Privatization of Public Libraries

This paper will address privatization in American public libraries, a recent practice that some now consider to be the “biggest threat” (M. Merola, personal communication, April 29, 2011) to the library field. Following a brief introduction of library history, this paper will provide an in-depth analysis of the outsourcing of core library services through outsourced management, and, alternatively, of the managing library services through full privatization. The discussions will show the issues created by blending taxpayer funding with for-profit, private organizations. The most effective way to avoid conflicts between public and private entities and to avoid the implications of state intrusion into the lives of private individuals is to fully privatize libraries. Full privatization ensures the protection of private property rights, the prevention of conflicts between public and private entities, and the accountability of library establishments to their patrons.

Americans often view public libraries, and the access to information that they provide, as a foundational right for citizens. Contrary to these modern notions, the first libraries in early America were supported not with taxpayer funds, but rather with private funds. At that time, most households could not afford to own many books, leading some to develop collective efforts to make books more widely accessible. Benjamin Franklin, for example, along with a group of men who enjoyed intellectual discussion, started one of the first major library efforts in America. Their first American subscription library, called “The Library Company of Philadelphia,” still provides service to this day. A variety of library models followed and many early-American libraries were created through generous donations of wealthy scholars or
clergymen. Tax funded libraries trickled into existence, beginning in the mid-nineteenth century (Murray, 2009).

Andrew Carnegie, a wealthy industrialist, propelled a rapid movement toward public library development through his own philanthropic efforts. Carnegie benefited greatly from access he had as a child to a personal library. He believed libraries to be a great resource for people because they benefit those who are willing to work to benefit themselves (Jones, 1997). Through his library project, he assisted in creating over a thousand public libraries. He conditioned each financial donation upon a guarantee by governmental bodies that taxpayer funds would continue the life of the library. Thus, the Carnegie libraries, though privately initiated, became publicly funded in communities across America (Cardiff, 2001).

Today, libraries are found at the center of the largest cities, and in some of the most delicately populated rural towns. People benefit from a wide variety of services beyond access to books, including computer and internet services, job search assistance, reading programs for children, and the ability to use and borrow a variety of media. For well over a century, public libraries served their populations without much contention, and their value was not often questioned. Only in recent years, with the combination of rapid technological advances and a more recent economic recession, has library advocacy become not only more prevalent, but also necessary, as many public libraries fight to stay alive or prevent the shrinking of resources (Merola, 2011).

An economic recession often serves as a mandatory wakeup call to reevaluate poor decisions. The process of adaptation can result in the implementation of creative and exciting
new ideas and directions. Organizations that depend on public funding and which face funding cuts often have no choice but to make significant changes.

Depending on the community in which a library serves, librarians and library committees adjust to economic challenges in a variety of ways. For example, for many years, libraries have outsourced certain services, such as janitorial or cataloging services. The employment of outside companies to serve these functions has been an effective way to cut costs and standardize certain aspects of the library. More recently, the concept of outsourcing library management has been introduced and implemented, which, for the first time, assigns to private, for-profit companies the responsibility of managing core public library services, such as collection development and staff employment decisions.

Currently, the only private company that has been hired by public libraries to handle library management is Library System & Services, or LSSI (Oder, 2004). LSSI, based in Maryland, began providing general library services in 1981, and library management services in the mid-1990’s. The company now services 13 public library systems and over 60 branch operations. Many of these libraries contracted with LSSI to relieve financial distress and reorganize their management structures. LSSI maintains that even though LSSI provides library management, library boards retain ultimate control, and the public library entities still own all of the library’s assets (Library Systems & Services, 2011). According to LSSI, many participating libraries are run by MLIS graduates, generally from American Library Association (ALA) accredited schools.
LSSI operates in many states and in varying degrees. Although not all the LSSI managed libraries hired LSSI due to financial struggles (Merola, 2011), many library boards have turned to the private company to help maintain and improve their libraries in the midst of strapped budgets. In some instances, the use of LSSI’s services has been vital to a library’s existence. In 2007, for example, fifteen branches of the Jackson County Library System (JCLS) in Oregon had to discontinue their services. Through a contractual agreement with LSSI, all fifteen branches were able to reopen in less than a year, and many of the original librarians were rehired to their former positions. The County Commissioner considered the efforts with LSSI to be a “victory” (Anonymous, 2006), and the county Administrator said, “This public/private partnership reopens our doors and lowers our cost, while keeping library assets and programs under the control our citizens. Reopening our libraries means brighter days ahead for Jackson County” (Anonymous, 2006).

