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Ripe for the Plucking: Centralized and Consolidated Library Budgets as Revenue Streams for Profit.

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The Bottom Line: Managing Library Finances
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In a previous *Bottom Line* article I questioned the fairness of monograph allocation funds, based on the inherent (if unacknowledged) subjectivity in the weighting of formula variables. The structure of a formula gives an unjustifiable sense of objectivity since the variables selected as factors are not value-free. I will now examine broader economic allocation decisions. In particular I want to focus on consolidation and the creation of "big pot" budgets. The increased demands of "big pot" economics often lead to the predictable budgetary dominance of specific disciplines, notably the sciences, at the expense of all others. This discussion requires a return to the monograph allocation formula debate, but also demands context.

Mary Sellen in her article *Book Budget Formula Allocations* (Sellen, 1987) provides such a context for understanding the allocation debate. Sellen traces the origin of the debate starting in the early 20th century and reviews the theoretical literature, debates over allocation formulae, and empirical studies. Sellen's article serves as a *précis* of this long and often contentious debate. It also highlights a subtext that runs through this budgetary history that is central to understanding the allocation debate.

Sellen notes that professional academic librarians actively sought and ultimately won control of the allocation budget from individual academic departments. While we can assume that some faculty members felt relieved at not being tasked with book selection, this issue did create conflict. Indeed the history of academic libraries in the 20th century is in large part a history of increased centralization of funds from satellite or independently maintained campus collections. Academic departments that once controlled at least a significant part of the library budget and had power over selection have lost that influence. Departmental libraries that once operated independently of the central library, still found in places such as Germany, were increasingly dismantled (no longer being deemed "cost efficient"). This attempt by the centralized library to consolidate within its walls continues today. A recent article in the *Chronicle of Higher Education*, "Arts Library at UCLA Threatened by Budget Ax," documented such a struggle. (CHE 8/2009) The uproar over relocating the Arts Library became so great that the University Librarian was force to postpone the proposal, acknowledging that "I don't see us being able to make those decisions until we have consulted with faculty and with the administration." Thus, "(i)f the protests accomplish nothing else, they have demonstrated that faculty members want a voice in the deliberations." (CHE 9/2009)

The UCLA example notwithstanding, the victors in the struggle for budgetary control have overwhelmingly been the professional class of the academic librarian. We, the professionals, won. The academics lost. I often wonder if the perceived decline of faculty involvement in the library can be traced to the loss of departmental libraries. What is beyond debate, however, is that there has been a foundational difference of outlook between the two organizations--the academic department and the centralized library--just as there have been different views between professional librarian and professor. Stephen A. Roberts, in his densely argued article *Financial Management of Libraries: Past Trends and Future Prospects* (Roberts, 2003) maintains that "Professionalism is foremost a social construct imbued with aspirations and ethics." (Roberts, p482) That is, unlike the *Professorate* with its medieval roots and a structure resembling masters and apprentices, *Professionalism* is more a mindset or attitude, an ethos really, more in common with the civil servant than with academics. The ethos that permeates the library professional is undoubtedly one of providing service to our *patrons* and maximizing resources for these *patrons*. In short, the professionalism of the librarian is one of maximizing the greater good.

Because of this ethos, the accumulation and centralization of fiscal and selection power into the hands of professionals could have benefited all, and has surely done so in the past. But inherent flaws were bound to arise once the following two factors came to dominate the academic landscape. The first was the failure of libraries to adequately adjust to scholastic output and information preferences. This was a failure of vision, not specific to librarians. Few predicted how digitization and virtual access would alter longstanding models of behavior and information consumption. Furthermore, the digital revolution arrived precisely at a time of declining funding for many state and private institutions. The second factor was that publishing would become such a large profit-driven business. Libraries and universities failed to adequately foresee what their own actions served to bring it about. Lewis G. Liu, in his introduction to *Library Trends* 2003 issue entitled *Economics of Libraries*, notes that while many librarians blame the dramatic increase in pricing on the commercial publishers desire to "reap monopoly profits," others argue that "the sharp decline of individual subscriptions led publishers to increase prices of institutional subscriptions." (Liu, 2003 p. 271) The academic library, as provider of campus-wide journal subscription, reduced demand by reducing the need to maintain individual subscriptions. The end result was that "publishers were able to impose discriminatory prices on institutions because of relative price inelasticity of demand for journals by institutions." (Liu, p. 271)

The history of American academic libraries as well as the development of monopolistic publishing would have been far different had departments such as biology, engineering, physics and chemistry been forced to work within the limits of their own departmental budgets and individual subscriptions rather than relying on "Big Library" to deal with "Big Publishing." The academic library's consolidation of the diverse departments into a centralized location for cost efficiency has led in many cases to the creation of the "big pot" budget. The big pot is the library materials' budget *in total*, undivided among the various constituencies. The big pot has enabled the purchase of "big ticket items" (such as bundled electronic serials) that would have remained unattainable for most departmental libraries. The unfortunate corollary is that these big ticket contracts funded by the central library have also provided a revenue stream that exacerbated the power and consolidation of big business publishers. Roberts wrote in 2003, when the consolidation of big publishing had not fully emerged, that "…digital resources are not likely to be cheaper to acquire or lower cost to operate, since relatively high capital costs are involved and regular maintenance charges are a features." (Roberts, p.483) Roberts hoped, however, that increased access to users, "coupled with the flexibility and manipulability of digital media" meant that "such resources may offer good value for money." (Roberts, p.483)

