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ABSTRACT. The opportunities and problems confronting a public library in its pricing decisions are related to its pricing objectives. This paper examines six objectives of price and identifies the likely outcomes associated with each objective. These objectives are market equity, social equity, maximum opportunity for participation, maximizing revenue, rationing, and commercial sector encouragement. It is unlikely that a library will have one overall pricing objective which is applicable to all of the services it delivers. The price which is ultimately adopted for any particular service will depend upon which objectives are uppermost in priority and will represent the best compromise among conflicting objectives.

In recent years professional journals have devoted increasing amounts of space to the fee or free issue of library services.* Although pricing of public services was discussed and studied before California's Proposition 13 (7, 12), it was the tax-revolt movement which made librarians realize that costs of public services, and the sources of funds needed to meet those costs, were now issues of immediate concern to them. Public library administrators have been most severely impacted by this movement because they operate outside the more protective institutional framework offered by higher education, state and federal agencies, and the already sophisticated cost/benefit environment which is characteristic of corporate special libraries.

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*Throughout the paper the terms "services" and "programs" are used interchangeably.
Many public library administrators are required to make decisions about restricting services, cutting budgets or staff, and increasing revenues without the benefit of formal courses in economic analysis or public finance. Consequently, there has been a temptation to retreat from the problem by rallying behind the emotive cry of free libraries in and for a free society. However, as state and local governments threaten the foundations of this defense by removing from charters the requirement that services be free and drastically reducing budgets, public librarians have to confront and address the new funding levels and political environment. Primary concern has been to seek alternate sources of revenue to tax funds. In particular, this changed environment has caused public librarians to reexamine the potential of imposing, or substantially increasing, user prices for the services they offer. The extent to which users should pay directly for library services has long been a controversial issue. This paper explores the opportunities and problems associated with the user pricing of public library services.

The central concept underlying the delivery of public library services is the notion of voluntary exchange. A public library offers facilities, services or programs which citizens perceive to be of value. In exchange, citizens in the community provide support to the library through tax dollars, and individual users or user groups may pay a price for the service they receive with direct fees and charges, the cost of traveling to and from the library, and the cost of their time.

Price is normally perceived as the amount of money which must be sacrificed in order to acquire a desired unit of service. However, price should be defined more broadly than this, for monetary price is only one way in which people pay directly for library services. Often time costs are more influential than monetary costs in determining whether or not an individual will use library services. Time costs may involve more personal sacrifice than money for some client groups. The most obvious sources of time costs are those incurred in the expenditure of time spent using the library and traveling to and from it. However, additional usage price may be paid when, for example, extra time is expended because there are too few copies of a title, there is reduced availability of reference or circulation staffs during lunch hours, or searches are nec-
necessary for lost or missing materials which are listed in the catalogs.

Time costs of library service users are rarely considered by librarians but they may be manifested in nonuse of libraries by those who can, and do, calculate the value of their time. These people may be the "information rich." They may have telephone, computer links, private libraries, and the like to supply the necessary information. Indeed, one study reported that only 3% of respondents used a library to obtain information on their most important problems (16).

Library services offer a particularly interesting and challenging example of public sector pricing because of their diversity of programs and their long tradition of free services which includes efforts during the last two decades to eliminate nonresident fees and increase open borrowing. The opportunities and problems confronting a public library in its pricing decisions are related to its pricing objectives. What results does the library expect to occur as a result of the prices it charges? It is essential to decide on the desired consequences or objectives before determining the price itself.

It is unlikely that a library will have one overall pricing objective which is applicable to all of the services it delivers. Different pricing objectives are likely to be appropriate for each of these services. In some cases the price adopted for a particular program may reflect several conflicting pricing objectives. For example, if the major objective is to ensure maximum opportunity for participation in a particular program, this suggests that no user price or a relatively low user price should be charged. However, the popularity of the program may require additional support staff thus adding cost to the program which can be met only by requiring reductions in another program which may be perceived as high priority. Even then, the popularity of the program may still stimulate more use than the library can accommodate. Hence, a lower user price may be inefficient since it is unable to perform a rationing function. The price that is ultimately adopted for any particular service will depend upon which objectives are uppermost in priority and will represent the best compromise among conflicting objectives.

In this article six pricing objectives which are frequently adopted by public service agencies are discussed and their relevance for
public library services is evaluated. They are: market equity, social equity, maximum opportunity for participation, maximizing revenue, rationing, and commercial sector encouragement.

