

2010

Not So Fast! Economic Principles and Across-the-Board Cuts

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Published in *The Bottom Line: Managing Library Finances*, Vol. 23, issue 4 (2010) at 10.1108/08880451011104081

Recommended Citation

Roger L. Cross. "Not So Fast! Economic Principles and Across-the-Board Cuts." (Jan 2010). http://opensiuc.lib.siu.edu/morris_articles/42

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Not So Fast!

Economic Principles and Across-the-Board Cuts.

We librarians are witnessing the demise of what has commonly been referred to as Collection Development or Collection Management. Rapid changes in the information environment and consequent funding decisions have left us *reacting* to the challenges of collection development rather than taking a *proactive* approach. We have largely lost control of the budgetary decision-making process and are at the mercy of market forces. We lose our authority when we lose control of the purse, and we have surely lost control of the purse. Collection development decisions are no longer based on the stated mission or the goals of the institution we serve. Instead, decisions are largely made for us by external decision-makers such as large vendors.

This is not simple nostalgia for a gentler time. Some readers may indeed recall such a golden era, but I do not. Fresh from library school, I entered a world where practically everything I had studied was already obsolete. It was not that the core principles were irrelevant; they just did not seem pertinent. Worse, in the swirl of activity that surrounded me I found little time to step back and reevaluate both my actions and the principles I once had held. Time has not given many of us the opportunity for serious self-reflection or for a reevaluation of our core principles or actions. Yet, without a practical set of principles it is difficult to measure how close or how far we come to our institutional goals.

I believe, for example, that the current practice of collection development lacks a mechanism for weighing the long-term economic impact of what often becomes an automated decision. Suppose a typical library materials budget has remained stagnant over the past five years. Unfortunately, the rate of inflation on big ticket items such as electronic subscriptions has

continued to grow. When we search for ways to further cut items to maintain these subscriptions, we are no longer making proactive decisions. Instead, we have become reactive in our efforts to balance our budget according to external (in this case corporate) demands. If we decide, based solely on the interests and goals of our institution that all other fields of study are lower in priority to any particular discipline--and act accordingly--then we are engaging in collection development. When, on the other hand, the institution's goals and mission are broad-based but we sacrifice all other fields to some ever more expensive contractual bundle of serials, then we lose all relevance beyond the duties of feeding the beast. I think it is time we began questioning some rather common collection development practices, especially in view of their long-term economic consequences.

Do librarians give any thought to the economic model of distribution when making budgetary allotment decisions? If so, what model is applied? If not, why not? The process of funding disbursement or distribution is either rational or irrational. A rational approach requires some design or principle that brings us closer to our goals. Otherwise, our operating principle will resemble little more than "whim." Our budgetary decisions should have an underlying rationale that can justify our decision-making processes. But do they? Do we in the profession really consider the economic significance or outcome of our actions beyond the annual adjustments for inflation, or rebalancing available funds?

I suspect that many of our operations are based on *historical precedent*. In itself this is not a negative basis upon which to rely. Much of our daily routine is *routine* because it is founded upon our familiarity with the past, with the way things worked before and are expected to work now. But reliance on precedent or even on some external set of common practices is possible only if: one, the precedent itself originated from a set of rational principles, and two, the

past so closely resembles the present that what was true or useful then is similar to what is true and useful today. With all the discussion about this or that *revolution* in information technology it seems unlikely that reliance on historical precedent is rationally justifiable.

Admittedly, the quest for rationality can be viewed as *unrealistic* because the library and its funding are, in the aptly chosen term of a colleague, “squishy.” We adapt our actions to our institution’s mission and to the complex economic reality undergirding our institution. Even worse, our institutions often make unrealistic demands and enter unfunded commitments in the midst of budgetary chaos and crisis. Librarians can argue against the creation of some new major initiative due to lack of funds or an over-extended budget, but our voice is rarely heard over the trumpets of public announcements and public relations. Besides, campus leaders say, hasn’t the library always complained about a lack of funding? Hasn’t the library always pulled through somehow in spite of all its protestations? I fear they will continue to believe that right up to the moment of total economic collapse and bankruptcy. This collapse is usually signaled by the announcement of hiring freezes, curtailed hours, and the inevitable serials/contractuals cutting and slashing. The university and the library are over-extended, with the result that the library is no longer able to maintain its operations without making drastic, dramatic cuts.

Absent exceptional circumstances involving fraud, theft, or the widespread collapse of the financial sector, the library should never find itself in this situation. Yet, even though data on inflation rates versus the funds available to the library can most likely be known and graphed, these catastrophic cuts continue in libraries around the country. The question is, “why?”

When times are good, or at least less bad, there is little cause for introspection and reevaluation. When times are bad, as my university is experiencing, there is little time for

thought because immediate action is demanded. It is during these periods of crisis that the lack of a rational decision-making model can do the most harm, because we find ourselves merely reacting to our situation--acting to ensure short term survival--while hoping the crisis is temporary as we enact our decisions. Emergency economic triage requires not only budgetary decisions, but ethical decisions as well. What lives, and what dies? How broadly is the suffering distributed? What will be the consequences of our actions or inactions? Ideally, we should be prepared to act before any situation deteriorates into a crisis. This is precisely where a rational economic model or foundation would serve the most good. It is unfortunate, therefore, as Mott Linn points out in his recent article for *The Bottom-Line* that economic issues dealing with real-life budgetary decisions do not receive the professional attention they demand (Linn, 2010).

