. And once banks deserted low-income neighborhoods starting in the 1970s, the high-cost payday lenders and check-cashers flooded in. In 1965 the postmaster generals started to endorse ending postal banking. In 1966 it was officially abolished as part of Lyndon Johnson’s streamlining of the federal government.

HARMS / SIGNIFICANCE

Lacking access to banks, the poor spend up to 10% of their income just to access their own money

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The unbanked face simple deposit and transaction problems as well. Banks and credit unions have a monopoly on the transactional payment system through the Federal Reserve. When an individual or an organization needs to send money from one place to another, or to engage in any type of trade, they have to use a bank. Spurned by big banks that cash their customers' checks at no cost, poor Americans must use private check-cashing companies to access their income-and those companies charge poor Americans exorbitant rates for the same services that big banks provide the middle class for free. These families use up to 10 percent of their income just to access their money.

Lack of legitimate banking services in poor communities has them spending 10% of their income on non-bank service fees

Sen. Elizabeth Warren 2014 (US senator from Massachusetts) 7 July 2014 US NEWS & WORLD REPORT “The Big Benefits of Postal Service Banking” <https://www.usnews.com/opinion/articles/2014/07/07/why-the-postal-service-should-offer-banking-services>

MORE THAN A QUARTER of all American households – about 68 million people – rely at least in part on nonbank financial services like check cashing or payday lending. These unbanked and underbanked households pay more – a lot more – for the kinds of basic financial services the rest of us take for granted. In 2012, the average income for these families was about $25,500, and they spent an average of $2,412 just on interest and fees for nonbank financial services. That was just under 10 percent of their annual income – or about the same amount as they spent on food.  Think about that: The average underbanked family spends roughly the same amount on getting checks cashed, bills paid and the occasional short-term loan as they do on food for an entire year. These families aren’t looking for mortgages and business loans that require more business judgment. They just need access to basic banking services.

The unbanked / underbanked get deeper into poverty because of inflated costs of non-bank services

NEWSWEEK 2019 (journalist Daniel Moritz-Rabson) 30 May 2019 “WHAT IS POSTAL BANKING? PROGRESSIVE BANK SYSTEM COULD BENEFIT COMMUNITIES OF COLOR” <https://www.newsweek.com/postal-banking-what-1438341>

According to the Federal Deposit Insurance Corporation, an independent government agency, 25.2 [percent](https://www.fdic.gov/householdsurvey/) of houses in the United States are unbanked or underbanked. Low income househoulds, as well as black and hispanic households, were more likely to lack accessible financial services. Those who support a postal banking system have emphasized the compounding impacts of poverty. Americans who rely on cash are limited in the ways in which they can save and spend their money, and living without a bank account proves costly. Services like payday lenders often fill the gaps, but their inflated lending rates often create debt cycles.

$89 billion/year spent by the unbanked on financial fees and services at alternative providers. Postal banking would solve

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Estimates show that $89 billion is spent each year by the unbanked on financial fees and services.1 All of this money goes to alternative financial service providers-payday lenders, check cashers, and other nonbanks that charge high fees to store and move people's money. Providing these services at much lower costs has the triple advantage of reviving the beleaguered but too-important-to-fail Postal Service, putting money back in the pockets of the poor, and providing an alternative to a harmful industry that has proved nearly impossible to control through regulation.

Economic inequality hurts the entire country’s economy

Victoria Finkle 2019 (journalist) 24 Apr 2019 “Banks can’t ignore fight over economic inequality” AMERICAN BANKER <https://www.americanbanker.com/opinion/banks-cant-ignore-fight-over-economic-inequality>