Members of the Riverside County library system in Riverside, CA, were the first to hire a private company to fully manage a public library. When their 85-year old funding agreement with the city/county expired in the mid-1990’s, much of the funding that was formerly allocated to the libraries was re-appropriated to education. The county had received several bids by companies to take over library operations, but LSSI was the only organization that focused specifically on library services, and they promised many things in the way of improving the system (Christmas, 2010).

In 2010, Gary Christmas, head of the Riverside County system, reflected on the effect of LSSI’s work with the Riverside County system during their first thirteen years of operation. The
ultimate goal of outsourcing was to “provide traditional services in a non-traditional way” (Christmas, 2010). LSSI had the challenge of expanding and improving services within a limited budget. When the contract was first signed, LSSI agreed that the county would maintain certain authoritative control, such as power to make hiring decisions for particular positions. LSSI also promised to enable the original employees to retain their positions, salaries, and vacation benefits (Kartman, 1997). By 2010, more than fifty employees were rewarded for surpassing ten years of service, supplying those in the county system with confidence that LSSI’s takeover did not produce high turnover. Christmas outlines several of the results of LSSI’s work, including an increase in operating hours, an increase in circulation, programming and materials, and the development of a cash reserve fund for the libraries. He notes that this was accomplished without having to increase the percentage rate of tax money the library system received, and that people with additional expertise had been added to the staff to broaden the services. These goals were accomplished through LSSI’s ability to manage a consolidation of the support services that were not only efficient, but also highly effective. The board of the Riverside library system voted unanimously to continue the relationship with LSSI (Christmas 2010).

Although the experience with the partnership in Riverside County’s library system was deemed a success by many, not everyone believes the situation should serve as a model. Members of the library community and representatives of the core library organization, the ALA, have remained opposed to the outsourcing of library management. They believe outsourcing the core services of the library compromises the service to the public which supports the organization through taxes. The private entities that are hired focus on cutting
costs and maximizing profits. The ALA fears that outsourcing public library management to private organizations will lead to the gutting of library services, a decrease in benefits for librarians, a loss of control by the libraries of core functions with few options, an increase in problematic contracts and transition periods, and further compromise of the pillars of public control, transparency and accountability.

Ronald Baker (1998) argues that the situation in Riverside was an anomaly and should not be used as an encouragement for other library systems to engage in such partnerships. Baker believes that Riverside’s geography, history, governance and economic victimization placed the county in a unique position for success with LSSI’s management role. He contends that outsourcing is a “desperate,” and “likely temporary” solution (Baker, 1998, p34).

Riverside’s library system was in a poor state when its members signed the agreement with LSSI, and their success is unlikely to be duplicated because most counties do not follow the same unique economic structure and societal make up. Although board members and some other individuals believe LSSI improved the system, not all the patrons are completely satisfied. Baker believes the system, even years after LSSI’s takeover, remains “gutted,” with outdated reference materials, reliance on volunteers, and a lack of specialization (Baker, 1998, p. 37).

In addition to concerns about gutting the services of the libraries, librarians may experience cuts to their benefits. LSSI reduces labor costs by lowering salaries and cutting benefits, and it replaces pension plans with 401(k) options. LSSI has MLIS graduates on staff (Merola, 2011) and often keeps members of the original library staff in which it is operating on board, but LSSI is also known to replace MLIS positions with paraprofessionals as a way to cut
costs (Oder, 2004). Professionals and librarians who are most valuable in the field may be less likely to remain in or accept positions with fewer benefits, and losing their expertise can diminish the level of service.

