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The value of public libraries

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The context of my study is two major challenges for the libraries today: 1) the effects on libraries and library use of the digitizing of society, and 2) the continuing economic pressure on public budgets generally and library budgets specifically. These challenges are studied from different angles within library and information science, varying in both theoretical perspective and methodology.

Some studies explore the impact of *various aspects* of public library activities, such as the impact of reading, of information technology access and end-users services, or community projects. Other studies investigate the impact of public library services on *special groups*, on social excluded, low achievers, and groups such as children, youth, elderly, persons with disabilities, foreign language speakers, etc. In addition, there are studies exploring public libraries' *overall* or *social impact* (Linley and Usherwood, 1998).

My doctoral project supplements this last subgroup of research and goes one step further, aiming at *measuring* of the overall value of the Norwegian public libraries (Aabø, 2005). The economic situation in the public sector continues to be restrained and the controversy of how to prioritize public funds hardens. In this situation, it seems necessary to determine the value of public libraries in monetary terms. To be able to estimate this value, it was relevant to turn to methodologies developed in economics. The starting point is the economic concept of value.

Economic value

Economic value "[...] which is not synonymous with financial or commercial value, although it is ultimately expressible in terms of either a numeraire good or (preferably) money – comprises any direct use value of the cultural good or service in question, plus whatever non-market values it may give rise to," states David Throsby (2003, p. 279), nestor of the cultural economics research area. It is the economic value of public libraries in this sense that my dissertation seeks to explore.

The fundamental monetary measures of value in economics are based on substitutability and can be expressed in terms of willingness to pay (WTP) or willingness to accept compensation (WTA). The economic concept of value has its foundation in the theory of modern welfare economics and is related to choice. Based on, and constrained by, his or her economic situation each individual can choose to consume private, public and other non-market goods, including library services. The trade-offs that people make as they choose less of one good and substitute more of another reveal something about the values people place upon these goods.

My project seeks to find ways to estimate the value of public libraries from the *population's* perspective. The aim of the empirical study is to measure the value of Norwegian public library benefits to the citizens in monetary terms and thus determine if their benefits outweigh the costs to provide them. This will establish whether or not the general public finds the public libraries worth their price. In addition, the study attempts to elicit *motivations* - why do Norwegians, both users and non-users, value public libraries? The purpose is to provide a better understanding of the public libraries' total value and demonstrate their instrumental value as well as their democratic and cultural value. We must here bear in mind that the study is based on citizens' valuation. Expert views of the value of public libraries and political aims and visions for their activities formulated by the authorities are here not considered.

Economic analysis in most cases relies on market prices as a first approximation to relative values. Since library services are not exchanged in markets as private goods and have no market prices, that approach is inoperable here. Information on demand and benefits can instead be obtained through methods for valuing non-market goods, developed in economics for application to the environmental, health, education, and cultural sectors. Approaches for valuing non-market goods make it possible to achieve estimates of how the citizens value such goods. By being able to monetize the non-market benefits of public libraries, these benefits can be balanced against the costs.

The CV method

The contingent valuation (CV) method is a direct and explicit method using surveys to value public goods. The method circumvents the absence of markets for public goods by presenting the respondents with a hypothetical market, in which they have the opportunity to 'buy' or 'bid for' the good in question. The CV method is based on the individual's own assessment of the good to be valued. The technique aims at eliciting people's willingness to pay in money amount for a change in the provision of a non-market good. It has been applied for valuing various cultural goods (Noonan, 2003), such as museums and theatres and also libraries (Harless and Allen, 1999; Holt et al., 1999).

There are, however, difficulties in implementation of methods based on constructed markets, due to their reliance on expressed intent and hypothetical and not real behaviour. A main objective is therefore to bring respondents' intentions as closely as possible in line with their

probable actions. The description of the scenario where the valuation is going to take place is critical. Careful considerations are necessary in designing the scenario in a CV study, which consists of three main components:

- 1) The choice setting in which the respondents are to imagine themselves, with questions eliciting their WTP or WTA for the good(s) to be valued.
- 2) Information of the paying vehicle and the decision rules for whether or not the proposed change will be carried out.
- 3) Questions about the respondents, e.g., socio-economic characteristics, use or non-use behaviour and attitudes concerning the good to be valued.