Talk of inequality is everywhere these days — and financial services is no exception. There’s a growing consensus that the yawning gap between the rich and the poor is destabilizing for economic growth as well as for the country’s politics. Citigroup’s Michael Corbat wrote on Wednesday that income inequality is an issue that [keeps him “up at night.”](https://www.americanbanker.com/articles/citigroups-corbat-says-income-inequality-keeps-him-up-at-night) Similarly, Jamie Dimon of JPMorgan Chase noted earlier this month in [his shareholder letter](https://www.americanbanker.com/list/a-marshall-plan-for-america-takeaways-from-dimons-shareholder-letter) that the American Dream is “fraying for many” as “income inequality has gotten worse.” Both CEOs — along with their fellow big-bank counterparts — were grilled at a recent hearing about their compensation packages and the [vast disparity](https://www.americanbanker.com/news/whats-jamie-dimons-salary-got-to-do-with-income-inequality) between their pay and that of their workers. Even Jerome Powell, chairman of the Federal Reserve, has repeatedly cited the country’s large wealth gap as a factor that’s slowing down the economy.

SOLVENCY / ADVOCACY / ADVANTAGES

US Postal banking worked great between 1911-1966. It gets affordable banking to poor people in every zip code

Casey Bond 2019. (journalist) HUFFINGTON POST 21 Feb 2019 “How Predatory Banking Fees Are Zapping Our Wealth” <https://www.huffpost.com/entry/bank-fees-high-cost-low-income_l_5c5ccfd9e4b03afe8d65f468>

Why postal banking? The U.S. Postal Service is backed by the government but isn’t controlled by shareholders. It actually offered banking services between 1911 and 1966; often referred to as “[poor man’s banks](https://slate.com/news-and-politics/2014/08/postal-banking-already-worked-in-the-usa-and-it-will-work-again.html),” post offices offered savings accounts with modest interest rates that were meant to complement ― not compete with ― commercial banks. Though banks have fled many low-income communities, there’s a post office for almost every ZIP code in the country. Postal banking could offer services at much lower costs than commercial banks and without the commercial interests that tend to trap low-income people in cycles of fees and debt.

Post Office could do banking efficiently because of its existing size and scale

Mehrsa Baradaran 2018 (associate dean at the University of Georgia School of Law) 20 Aug 2018 “Postal Banking's Public Benefits” AMERICAN AFFAIRS <https://digitalcommons.law.uga.edu/cgi/viewcontent.cgi?article=2198&context=fac_artchop>

In addition, the post office can naturally reduce the high costs of lending to the poor because of its already existing and large network of branches. Compared to payday lenders, the post office can reduce costs immediately by using its existing branches and staff, thus saving money otherwise spent on advertising, marketing, personnel, and stores. It can add revenue on day one without the expense of starting an operation from scratch. One of the important lessons of banking history is that large and national banking won out against small-unit banks, in part because of natural efficiencies. The size and reach of the post office can lead to lower costs of credit.

Poor and minorities will use the post office where they wouldn’t use a bank

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In these communities, many unbanked individuals already buy money orders at their local post office. This means that the post office has access to a customer base that is not comfortable in banks. Surveys of the unbanked show that minority groups are significantly more likely to be unbanked than other groups. This is especially true for populations in certain regions of the country, such as blacks in the South, regardless of income or financial status. Certain groups simply do not patronize banks because they do not trust them. But the cultural and class barriers that keep many people away from the mainstream banks do not exist at the local post office.

Advocacy: Almost all other developed countries in the world already do postal banking. 1 billion people doing it

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Postal banking may seem radical to many in the United States who are convinced that banking should be a "private market" free from "government intervention," but it is a normal part of life for the rest of the world. Postal banking abroad is the norm, not an aberration. Postal banking has been operational in many Western countries since the 1800s, and currently fifty-one countries have postal banking as their primary method of financial inclusion. Only 6 percent of postal carriers worldwide do not offer banking services, and it is estimated that postal banking has banked over one billion people around the world. There are a variety of models worldwide-some focused on the poor and others that offer postal banking services to the entire population. In fact, the United States is one of the only developed countries in the world without a postal banking network.