The manner in which the contracts with the private companies are arranged has also caused conflict. Public libraries are intended to service the whole of the communities in which they reside, however there have been cases in which a library board has arranged the outsourcing of management behind closed doors and without general consent. Often, the contracts that are signed in haste are “short-sighted,” and contain “fine print” language that tends to benefit the for-profit organization (Merola, 2011). These contracts open the way for the private company to take drastic measures, such as wiping out the savings of a library. On some occasions, the contracts with LSSI have been arranged by library boards without the involvement or consideration of key members of the library staff or open forums for members of the public to speak their minds (Oder, 2004). Approaching a change of this magnitude in such a manner develops contention and distrust. As the only private organization that currently handles outsourced public library management, LSSI has also proven to push its services more through marketing techniques in the library community, such as organizing marketing booths and dispensing pamphlets at library conferences (Merola, 2011).

Finally, the ALA fears a compromise of what are considered the “two pillars of public control” (Merola, 2011): accountability and transparency. A third party organization that takes control of the primary functions of the library and is not local to the community is not, according to the ALA, best suited to serve the specific public (Merola, 2011). When the
accountability to the public is compromised, the likelihood that members of the community will be underserved or disenfranchised may be greater. The issue of accountability is vital to both what is offered to patrons, and the manner in which it is offered.

Transparency is also viewed as an important aspect of a public organization. Typically, financial reports detailing expenditures, gifts, and funding are all available to the public through the library. Once a private company is brought on board, that company is not held to the same standards of transparency as the library itself is held. A private company is not required to divulge the details of the finances to those who are ultimately funding the library, the taxpayers. This concept may be of particular concern in light of the use of volunteers. Most public libraries rely on a number of volunteers to offer their time and efforts for the benefit of the library and the community as a whole. Once a private company contracts its work for a set amount of taxpayer dollars, volunteer services are likely to contribute to the profits of the company by replacing paid individuals with unpaid helpers. Further, when taxpayers are not guaranteed the right to see where their money is spent with regards to specific library services, the private organization has more flexibility to cut corners on particular services that may be desired by the community (Merola, 2011).

The ALA’s fears are not without merit. Several examples of outsourcing exemplify this loss of public control. One such case occurred at the Jersey City Free Public Library (JCFPL) system. A controversial contract was signed with a LSSI without a hearing for public discussion. A clause within the signed contract prohibited the upper management of the library system to discuss the arrangement with LSSI, preventing the public from fully understanding the situation.
In the agreement, LSSI retained a significant amount of control in library staff development and of the implementation of their recommended action plans. The initial contract was dissolved by a Superior Court judge, based on the controversial manner in which this drastic contract was enacted. The following year, however, a new contract was signed within which LSSI would receive a sum of money to manage the day to day operations of the libraries in the system (Rogers, 1999). The new contract was arranged by then Mayor Bret Schundler, in his effort to privatize areas of the municipal government. The staff members of the library were opposed to the privatization efforts, and the contract was eventually terminated when a new mayor took office (Anonymous, 2002).

A similar situation occurred with the Jackson-Madison County Library (JMCL) in Tennessee. As with the JCFPL board, the board of JMCL also decided to move forward with LSSI’s service despite public contention against the move. Opposition was so strong that the patrons developed a task force called Citizens Against Privatization and 2,000 members signed a petition. Unlike the JCFPL case, however, the courts did not mandate the dissolution of the contract (Oder, 2006).

In addition to these concerns is the growing concern that when a library decides to make this change, the shift in management can cause personal issues with staff members, and even break ties particular branches or systems have with other libraries. This issue was a problem with the JMCL system. When the LSSI began its operations in this library, the library board in the system requested that their long-time Library Director no longer operate as part of the library management because he “might hinder the transition” (Oder, 2006, p.16) of the new
management. Confusion ensued among staffers who were unsure of who was in charge (Oder, 2006). In a Germantown, TN library branch, LSSI took actions which isolated the branch from a nearby system, disrupting patrons’ ability to borrow from other libraries, (Oder, 2004), a privilege they had previously enjoyed.