MARKET EQUITY

Market equity seeks to price each service at a level which is economically fair and equitable to both participants and non-participants. Much of the debate about equitable pricing revolves around the question of whether a particular program exhibits the characteristics of a private, merit, or public service. To the average person a public service is simply one that is provided by the public sector, that is, it is funded by some level of government. Economists, however, use the term "public service" in a more specialized sense. The differences between private, merit and public services are summarized in Figure 1. The contrasting characteristics of private and public types of services are identified in Table 1.

If a specific program exhibits the characteristics of a private service, benefits from the program are received exclusively by participating individuals rather than by the rest of society. A library service that is frequently viewed in this way is the customized computer literature search complete with document delivery or SDIs run for individuals. Another example of this may be the reference service provided for businesses who choose to use a public library in lieu of establishing their own company library. Similarly, copying services are generally accepted as a private service, for the copying service is a limited, measurable, and consumable resource from which nobody except the user benefits. The case for financing services through direct charges to users is clear-cut where they are perceived to be private services. If the benefits from these services are not perceived to spill over to other citizens, then it is reasonable to expect the agency to adopt a price which requires users of those facilities to pay for their full costs.

In contrast, and at the other end of the continuum, a public service in its pure form is equally available to all (Figure 1 and Table
1). Often this is because there are no feasible ways of excluding any individuals from enjoying benefits of the service. In these cases a pricing system is not practical. Public parks and national defense are common examples of public services. Everyone benefits. No one is excluded.

Alternatively, some public library programs for which it is feasible to levy a user price may on occasions be offered as public goods if they are perceived by society as contributing to the physical and mental health, education, or welfare of citizens. Such a contribution may be viewed as an investment in human capital from which everyone in society benefits. This may be particularly applicable to those citizens with lower incomes who do not have
the private means for satisfying particular informational or recreational wants. Hence, it is sometimes argued that it may not be desirable to impose user prices even when it is technically possible to do so, if this means that less affluent people will be excluded from participating. If they have to pay a monetary price, less affluent individuals may choose not to use certain information or leisure services. This may be considered a socially undesirable outcome. This concern is the traditional defense which has been used to justify libraries as a public good:

The library creed repeated over more than a century is clear: democracy is desirable; it depends on an educated populace; libraries provide the means for educating members of society to pursue both personal and social goals ... it makes available information necessary for a citizen to participate in an informed way in the political process(9).

The rationale in this line of argument is sound, but unfortunately there is little evidence to support the contention that libraries are actually used in this way. When libraries are viewed in the context of the total population of informational industries, "it is clear that the position of libraries as primary dispersors of education and information is largely mythical(9)." There is a clear discrepancy between the public good justification cited above and the actual use of libraries which consists primarily of recreational reading services for the middle class.

At the same time libraries do have some public good attributes:

They are more than purveyors of information and distributors of books. They embody the cultural, social, political, and economic history of a society. They transmit the ideas, the
hopes, the successes and futures of a people. They tell us where we came from and who we are. They are the custodians of value . . . The maintenance of a collective history is a public good(9).

It may be argued that certain leisure amenities such as parks or libraries improve the physical quality of the townscape and the intellectual stature of its citizens, making the community a more desirable place in which to live. Even if many citizens do not use library services, they may gain psychic benefits from the knowledge that they are available or from their symbolic connotations which imply a literate citizenry. Charging a price for the use of such amenities may be considered unreasonable because they increase the value of everybody's property and thus should be regarded as public services.

The definition of merit services is less clear-cut. They lie somewhere on the continuum between public and private types of service (Figure 1). They are considered meritorious because, although part of the benefit accrues to the individual as it does in the private type of service, there are also spill-over benefits which accrue to the whole community. Consequently, although it may be possible to levy user prices for merit services, it is not reasonable that the revenue from such pricing should be expected to cover all costs. Participants should be subsidized to the extent to which benefits are perceived to accrue to the whole of society.

Many library services for which user prices are often charged, for example, reserves, rental books, interlibrary loan, and computer literature searches are not totally self-supporting. They are usually also supported by the general library budget. This suggests that these services are perceived as merit rather than private types of services. Tax subsidy can only be justified if collective benefits accrue to the whole community which is subsidizing the program. The extent to which library services contribute to an intellectually and emotionally healthy population is not firmly or clearly established. For example, King states:

The externalities (effects on members of the community other than the original user or purchaser) of library materials and services vary a great deal. Use of scientific information may yield substantial social benefits, such as the cure or prevention of diseases. On the other hand, information from a novel read for recreational purposes probably does not yield external benefits that are nearly so great. In all instances, the value of externalities is difficult if not impossible to measure(13).
An important point in understanding this public-merit-private classification is that the particular location of a service on the continuum shown in Figure 1 is dependent upon whom the agency and its publics perceive as accruing benefits from that program. For example, the classification of any given activity may vary between geographical areas. In a high income neighborhood, personalized reference services may be perceived as possessing the characteristics of a private service from which the participant exclusively accrues benefits. Hence, all costs incurred should be covered by user prices. In a student population or a low income neighborhood, an identical service may be considered a basic information service and perceived as a pure public service charging zero user price. In this case, the whole community may be perceived to gain by its providing educational service for all citizens, improving the potential contribution which individuals can make to society, or from the psychological satisfaction which citizens accrue from knowing that the less wealthy are being provided with educational opportunities which they could not otherwise afford to purchase or pursue.

Figure 2 indicates that users of a community service typically seek to shift perceptions of their activity of interest as far as possible away from the private end of the continuum toward the public end in order to persuade the agency and the community to pay more of the costs out of taxation revenues and reduce user prices. Increasingly, the general public appears to be seeking to shift community services away from the public end toward the private end to make participants pay more for the benefits they derive from the services they use.

The role of the entrepreneur in this conflict is likely to vary. Those entrepreneurs who perceive themselves to be in competition with the public library service will likely support the general taxpayer who is seeking to make users pay a higher price. For example, information industry spokesmen continually argue for establishing or increasing fees for information services in libraries. Similarly, publishers are continually trying to prohibit the federal government from distributing printed information so freely or cheaply. Higher prices provide more opportunities for the private sector to compete successfully.

However, in other situations where the service offered is complementary rather than competitive, entrepreneurial support is like-
FIGURE 2. The conflicting thrusts of different publics which seek to influence pricing decisions.
ly to be with user interest groups. In some instances the commercial sector may view low prices for a particular public service favorably for this strategy may encourage nonusers to try a service for the first time. These non-users then become a potential future market for the commercial service. For example, access to a library’s circulating collection of disc and video recordings may encourage users to buy the playing equipment. Research shows that many traditional library users are also book buyers(8) so it may be reasonable to conject that comparable new library services may be a market stimulus for disc and video recordings. Similarly, a businessman exposed to successful computer literature searches may persuade his own company to introduce this service into its corporate information system or to pay a retainer to a commercial service. The actual point on the continuum at which a particular activity is located will probably depend upon the relative size and political strength of the various groups.

Traditionally, many library services have been free which suggests that they are public types of services. However, when their characteristics are evaluated against the criteria listed in Table 1, many library services would appear to be more appropriately classified as private types of service. For example, on criteria 1, 3 and 4 (Table 1), for most library services it would be easy to exclude someone who does not pay. Citizens have a choice of using or not using library services; and often they have a choice of the type and quality of services they want to use. On criteria 5 and 6, most library services are usually treated as public services since there is no close relationship between payment and the service, and allocation decisions are made through the political process rather than by the market mechanism. However, there is no inherent constraint associated with the type of service preventing some direct payment by users for services and some resource allocation decisions to be made by market mechanisms. The second criterion (Table 1) at first does appear to suggest that library services inherently have some of the characteristics of a public service. Ostensibly, the individual’s use of library services does not appear to deplete their supply except for a temporary period when he or she is using that resource. However, in the long term, books deteriorate and are permanently consumed with much usage so they do not remain available for all to share.
Many communities provide library facilities and services to people who live and pay taxes outside the community. Before leaving this discussion of market equity, it should be pointed out that adopting user prices is an effective way of making people who live and pay taxes outside of a community contribute toward the cost of the library services they use.

**SOCIAL EQUITY**

It is frequently argued that pricing public library services imposes hardship upon poor people. There are at least three responses to this line of argument.

First, 80% of public libraries' funds come from local sources, predominantly from property taxes. The property tax is regressive, that is, it tends to bear much more heavily on low income groups than upon higher income groups. This is because, generally, property taxes represent a larger proportion of a poor family's total income. It has been suggested that the burden on low income groups would be less if user prices were charged for public services since poor families may now pay more in rent as a consequence of general property taxation than they would under some alternative pricing arrangement. It is argued that the poor may be better off if they are charged user prices and given the option of not participating in the service, and therefore avoiding payment for it rather than being mandated to pay for services they do not want through the property tax system.