AFF plan solves for predatory lending and lack of financial services among the poor

**Referring in context to Sen. Gillibrand’s bill, which is what our plan does, Tonya Riley in 2018 says QUOTE:**

Tonya Riley 2018 (editorial fellow in *Mother Jones’* DC bureau covering technology and politics) 6 Aug 2018 “Kirsten Gillibrand Has an Ambitious Plan to Take on Payday Lenders: The Post Office” <https://www.motherjones.com/politics/2018/08/kirsten-gillibrand-has-an-ambitious-plan-to-take-on-payday-lenders-the-post-office/> (brackets in original)

[Growing overdraft fees](http://time.com/money/4977639/overdraft-fees-problem/), [limited free checking options](https://www.marketwatch.com/story/no-wonder-so-many-americans-arent-using-bank-accounts-2018-01-23), [decreases in loans to low-income communities](https://talkpoverty.org/2017/12/05/banks-stopped-lending-low-income-americans/), and [closures of thousands of banks since the 2008 financial crisis](https://www.weforum.org/agenda/2016/03/how-do-bank-branch-closures-affect-low-income-communities) are just a few factors that have ramped up the reliance of low-income Americans on pricey check cashing services and payday lenders. Payday lenders, which offer short-term, high-cost loans [at nearly 400 percent interest](https://www.ftc.gov/news-events/media-resources/consumer-finance/payday-lending), have thrived under the Trump administration thanks to[increasingly lax consumer protections](https://www.motherjones.com/politics/2018/03/democrats-call-out-trumps-consumer-watchdog-for-letting-payday-lenders-off-the-hook/). According to the Pew Charitable Trusts, [Americans spend upward of $9 billion per year on fees associated with payday loan](http://www.pewtrusts.org/-/media/assets/2016/06/payday_loan_facts_and_the_cfpbs_impact.pdf). Research shows that [payday lenders are twice as likely to be located in African American and Latino neighborhoods](https://www.ftc.gov/system/files/documents/public_comments/2015/12/00017-99877.pdf) and that African Americans are [105 percent more likely to take out a payday loan](http://www.pewtrusts.org/~/media/legacy/uploadedfiles/pcs_assets/2012/pewpaydaylendingreportpdf.pdf) than any other demographic. [Gillibrand’s efforts](https://twitter.com/SenGillibrand/status/1023583843855609856) take direct aim at these predatory practices. “Many low-income families across the country don’t have any access to even the most basic banking services like checking accounts and debit cards, and they end up getting preyed on by payday lenders and other predatory lenders,” said Sen. Gillibrand in a statement provided to Mother Jones. “[Postal banking] would effectively end predatory lending nationwide, provide low-cost, basic financial services to all Americans, and make a huge difference in the lives of millions of families.” 

Postal banking gets low and middle income groups back into the system, solves for the unbanked and reduces costs

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While postal banking has the potential to save an essential American institution that predates the Constitution and made our democracy possible, the most important argument in favor of postal banking is that it can provide simple banking services to those with no other good options. In short, it has the potential to bank the unbanked. The most important potential benefit would be access to savings accounts. Consider the social and economic benefits of a system that enables the unbanked in the United States to leave the expensive and time-wasting cash economy and pay their bills online, send money to family, make debit card purchases, and save money without worrying about draconian overdraft fees. It is not just the unbanked who stand to benefit. There is an even larger portion of the population that lacks bank accounts and has been forced to rely on high-cost fringe loans. Postal banking can provide creditworthy members of low- and middle-income groups small loans without life-crushing fees and interest.

Postal banking works great in lots of countries and would work in the US. Would help poor families build economic security

Sen. Elizabeth Warren 2014 (US senator from Massachusetts) 7 July 2014 US NEWS & WORLD REPORT “The Big Benefits of Postal Service Banking” <https://www.usnews.com/opinion/articles/2014/07/07/why-the-postal-service-should-offer-banking-services>

Postal banking is not a new or untested idea, either. The USPS already provides some financial services, like international money transfers to certain countries and domestic money orders, and it used to provide small-dollar savings accounts as recently as the 1960s. Moreover, the postal services in a number of other countries – from Germany to Japan to Brazil – have been offering basic financial services for some time.  A number of steps must be taken to protect people from financial tricks and traps in the marketplace and to expand families’ access to lower-cost banking services. This innovative and creative approach is one such step. It will help strengthen the finances of the Postal Service and help struggling families to build economic security.