Although a cost-saving measure, such as eliminating borrowing with other library branches, may benefit the library financially, it may not benefit the general public. The LSSI has not been open with their financial statements, and prefers not to divulge fees to the public (Anonymous, 2006). LSSI will be paid what they were contracted to receive, so any additional measures they take to reduce costs will increase profits for their organization.

The ALA created a task force (ALA Task Force) to address these issues, which they consider to be “the biggest threat” (M. Merola, April 29, 2011) to the library community today. Although the ALA funded a study on the effects of the privatization of management circa 1999-2000, the results were not comprehensive and did not satisfy the current ALA staff (M. Merola, 2011). A full evaluation of LSSI as a company has yet to be compiled (Oder, 2004). For libraries that are currently managed by private companies, the ALA Task Force is encouraging a higher rate of accountability on the part of the private organization. The ALA Task Force that works with this cause has put together a checklist of important considerations for libraries which have contracted with, or are thinking of contracting with, private companies. Overall, the ALA hopes to dissuade library boards from arranging contracts for outsourcing. The ALA has staff members who are committed to the cause are compiling updated resources that describe the
effects of privatization and offer alternatives. Their efforts will also include future studies with updated results.

The ALA’s dissatisfaction with the outsourcing of library management is based on what they consider to be a disparity between the missions of private and public services. Private services are services that are funded exclusively by private individuals or organizations. The nature of private services allows individuals or organizations to exclude others from consuming the goods, subject to government regulations, and to place stipulations on consumption.

In contrast, a public service generally refers to a good or service that is funded by the government and is believed to benefit society as a whole (Smith, 1814, p. 198). Proponents of public service allege that such benefits would not be available in the private sector (Boadway, Horiba & Jha, 1999). They also believe that such services constitute a moral right for citizens and therefore, government intervention is necessary (Holcombe, 1997). Libraries fall into the category of public service because access to information is largely viewed as a fundamental right that is necessary for a proper democracy.

The ALA considers library management and collection development services to be essential for fulfilling the mission of a library. Because of this concept, ALA views the outsourcing of these services as acts of “privatization”, despite the fact that libraries are still funded through taxes. The ALA defines outsourcing as the, “transfer to a third party, outside vendor, contractor, independent workers, or provider to perform certain work-related tasks involving recurring internal activities that are not core to the mission of the library” (ALA, 2011). They specifically define privatization as, “the shifting of library service from the public to the
private sector through transference of library management and operations from a government agency to a commercial company” (ALA, 2011). The ALA likens the structure of outsourced public library management to that of charter schools. Charter schools are publicly funded, though they are not accountable to the public in the same way as the general public school system. Likewise, private organizations to which public library management is outsourced are also not accountable or subject to the same regulations as public library management, though taxpayers still foot the bill.

The arguments by the general library community against outsourcing public library management do not address the central problem that public libraries face and fail to provide an effective solution to the problems outsourcing is intended to solve. The arguments are misguided because they are based on a flawed distinction between private and public services, the proposed resolutions fail to acknowledge a respect for private property rights, and the resolutions do not hold the establishments accountable to those who fund the services. The best option is to replace public libraries with fully privatized libraries, which are owned by individuals or private entities.

Public libraries exist on the premise that goods and services can be distinguished as either private or public and those goods and services which are defined as “public” should be provided by the government. The widely accepted definition of a public good is a good that meets the criteria of being non-rival and non-excludable. In other words, goods are public if they can be consumed by many people without each person’s consumption adding additional costs, and that individuals cannot be excluded from consuming the good. A classic example of
such a good is a lighthouse. Individual use of the light does not affect the cost, and the light is available to anyone in reach of its light, regardless of who funds its creation and maintenance. In reality, however, goods cannot be truly defined as “public”.

Hans Herman Hoppe explains why this definition fails to distinguish a public good as a separate entity or provide justification for tax-supported public goods or services. Hoppe argues that anything can be perceived as a public good, as long as people care about it. Under the popular definition of a public good, a garden is non-rivalrous and non-excludable. The determining factor, according to Hoppe, is whether people care about the good. If no one is around to enjoy or dislike a garden that one planted, the garden cannot be a public good. Once people enjoy the view or dislike the floral smell, the garden has become non-rival and non-excludable. It would be impossible to monitor and gauge people’s opinions regarding available goods, as opinions constantly change. Therefore, categorizing a good as a public good is of little value.

