

The Economics of Libraries, Cost-Benefit Analysis, and Return on Investment



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The Economics of Higher Education

Schools, colleges & departments provide *private* goods & services

- Courses are exchanged for tuition
- Research is provided for research funding
- The value to an individual or organization determines whether payment is made for the service



The Economics of Higher Education

Academic libraries provide **public** goods & services

- Print and online resources are shared by all patrons, typically without the exchange of payment
- The collective value of all users must be estimated to determine if the subscription or license should be purchased



Economic Analysis



Types of Analysis

- Cost effectiveness
- Cost efficiency
- Cost benefit
 - Return on Investment

Return on Investment

- Estimate the value
- Estimate the cost
- Value / Cost
- Corporate & public libraries
 - \$4.00 value/\$1.00 cost

What is Value?



- **Economic (private)**
 - What is the value to an individual to use the library resources?
- **Social (public)**
 - What is the value to the institution of the library?
- **Environmental (externality)**
 - What is the value of the environmental savings of library provision of resources?
 - Have libraries gone green without knowing it?

What are the methods used to estimate value? (when goods and services are not purchased)



- **Size and assessed value**
 - Collection size, assessed value of special collections
- **Use, turnstile, downloads, and readership**
 - Time spent using resources is a signal of value
 - What is the extra time it takes to get a resource from another source?
- **Contingent valuation**
 - Survey of willingness to pay for a service

What are the methods used to estimate value?



- Financial, grants awarded
 - UIUC and follow up studies of link between citations and grants awarded
- Regression analysis
 - Correlation between grants or other metrics and library funding or use