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

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<th>Types of Analysis</th>
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<td>Cost effectiveness</td>
<td>Estimate the value</td>
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<td>Cost efficiency</td>
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<td>Cost benefit</td>
<td>Value / Cost</td>
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<td>Corporate &amp; public libraries</td>
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<td>○ $4.00 value/$1.00 cost</td>
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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