Many people in the library community believe that the market does not always provide the goods and services people deserve, and therefore government intervention is appropriate and necessary to ensure that everyone has access to entitled goods and services, such as library access. Librarian and economist Paul Courant comments that “fact one about [public goods] is that markets aren’t very good at producing them” (Courant lecture). This view ignores the market function that outlines the goods and services people desire most. If individuals in a free market fail to provide a particular good or service, the failure is indicative that members of the population value other goods and services greater than the good or service in question.
According to the Laws of Marginal Utility and Diminishing Marginal Utility “things are valued as means in accordance with their ability to attain ends valued as more or less urgent.” (Rothbard 21). Individuals prioritize their consumption of goods according to what they believe will satisfy their most urgent ends. When the government forcefully takes money from individuals through taxation, the taxed community no longer has the option of using that money to first satisfy their most urgent ends, but instead must first support what government bodies or majority rule determines. If publically available libraries do not exist without taxation, then individuals in that society have chosen to consume alternate goods that they value more highly than a library. If a demand exists for the services, then people would invest in establishing and maintaining libraries.

Private property rights, defined by economist Ludwig von Mises as “full control of the services that can be derived from a good” (Human Action 678), are essential in a society of scarce resources. With private property rights, individuals maintain ownership of goods that they have homesteaded, or that they were first to productively use, or for which they have traded. Private property rights do not exist in so-called “public property.” The “public” is a term used to describe an aggregate of individuals. Were the public to actually own a library, these individuals would each play a role in the decision making process, and they would be able to cease support or sell their share when dissatisfied with the library’s services or if they desired an alternate good or service more highly. In reality, however, governmental bodies, and not individual taxpayers, control the property and decision-making functions. Therefore, decisions made in public libraries cannot reflect the primary desires of the public that supports it. Even decisions made democratically in which individuals vote on specific functions or elect
representatives to reflect their ideas, force taxpayers to support a system that is then run by majority rule.

Regardless of whether governmental bodies or for-profit companies perform the management functions, the source of funding through taxes will always cause conflict for public libraries. Governmental bodies have less incentive to serve the individual desires of the taxpayers because their funding is backed by force and because members of taxpayers cannot express their opinions on the services by eliminating their support of the library and taking their business elsewhere.

A fully privatized organization lives and dies on its service to its consumers and only receives funding by those who value its services or by investors who are willingly risk their own money, usually after much consideration and analysis. Consumers who have the option of supporting organizations that meet their needs also have the option of eliminating their support if their concerns are not addressed. This leaves the owners at the mercy of the consumers. Even an organization that is owned by a wealthy CEO depends on the support of subscribers and users who may demand certain services or changes be brought about for them to continue supporting the organization. The CEO’s desires must then become meeting the needs of the consumers who keep the organization alive. Therefore, the only way to protect property rights and the best way to ensure that the organization serves the desires of those who fund it is to eliminate taxation as the funding source. The most effective way to address the budgetary and moral concerns of public libraries is to replace them with fully privatized
libraries. Fully privatized libraries are owned by individuals or private entities that retain control of the good and make decisions related to the core functions.

In addition to satisfying the problems associated with outsourcing library management, fully privatizing libraries would provide several benefits. A private library will have more incentive and means to run efficiently, will eliminate the censorship issues associated with tax-funded organizations, and will have more room for specialization.

Government organizations are, by nature, inefficient. A tax-supported library can never operate with the efficiency of a business because its forceful access to funds cannot evaluate customer value through profit and loss. Profit and loss are the factors that indicate whether an organization is accurately satisfying the desires of its consumers and guides leadership to appropriately allocate money. Ludwig von Mises states that, “In public administration, there is no connection between revenue and expenditure... there is no market price for achievements” (Mises, 1944, 47). Decisions are made according to the whim of governmental entities instead of those who risked their money for the initiation and maintenance of the organization. Further, government entities do not have incentives to be efficient and actually have more incentive to develop political skills, which are not productive.