Poor citizens would gain more financial security.

Office of the Inspector General, US Postal Service 2014. “Providing Non-Bank Financial Services for the Underserved” 27 Jan 2014 <https://www.uspsoig.gov/sites/default/files/document-library-files/2015/rarc-wp-14-007_0.pdf>

Many people could benefit from the Postal Service expanding its presence in the financial services market. The millions of citizens currently struggling would have new ways to conduct their financial transactions. Non-bank financial services from the Postal Service could help these people to gain more financial security, and help foster a culture of savings.

Postal banking works in lots of countries and the US Postal Service already offers some banking services

Office of the Inspector General, US Postal Service 2014. “Providing Non-Bank Financial Services for the Underserved” 27 Jan 2014 <https://www.uspsoig.gov/sites/default/files/document-library-files/2015/rarc-wp-14-007_0.pdf>

Using posts to expand citizens’ financial options and access is not a novel idea; many international posts already succeed in providing financial services. Much of their success is due to the ubiquity of their networks and the trust the public places in them. In addition, the U.S. Postal Service already offers some types of financial services, like money orders and international money transfers, so it has an established presence. Moreover, expanded financial offerings would be in the spirit of the organization’s founding mission to support commerce and serve citizens.

Postal banking solves for the high fees charged to the poor for banking services

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The basic idea of postal banking is to have a public bank that would offer a wide range of transaction services, including deposit-taking and small lending. Post offices could offer these services at a much lower cost than banks and the fringe banking industry because (1) they can use natural economies of scale and scope to lower the costs of the products; (2) their existing infrastructure significantly reduces overhead costs, and (3) they do not have profit-demanding shareholders and would be able to offer products at cost.

Postal banking would save the poor from bankruptcy and benefit the entire US economy

Office of the Inspector General, US Postal Service 2014. “Providing Non-Bank Financial Services for the Underserved” 27 Jan 2014 <https://www.uspsoig.gov/sites/default/files/document-library-files/2015/rarc-wp-14-007_0.pdf>

As mentioned above, the Postal Loan product outlined in this paper could, by itself, save the average payday loan borrower more than $100 a month in fees and interest. With this kind of cost savings, users of postal financial services would have much more financial security. If this helped decrease personal bankruptcies by just 5 percent, it would not only help more than 50,000 people a year avoid the lasting stigma and financial effects of bankruptcy, it also would potentially keep some $10 billion a year in loans and other debts from being dragged through bankruptcy court, where much of it would be canceled at tremendous expense to creditors (most of whom are financial institutions). That would be good for American families, for banks, and for the entire country. Because the underserved tend to spend nearly every penny they make, any money they save by using Postal Service financial products would immediately go back into the economy. They would spend it on groceries, gasoline, utilities, medical bills, and entertainment. Businesses small and large would benefit

How much does the plan cost? It actually generates revenue for the US Postal Service (USPS)

Sen. Elizabeth Warren 2014 (US senator from Massachusetts) 7 July 2014 US NEWS & WORLD REPORT “The Big Benefits of Postal Service Banking” <https://www.usnews.com/opinion/articles/2014/07/07/why-the-postal-service-should-offer-banking-services>

With nearly 60 percent of post office branches in ZIP codes where there are either one or no bank branches, postal banking could fill the void banks have left by closing branches nationwide. The Postal Service already has a presence in low-income and rural communities, and it could leverage that infrastructure to provide access to lower-cost basic banking services. This idea is a win-win: The Postal Service could offer affordable financial services for underserved families and, at the same time, shore up its own financial footing. The inspector general estimates the USPS can generate billions of dollars in new revenues by offering these services for modest fees.