A second response argues that if a community does wish to subsidize low income individuals' use of library services, then it may be better to provide reduced or zero priced charges to them rather than offering subsidized services to all regardless of their income. The administrative method commonly used to implement this policy is to give the less affluent a card which is presented at the time of using a particular service. Prerequisites for successful implementation of this differential pricing are that it should not cause resentment from the majority of client groups and that it should avoid placing a stigma on persons receiving the low price privileges.

Finally, there is some evidence and opinion to support the view that the library services offered by municipal libraries do not serve
the low income population very well. It has been repeatedly docu-
mented that library users are "predominantly middle and upper-
middle class, middle to upper income, white-collar, professional,
managerial, better educated individuals"(9). Since subsidized ser-
vice are paid for by taxes, they represent a subsidy from non-
users to users of the service. If low income groups are non-users, 
then subsidized services impose hardship upon them because they 
are required to pay through the tax system for a service that they 
do not use. Even if some of the users of the service are poor, the 
relatively wealthy receive the same dollar subsidy from a service as 
do the poor. Many public library services appear to represent a 
"distorted price system(1)." This is a system in which the richer 
elements in society are subsidized by workers at the lower end of 
the income scale. Such a system results, therefore, in a perverse in-
come or benefit redistribution. Weaver and Weaver provided em-
pirical evidence to support this contention in their study of who 
paid and who benefited from public library services:

It is clear that, by their financing and operation, public libraries actually redistribute in-
come from the poorest to the more affluent strata of the community. . . . The conclusion 
we cannot avoid is that the poor do not get their money's worth from the public library. . . . 
The public library is not simply neutral in regard to the disadvantaged whom it serves poor-
ly; it is an integral part of the burden resting on those least able to bear it(17).

Financing library services from revenues received from user pric-
ing releases those citizens who do not wish to participate or use a 
service from having to pay its cost. A substantial proportion of 
low income people do not use certain kinds of services. Hence, it 
is socially inequitable that they should be required to pay for those 
services.

MAXIMUM OPPORTUNITY FOR PARTICIPATION

This objective is concerned with adopting a price 
which will encourage a relatively large number of potential clients 
to participate. To achieve this, the monetary price is likely to be 
very small or zero. If adopted when a new service is being offered, 
it may help to make the program visible quickly and provide it with initial momentum. However, it is probable that the initial of-
fering price will become the reference point for future pricing of the service. Establishing a low price initially is likely to limit the magnitude of subsequent increases in price which may be desired. In charging a low or zero price it should be recognized that prices may be a communicator of a service's quality. The low price may communicate an inferior service.

The rationale for low or zero pricing of information services or any library services frequently includes a statement suggesting that these services meet a "need" which is felt by all citizens in the community. For this reason it is argued that such services should be regarded as pure public services and their cost should be fully met from tax revenues. This is challengeable. It implicitly assumes that the population's need for library services must be fully satisfied which is completely inconsistent with the way we view other goods and services in the economy—even food(5). It may be argued that users of library services should be required to pay reasonable user prices just as they do for most other goods and services, even if it means that some of this need goes unsatisfied. Traditionally many public service agencies have adopted this maximum opportunity pricing objective since it has been assumed that if large numbers participate then the agency is best serving society. However, since the majority of society probably does not use library services, such an assumption does appear to be challengeable.

MAXIMIZING REVENUE

Many libraries have recently experienced reduction in tax revenue support or have a static budget in a time of high inflation. User pricing offers an alternate source of revenue which may help to compensate for reductions in tax revenues. Restrictions to new programs stemming from financial constraints may be removed if the new programs are self-financed out of user price revenues. The key to maximizing revenue is estimating price elasticity of demand. A synonym for price elasticity of demand would be "sensitivity to price change." If the purpose of the price increase is to increase total revenue, then prices can only be raised in those programs or services for which demand is relatively inelastic.
A small amount of research has been reported on the price elasticity of demand for information retrieval services in public and academic libraries. This research provides some insights into the impact of price on participation. Results from an analysis of several studies on the impact of fees on information retrieval services suggest that the demand in their present state is relatively elastic:

If usage is a measure of access to information, the studies suggest that direct user fees limit access by the individuals unable to pay. In addition, data indicates that user fees also have a significant influence on demand by those individuals who could pay for the information services, but are unwilling to do so.(1)

The level of price elasticity is likely to vary among different types of users. For example, it seems likely that professional users of online services such as doctors, lawyers, scientists, or businessmen who could pass increased charges on to their clients, would not be impacted as much by any given level of price as would students or recreational users.