An additional benefit of full privatization of public libraries is a decrease in conflict over censorship. Censorship is a highly contested concern and exists in libraries in many forms, from obvious book bans to “inappropriate cataloging “(Duthie, 2010, 86). Librarians must always play a role in deciding what books and materials may be included, based on budget and space limitations. According to the ALA, the aim of a public library is to provide uncensored access to
information to everyone in a community. The ALA advocates “what is in many ways a moral duty to avoid censorship” (Duthie, 2010). Although librarians may strive to accomplish the goal, such a goal is unattainable because the community is composed of individuals with conflicting individual desires, beliefs and needs.

Patrons may take offense if certain things are not censored. For example, the New York City Public Library management decided, based on First Amendment rights, to not censor access to pornographic material on public library computers (Montero and Frederick, 2011). Many individuals in the community morally oppose pornography, yet those individuals are forced to financially support its availability to their community. These opposing viewpoints by taxpayers creates conflict, sometimes leading to lawsuits.

With fully privatized libraries, libraries would have the freedom to censor, or not censor, material, and would not be forced to try to be “all things to all people.” Because the financial supporters of private libraries support the libraries of their choosing, the supporters may find the libraries which supply the materials that best meet their needs, and they will not be forced to support material to which they are morally opposed.

Fully privatized libraries are also best able to specialize their services. The structure of a fully privatized library forces the library management to serve the interests of those who fund the organization because dissatisfied patrons have the option of taking their support elsewhere. Public library funding comes from tax money allocated by governmental entities. Therefore, although the public library is intended to serve its community, public library management must please the government entities who allocate the tax dollars to the library system or solicit a
majority rule in a democratic setting. Taxpayers are composed of diverse individuals, making it complicated for library management to best provide for their needs. Private libraries can be tailored to the size, content, and core services most desired by the patrons.

Rather than promoting specialization, the existence of public libraries actually hinders the development of private and specialized libraries. Public libraries have the advantage of using taxpayer funds, creating unfair competition for fully privatized libraries which rely on private voluntary funding. Privatized libraries face certain risks that public libraries are able to avoid, such as the risk that individuals or entities will choose to not support that library. Without those risks, public libraries may continue to provide inefficient, and often generic, service with little ability to meet individual and specialized needs of patrons. In public libraries, active patrons are often subsidized by non-active patrons who must fund the library’s services whether they want to or not. Due to the subsidization, active patrons do not realize the full cost involved in maintaining a public library, making the public library appear to be cheaper.

Eliminating public libraries in exchange for fully privatized libraries does not mean that libraries will no longer be made available to the public. Services that are now supported through tax dollars do not necessarily need to be funded in this manner to exist and were often historically provided by private entities. Economist and philosopher Hans Herman Hoppe explains how private entities have historically been capable of fulfilling needs.

“Historical evidence shows us that all of the so-called public goods that states now provide have at some time in the past actually been provided by private entrepreneurs or even today are so provided in one country or another. For example, the postal service was once private almost everywhere; streets were privately financed and still are sometimes; even the beloved lighthouses were originally the result of private enterprise; private police forces, detective and
arbitrators exist; and help for the sick, the poor, the elderly, orphans, and widows has been a traditional concern of private charity organizations. To say, then, that such things cannot be produced by a pure market system is falsified by experience a hundredfold” (Hoppe, 1989).

The same is true for libraries, which were privately owned and operated prior to the opening of public libraries. Even at the inception of the library, the private sector began filling in the gap of the desires of the community before the government stepped in to create its own branches. The oldest libraries in America are private libraries that preceded public lending libraries by over a century (Murray, 2009). Andrew Carnegie’s private donations were the initial force to thousands of libraries that exist today (Cardiff, 2001). Subscription based libraries are able to provide their services at a minimal price and many fully privatized libraries are available to the public free of charge.

Public libraries operate according to a flawed model that cannot be cured through full government leadership or partial privatization. Fully privatizing libraries is the only way to guarantee that private property rights are respected, to avoid conflicts between public and private entities, and to ensure libraries are best serving the needs of its patrons.
Reference List