When faced with a crisis or even when making budget decisions that promise to have profound, lasting effects on our economic universe, it is tempting to fall back upon common materials budget precedents. But it is precisely these commonly accepted practices that I believe demand closest scrutiny. Before we apply them we need to pause and think through the principles they entail. Are these principles actual solutions that will bring benefits, or have they actually contributed to the crisis we now face? While an overarching rational principle would be invaluable to the decision-making process, one is not always at hand. In lieu of such economic rationalization I suggest adopting the simple principle that is central to medical practitioners: “*primum non nocere*” or “first, do no harm.”

In making difficult budget decisions, especially in times of crisis, we should recognize the interconnectivity of academic disciplines within the library. I believe we should go so far as to see the library, at least mentally and ethically, as an organic whole. To continue the medical analogy, in times of financial crisis the library is a patient we must tend. This approach may help

rationally evaluating the decisions we face and the potential solutions at our disposal. To state the obvious, some decisions are more rational than others and the difference between them is often a matter of which option will do the least harm. During a budget crisis, each decision we make must be weighed within the requisite urgency of the action required against the probable long-term effect. And in the bigger picture, how do we avoid maintaining a financial system that spurred the crisis we now face? If past decisions brought us to the present point of crisis, we must reevaluate the system itself.

Case in Point: Across-the-Board Emergency Cuts

An example of an unsupportable solution to sudden economic downturn is the practice of across-the-board budget cuts. Across-the-board cuts seem to have as a founding principle the notion of “fairness.” We are all in this together, the thinking goes, so we all must sacrifice to stave off default. Yet across-the-board cuts constitute one of the least fair of all budget cutting methods. In fact, they represent a system and principle that when cast into a different light we have historically, in this country, rejected as inequitable. Before adopting this method of budget reconciliation we need to stop and think through our actions.

I have first-hand experience in across-the-board cutting because I recently co-chaired a task force at my university that did exactly this. Without adding a single new item or entering a new contract, the existing contracts built into our budget would add about \$300,000 of debt exponentially each year; in other words, \$600,000 the second year, \$900,000 the third, and so on. Faced with such a funding shortfall and the prospect of deficit spending (which was not an option), we instituted a materials budget cut of a fixed percent from every fund-code discipline at our university. This meant that the Department of Theater, with a budget of \$4,282, was cut by

the same percent as the Department of Civil Engineering, with a budget of \$47,919. Similarly, the College of Mass Communication and Media Arts, with an entire serial/contractual budget of \$5,242, faced the same percent cut as Physics, with \$259,620. The absurdity of this approach, undertaken and enforced, can best be put into perspective by considering the following: cutting off and canceling the entire budgets of all humanities and fine arts would still leave a debt of around \$200,000 per year. That is to say, the entire budget of all these areas combined was only *one-third* of the yearly contractual and serial inflation we faced but could not maintain. Clearly something is askew. The best way to explain the problem is to cast it and the solution into an analogous economic context.

Economists differentiate taxation methods in one of two ways. They are either progressive or regressive. Examples of progressive taxes are the income tax or the estate tax, where the rate of taxation depends on the level of your income or size of your estate. The sales tax, on the other hand, is a regressive tax: everyone in the checkout line, whether you're worth millions or counting your pennies, pays the same rate. Another example of a regressive tax is the unmodified "flat tax," which takes the same percent from all earners whether they be in the top one percent on the income scale or the bottom one percent. The library's across-the-board budget cuts most closely resemble the unmodified flat tax.

Politicians and economists argue tax policy in the context of a broader, centuries-old debate over how the costs of governance should best be shared. Progressive taxation was the product of the Progressive Era, which sought to raise the living standards of the least fortunate by asking more from those who benefited most from the existing system. Opponents then and now call this redistribution of wealth. As with social and economic policies, academic decision-makers must consider the fairness of any cuts in the context of the overall good of the library. Of

course, few libraries, faced with the need to make drastic cuts, begin by discussing the theories of redistribution. But redistribution is exactly what happens during budget allocations as well as during budget reductions. To ignore questions of distribution and redistribution does not mean we have not enacted an economic principle, it simply means we have avoided the proverbial elephant in the room. In concrete terms, it means that we are subjecting the "least fortunate" disciplines in our current academic environment--the arts, humanities, and social sciences--to bear the same burden as those disciplines that consume an ever-increasing proportion of our budgets--the so-called hard sciences. The result is that the so-called liberal arts are having to meet the needs of their constituencies with an ever-shrinking slice of the budget pie. In the long term, this trend is unsustainable. I conclude, therefore, that across the board budget cuts do not rise to the principle of "first, do no harm" and hence are not a satisfactory method of budgetary policy.

Reference

Mott Linn, (2010) "A call to action", Bottom Line: Managing Library Finances, The, Vol. 23 Iss: 2, pp.60 - 62