Two studies of museums have been reported which offer some clues into the impact of price changes on demand for leisure and information services. Researchers found little change in the composition of the visitor population to the Royal Museum in Toronto after the institution of a modest fee. The only significant change was a relative decrease in the proportion of first visitors(3). The experience of the Natural History Museum in San Diego suggests that it may be important to distinguish short- and long-term effects of charging a price for the first time. After a fifty cent price was charged, attendance dropped by 50% in the first year; but after two years of education, attendance had risen to the level achieved before the user price was instituted(1).

RATIONING

It has been suggested that for many library services the rationing problem may not apply:

Indeed library managers may be more concerned with how to stimulate fuller use of library materials that in their view are underutilized. Yet for some types of library services such as on-line searches libraries may have to consider some form of rationing device(4).
User pricing as a rationing device may serve two different functions. First, it may provide insights into those services most desired by client groups. Second, it may be used to reduce overcrowding. User pricing performs a rationing function by excluding those potential users of a library service who are not willing to pay as high a price as other potential users. It thereby allocates the service to those who are willing to make greater sacrifices. Libraries sometimes implement rationing by making rules or policies rather than by charging a price. Reference service is an example. However, pricing is likely to be a more effective rationing technique because it means that potential users to whom the service is not worth the cost will be excluded. This is an important function because providing services at no cost from tax monies often leads to very heavy use. Without price, people may demand an unreasonably high supply of the service because those who benefit from the service correctly perceive that increased supply occurs at little or no direct cost to themselves. If a service is provided at zero, or an unrealistically low price, excess demand will often develop accompanied by "cries of alarm" suggesting that more provision is needed. Yet, there may be little information about the value of this service and the legitimacy of its claims on resources versus alternate claims on the same resources.

Heavy use does not necessarily indicate satisfaction with a library service. If free films are shown or story hours are given, they may become a free babysitter service. Attendance does not always measure satisfaction of clients' evaluation of the service. It merely records individuals' use of the amenity. Higher prices provide decision makers with valuable information about the magnitude of satisfactions or benefits which users perceive a service to provide. They offer some basis for comparison between programs and a rare opportunity to force the public to reveal preferences.

User pricing may be used to reduce crowding at particular times in particular areas. The resource base required for some library services is finite and may not be expanded easily to meet additional demand. For example, a story corner can accommodate a fixed number of participants at any one time. Hence, some mechanism is needed to determine who should have priority. Price is one way of resolving the problem.
Typically a library facility is used intensively during a relatively brief period of time, moderately at other times, and is wholly unused for other periods of time. Charging different prices could serve to ration use at peak times. Price levels could be used to bring about better use of facilities by influencing users to choose certain times, areas, or activities. Such charges could not be expected to be effective unless they were high enough to represent a real burden to the users who paid them and a real saving to those who avoided them.

COMMERCIAL SECTOR ENCOURAGEMENT

If library services are heavily subsidized, then in effect the agency is following a policy of excluding the commercial sector from offering a similar service. It has been said that one cannot give away bread and expect people to rush into the bakery business at the same time, or as information industry spokesman Paul Zurkowski contends, "subsidized information (e.g., public library services) will force unsubsidized services (commercial sector) out of the market regardless of intrinsic value."

A pricing policy which offers incentive for private investment would relieve crowding pressures by increasing the supply. The issue is illustrated by the present debate between public and private information suppliers over whether on-line information searches should be priced or provided free of charge. Private sector vendors of search services believe that a price should be charged to enable them to enter the market place. Such a strategy would provide more sources from which information can be obtained and thus ensure greater access to information. They also feel that private enterprise can be more flexible in repackaging the information and if the government performs the task, this will hamper information dissemination. It may also force commercial suppliers of information out of business because the information sector cannot yet support a large number of similar information products(6).

FACTORS WHICH INHIBIT USER PRICING

Besides tradition and emotional responses to the question of pricing library services, there are three general situations in which user pricing may not be appropriate. First, there
may actually be legal restrictions against charging. Charters, town laws, endowed funds, or grant money may stipulate that no direct charges may be made. Second, the technical difficulty of imposing a charge for a service may be greater than the revenue that is collected. High costs of personnel or high set-up costs may make pricing uneconomic. Third, initiation or increase in fees may result in the municipal government reducing the library agency’s revenue from taxes by an amount equal to that raised from pricing users. This may be an appropriate strategy by decision makers if they perceive it as benefiting the taxpayer. However, it serves as a disincentive to the agency which finds that, instead of having additional revenues to improve the delivery of its services, its only reward is the equivalent loss of a source of financial support which may be difficult to regain in the future.

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