This returns us to the discussion of monograph allocation formulas. The irony is that current discussion of book allocation formulas takes place during a period when dwindling funds result in a fund-line that is increasingly too small to have real relevance in the economics of the library. How can the monograph allocation formula remain relevant once the book budget, squeezed by the big-ticket items' inflationary pressure, approaches *zero*? Even more pertinent, why has the literature of allocation formulae remained focused on monographs when serials and contractuals, driven by runaway costs and constant encroachment across all budgetary lines, have dwarfed monograph acquisition? If allocation formulae work, why not apply them equally to all resources purchased by the library? This would be the most significant reallocation of resources imaginable. All the factors considered so relevant for book budgets: class sizes and classes taught, enrollment, majors, number of PhDs and even use, if applied across the board, would stand library budgeting on its head. Cost, the sole factor favoring the hard sciences, would become subject to vastly curtailed demand as universities would be forced into a cost analysis of fund lines that an allocation formula of all materials would entail. Professionalism based on the ethos noted above would seem to demand such an approach.

This is the unaddressed systemic problem that besets library allocations and funding. It is the direct consequence of centralization and the consolidated budget. As long as unabated revenue streams continue, companies will try to maximize their share of all available funds. The lack of "regulations" such as the division of the whole prior to payment and contractual obligations results in unlimited competition by a few publishers for a larger and larger share of the materials budget. What mechanisms are in place to limit publishers' access and pressure on the total budget? Serials and contractuals generally represent the largest commitments and thus greatest pressures on the materials budget. Publishers, to maximize their share of these limited resources, have created "bundled packages" that discourage the cherry-picking of titles by libraries, thus eliminating selection based on need. Bundles can benefit institutions and users, but they also serves to maximize the profit of publishers by forcing libraries to purchase a wide range of titles that do not meet their selective needs and demands. To get a good price for a particular title it wants, the library is forced to enter a contract to purchase unneeded titles.

The imbalance toward the for-profit science publishers will not be quickly resolved even with the best efforts of academic scientists (and science librarians) to provide free-access online journals, or post copies in institutional repositories. Too much structural damage has already been done by consolidation and the incessant demand through price increases of required resources. Those who have tried to reverse or stem the tide of price increases with major science publishers may justifiably wonder how they can have adopted a business model that seems destined to kill the host. Prices are guaranteed to go down when enough institutions have collapsed and the remaining institutions can no longer sustain the profit margins of the publishers. Unfortunately no one would see this as a satisfactory or workable solution. A alternative must be found.

Recent events such as *California vs. Nature* over purported price-gouging demonstrate the difficulties faced by individual libraries. The University of California case offers little as an operational model. It does not address the culture of academic libraries, nor offer any solution besides endless disputes with publishers and threats of boycotts. There is, however, a common sense alternative to pitched battle that may provide at least partial relief from the economic pressure. Fundamentally it involves ridding the institution of any "big pot" by adopting a more modular approach. Funds that normally would have started with a funding line of "materials budget" are instead apportioned to modules such as Science, Social Science, and Humanities and Arts. One published example of this method is found in the an article entitled "Breaking with the Past" outlining practices of Portland State University in Oregon. (Weston, 2004) This method, the only sustainable alternative to collapse or endless battle that I have read, is in essence a process of *de-* or *un-consolidation*. Separating the funds at the start of the spending process supports the mission statement of the university by continuing to provide resources to all of the faculty and student population, not just the sciences. It relieves the pressure institutions face on the budget as a whole by restricting that pressure to a predetermined amount that is not the whole pot. Finally it provides more intelligent competition for funding by making like compete with like. Education cannot in any meaningful way compete with Engineering, even if they teach more students and have more majors. (Newfield, 2009) Philosophy cannot compete with Physics. Not because one is more or less valuable, but because the needs, methods, and approaches of each field of study differ so much as to render comparisons meaningless. English can, however, compete with Philosophy. Music can compete with Art. Anthropology and Sociology can compete for limited resources since the overlap between them is sufficient to make such a discussion meaningful. The same may be true of competition between Biology and Chemistry, or Physics and Electrical Engineering. Such an approach forces the university as a whole to ask: what are the strengths and goals of this institution? Which programs through departmental excellence should receive the bulk of the funding, even at the expense of others in the field? Attempting to be all things to all departments will work only as long as funding remains relatively infinite. This was the foundation and structural flaw latent in past centralizations and it led to the creation of the big pot. It is a flaw that will continue strangling budgets until it is addressed.

It is time to pull the academic library budget apart. It is time to reverse the consolidation of the budget and by doing so to relieve the pressure on all by heightening internal competition among the few. If funding is limited then limits must be imposed. Because the current situation is a direct result of librarians fighting to consolidate economic power into their hands, it is now their responsibility to fix the problem they created. It is a duty we professionals took on when we became masters of the purse. We, and the institutions that rely upon us, will never again have flexibility of choice until we have regained the control we demanded and received. In essence, our freedom, our flexibility depends on our self-control and our self-regulation.

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