How much does the plan cost? Postal Service would gain $8.9 billion/year

Office of the Inspector General, US Postal Service 2014. “Providing Non-Bank Financial Services for the Underserved” 27 Jan 2014 <https://www.uspsoig.gov/sites/default/files/document-library-files/2015/rarc-wp-14-007_0.pdf>

In addition, by partnering with banks and other financial institutions, the Postal Service could create a “win-win” situation. Postal financial services could complement the current offerings from banks by helping banks reach customers in geographic areas where they lack a physical presence, by offering products to customers who were not previously a main focus of banks, and by helping some customers transition to traditional bank savings or checking accounts. In addition, financial services could result in major new revenue for the Postal Service. If even 10 percent of what the underserved currently spend on interest and fees instead went to more affordable offerings from the Postal Service, it could lead to $8.9 billion in new revenue per year.

How much does the plan cost? Little or no taxpayer money involved, and they could borrow from the Federal Reserve

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The source of these funds would be the same as the funds from which banks lend: deposits and federal government loans. The scale would be much smaller, however. Even if the post office were to lend half of the American public (about 150 million people) $500 each, that would be $75 billion-a tenth of the $7.7 trillion the Federal Reserve pledged to the largest banks in 2009. Just as the federal government has enabled other markets for credit, so it can enable this one. It would operate as any other bank with a central bank cushion and liquidity support. The capital used to lend could come from customer deposits or financial transaction revenues. In other words, little to no taxpayer money needs to be used in postal lending. Banking, however, is already a heavily subsidized sector, so if a startup or ongoing capital infusion were required, it would just bring credit services to low-income Americans on par with the rest of the population.

How much does the plan cost? Postal services around the world generate revenue from banking

Office of the Inspector General, US Postal Service 2014. “Providing Non-Bank Financial Services for the Underserved” 27 Jan 2014 <https://www.uspsoig.gov/sites/default/files/document-library-files/2015/rarc-wp-14-007_0.pdf>

Financial services are the single biggest driver of revenue for posts around the world, after letter mail.34 Declining mail volume has led many posts to find new ways to diversify their income, and financial services have been an even greater source of new money than parcel delivery and logistics, accounting for an average of 14.5 percent of revenue for postal organizations in industrialized countries in 2012.

Removing the profit motive means Postal banking can provide services at cost, reducing customer burden

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There are several reasons to believe that the post office is uniquely capable of lending responsibly while reducing the costs of small loans. The most important feature of the post office is that it is not an institution motivated by profit-making, and therefore it will only charge borrowers the actual cost of the loan. This has been the necessary premise behind every successful movement to foster financial inclusion. The S&L, the credit union, and the postal savings banks were successful in achieving their goal of financial inclusion so long as they did not let profits supplant their public duties. The post office is an independent agency connected to the federal government, meaning that all excess profits are forfeited to the Treasury. The post office has no shareholders demanding a return on investment, so it is unlikely that the organization will be motivated to take advantage of its customers for private gain. All gains will be public, as will losses. A board of directors, presumably public representatives chosen by the president, will be tasked with overseeing its activities.

A/T “Postal employees can’t handle banking” – It’s not complicated and their employees are smart enough

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Although some claim that postal employees who are trained to sort mail and sell stamps will not be able to manage financial products, these critics underestimate postal employees. Unlike many similarly situated companies, the post office still offers its employees a route to the middle class. As such, they are able to recruit many talented and loyal employees. Not only are postal employees capable individuals, but the provision of simple financial products does not require years of skilled training. Consider the numerous bank tellers or Walmart and Cash America employees who manage this very thing while earning smaller hourly wages and fewer benefits than postal employees.

A/T “Postal service is too inefficient” – They can handle it.