The Norwegian study

The scenario design in my empirical study of the value of Norwegian public libraries is based on experiences from two pilot studies to test the scenario plausibility. The WTP scenario describes an economic situation which forces local politicians to suggest a choice between closing down the public library, or increasing the local taxes. The WTA scenario has the same framing, but here the choice for the local politicians is between closing down the local library in order to use the saved budget funds on education, health or other municipality tasks that benefit the household, or maintaining the library and also the other municipality tasks on today's level of activity.

The scenario description starts by referring to the Norwegian Public Library Act and its purpose statement, saying that "the task of the public libraries is to promote enlightenment, education and other cultural activity by making books and other material available free of charge to all those who live in Norway" (§1). The choice situation is then described:

"It is well known that the economic situation in most of the municipalities is deteriorating. This can imply that some public services have to be reduced or closed down, unless the municipality's revenues are increased.

Assume the Public Library Act amended, so that the municipalities themselves could decide whether or not they wanted a public library. Imagine that the council administration was considering closing down the library. An option would then be to use the public library in a neighbouring municipality or to buy all books, reference manuals, information services, etc. needed by yourself and your household. Library services to schools and adult training courses and to various groups in the local community, such as the "Reach out"-service to elderly in institutions, kindergartens, etc. will cease to exist.

Another alternative is maintaining the library services, if the municipality's revenues are sufficiently increased through additional local taxes."

The survey was administered by a professional opinion company as part of their bimonthly omnibus survey that collects data from a national random sample of private households. 999 persons over the age of 15 years were interviewed in their homes as representatives of their households.

The first part of the questionnaire used a top-down design, starting with a description of overall municipality level services, moving down to cultural goods, and then to public libraries. The intention was to put libraries in a context of more general local public goods and

indirectly remind respondents of their budget constraint whereby other goods and services compete for scarce private and public resources.

The question of *property rights* to a non-market good is important. To illuminate the issue of perceived property rights to public library benefits we posed the following question: "Do you think you have a right to have access to a public library in the municipality where you live?" The answers were almost unanimous: 94 % saying "Yes", a much higher fraction than those who stated to be library users, which in our study was 60 %. This unambiguous result and the importance of the property rights question in non-market valuation have implications for the value estimate of the Norwegian public libraries.

All respondents were posed two valuation questions, half of the sample got WTP questions, the other half WTA questions. The research design yields independent valuation estimates based on different model variants. From these estimates, a range for the population's valuation of their public libraries can be ascertained. The lower bound of the range, based on WTP estimates, is close to the average annual library costs per household in Norway, 400 NOK, and a conservative upper bound, based on the WTA estimates, is five times higher, 2000 NOK. Due to the choice situation in this study the population's "true" value is reasonably closer to the upper bound. For public goods to which the citizens perceive they have strong property rights the WTA estimates are extra important (MacDonald and Bowker, 1994).

The overall conclusion from the empirical study is that, on the average, Norwegian households value the benefits from public libraries clearly higher than the costs of providing the library services, demonstrating a cost-benefit ratio of approximately 1:4. In other words, for each NOK of taxes that is used on public libraries, the population gets four times back in benefits from them. This does not mean that all the public libraries of the 433 Norwegian municipalities have a positive net value. The estimate is an average implying that some municipal libraries have a higher value and others a lower, making room for improvements. At the national level, however, the Norwegian public libraries definitely have a net value.

Motivations

The study seeks to elicit the respondents' motivations for valuing public libraries. Approximately 40% of the total valuation is justified by own and close family's direct library use, 20% by their future library use (option value) and 35-40% by non-use values – motivated by appreciating other persons' library use; the libraries' dissemination of literature, culture and knowledge; and promotion of democracy and equality. A substantial part of the value of the public libraries is thus motivated by their social and cultural benefits. The majority of respondents are motivated by both self-interest and benefits accruing to others and the community. This blend of motivations is an important finding and may be interpreted to reflect the standing of today's public library as a community institution.

Summing up

The need to document public library value is apparent due to continuing economic pressure on public budgets. This study is the first CV study for valuation of public libraries at a national level, in Norway and internationally. Based on empirical data a cost-benefit ratio of about 1:4 is established, concluding that the Norwegian public libraries are, overall, well worth their price as viewed from the population's perspective.

An overwhelming majority of the population perceive they have property rights to their municipal public library. Both library users and non-users find that public libraries have value and the majority are motivated by social and cultural interests as well as self-interest, demonstrating the public good characteristics of the municipal libraries.

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