

WASHINGTON REPORT

Congressman
James T. Broyhill
POSTAL SAVINGS SYSTEM

Among the uncompleted business of the last session of Congress was legislation to discontinue the Postal Savings System, a banking activity of the Post Office Department that has, in the opinion of many, long outlived its usefulness. Although this legislation has been passed by the House of Representatives, it is still to be considered by the Senate.

Many Americans may not know that the Post Office Department is in the banking business. Nevertheless, it has operated this kind of service since 1910.

Originally, there were good reasons for the establishment of the Postal Savings System. Its purposes were to provide an adequate means of saving for people in rural areas in which banking facilities were not available; and, secondly, to meet the needs of small investors who did not have confidence in the private banking facilities as they existed at that time.

In the first ten years of this century, the country had suffered recessions and a great number of bank failures. Public confidence in banks was at a low ebb. The great influx of immigrants from Europe brought the idea of postal banking and it was natural that these new Americans would look to their post

offices as a place to deposit their money with the full security of the Federal government guaranteeing that it would not be lost.

It has been my feeling that the once-sound reasons for establishing and operating the Postal Savings System no longer exist and that the system serves little or no useful purpose now.

In the United States today, either banks or savings and loan institutions are available to all who wish to use their facilities. The deposits in the banks and savings and loan associations are insured by Federal deposit insurance taking away the risk that was involved in the bank deposits of a half-century ago.

Throughout its history, the Postal Savings System has provided two percent interest for those depositing money in it. It is not uncommon today for private enterprise to pay as much as four-and-one-half percent interest on insured savings deposits. Certainly, this higher interest rate is one of the reasons why there has been such a rapid decline of both deposits and depositors in the Postal Savings System.

The peak year for the Postal Savings System was 1947. In that year, there were more than four million depositors with accounts of \$3.4 billion. By June of 1964, the number of depositors had declined to one million and accounts had tumbled to \$410 million. By

the Spring of this year, deposits were down to \$356 million and were declining at the rate of \$5 million per month.

Certainly, this situation illustrates that private enterprise in the banking field is providing the services needed. This, combined with the Treasury Department's savings bond program, is meeting the needs for those wishing to save and be sure at the same time that their money will be safe.

Looking at another side of the question, the Post Office Department has been in the past helped by the revenues it secured from the Postal Savings System. Since 1911 it has shown a net profit of about \$240 million. Nevertheless, the picture has changed today. Because of the decline in deposits and an increase in the costs of operation, there will be a slight loss in 1965. The loss will become greater as deposits decrease and there is every indication that this will happen. When it does, the system will contribute to the increasingly large postal deficit.

If we look at the program in its historical perspective, it is very clear, indeed, that changing times and circumstances have resulted in the private enterprise sector of the economy providing superior services for the American people than a government program has done. The fact of rural America has changed drastically, too, and the services of our banks have extended even into the most remote sections of the country. Surely, this is one area

where the Federal government can get out of a business that private enterprise has demonstrated that it can do better.

This legislation was prepared by the House Post Office and Civil Service Committee on which I serve and, although the Bill still must obtain Senate passage, there is little question that eventual Congressional approval will be given to it.

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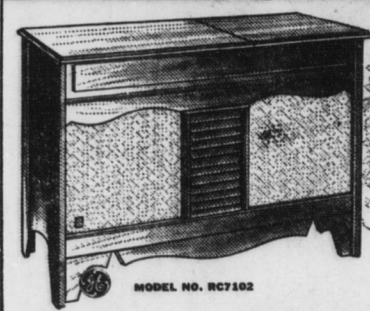


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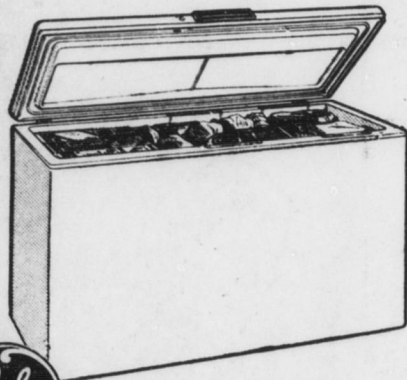
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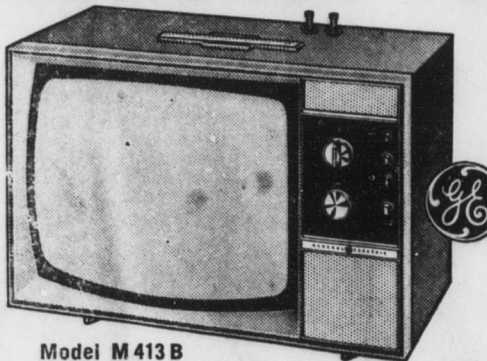
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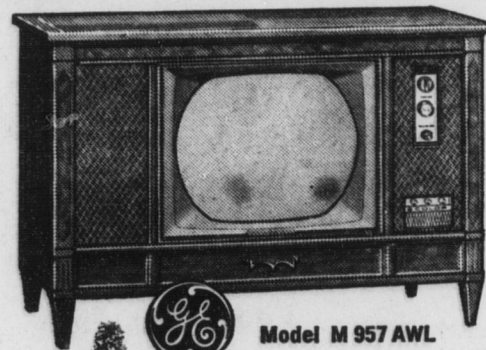
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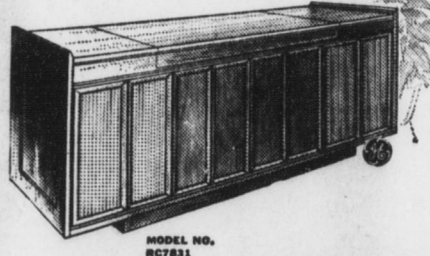
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