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Others will doubt whether an inefficient government agency could manage the complexity of offering financial services to a large sector of the population. Yet postal banking systems already operate in dozens of countries on a daily basis. It is also worth noting that the U.S. Postal Service manages to deliver mail to every mailbox in the country, even in remote U.S. territories that other shippers will not service.

DISADVANTAGE RESPONSES

A/T “Free markets” – The whole monetary system is operated by the federal government, there is no free market

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More fundamentally, money and credit themselves are created by the federal government. Since loans create money, and since mortgage loans and deposits are guaranteed by the federal government, credit policy and moneymaking are functions of federal government policy combined with bank action. The cost and availability of credit is a policy decision.

A/T “State intervention, socialism, etc.” – Banks are heavily subsidized and government controlled too. So, what’s the difference?

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There are of course challenges to using the postal service or providing a public option in general. Critics will attack the idea on ideological, anticompetitive, and practical grounds. Just as in the 1800s, the ideological opposition will likely revolve around the idea of too much state intervention in markets, a slide toward socialism, and an overbearing or paternalistic state. But while pitting a public option against a private banking market is a handy rhetorical tool, it's just smoke and mirrors. The banking system exists on a foundation of heavy state intervention, and the post office already engages in some financial services such as money orders.

A/T “Government incompetence / loss of privacy” – Better and more accountable than fringe banking shady dealing

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Precautions would also need to be taken to maintain the confidentiality of borrowers and provide indebted borrowers with appropriate recourse in the event of error or undue hardship. In this, the government is also uniquely capable. Government agencies can offer much more privacy to customers than any fringe lender or bank. The government has a developed set of norms and laws that govern the behavior of its agency actors and which ensure that all citizens have a right to contest unfair or arbitrary government action. In contrast, fringe lenders often collect and share customer data and sell defaulting loans to other private buyers, in transactions that are often kept secret. Once you have entered into a contract for a loan with one of these lenders, the right to collect on that loan can be sold to any third party. The post office's collection process, on the other hand, would have to be made public and submitted to agency and legislative review, which would offer more public participation than any other lending and collection mechanisms currently used.

A/T “Data breach / loss of privacy” – Non unique. Big banks lose data to hackers all the time

NEWSWEEK 2019 (journalist Daniel Moritz-Rabson) 30 May 2019 “WHAT IS POSTAL BANKING? PROGRESSIVE BANK SYSTEM COULD BENEFIT COMMUNITIES OF COLOR” <https://www.newsweek.com/postal-banking-what-1438341>

Although the concerns carry merit, large financial services with supposed safeguards have suffered breaches that affected trust with consumers. In 2014, JP Morgan Chase [experienced](https://dealbook.nytimes.com/2014/10/02/jpmorgan-discovers-further-cyber-security-issues/) a cyberattack that exposed information on 76 million household accounts and 7 million small businesses. In 2017, 143 million Americans had their personal and financial data compromised when [credit reporting agency Equifax was hacked.](https://www.washingtonpost.com/business/technology/equifax-hack-hits-credit-histories-of-up-to-143-million-americans/2017/09/07/a4ae6f82-941a-11e7-b9bc-b2f7903bab0d_story.html?noredirect=on&utm_term=.4aec7efcdb42)

A/T “Unfair competition with private sector” – Yes, it would help put payday lenders out of business. Good reason to vote AFF.

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Policymakers beholden to payday lenders will also likely oppose postal banking, saying that payday lenders are doing the best they can to meet the needs of a hard-to-bank public. While any market share gained by the post office would come directly from the payday lending industry, payday lending is one industry whose decline should not be lamented. The large and profitable industry serves very little public purpose besides meeting the credit demands of the desperate with interest rates only the desperate would pay.

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1. [*https://www.goodreads.com/quotes/1864-anyone-who-has-ever-struggled-with-poverty-knows-how-extremely*](https://www.goodreads.com/quotes/1864-anyone-who-has-ever-struggled-with-poverty-knows-how-extremely) [↑](#footnote-ref-1)