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Libraries and Publisher Price Control

THE NET PRICE SYSTEM (1901–1914) AND CONTEMPORARY E-BOOK PRICING

Mei Zhang and Jonathan Senchyne

University of Wisconsin–Madison

ABSTRACT: This article explores how librarians have responded to publishers' control over book prices in two different, yet related, historical periods. It historicizes the net price system, a book-price control system in the early twentieth century, within debates by librarians about library book buying and price negotiation practices. Turning to similarities in current e-book pricing, the article focuses on how publishers reduce the "fragility" of books as cultural commodities in either paper or electronic format, and then explores how libraries, publishers, and distributors gain power in library book pricing.

KEYWORDS: Library book market, net price system, e-book, price control, cultural commodities

Publishers, vendors, and libraries have long debated book pricing. In recent years, the introduction of e-book circulation in both public and academic libraries has changed the concept of what constitutes a fair book price. Publishers have developed a variety of e-book pricing models for libraries, such as the twenty-six-loan cap from HarperCollins and steep price increases by Random House, and these new models created uproar in library–publisher relations. While libraries have long paid more for print books, higher prices once came with ownership and unlimited circulation rights. In contrast, contemporary publishers often introduce licenses and limits on circulation, along with high prices, to library e-books. In trade periodicals such as *Library Journal* (*LJ*) and *Publishers Weekly* (*PW*), librarians and publishers alike describe their frustrations with these new book-pricing models and circulation restrictions. Today, librarians fear that the new models limit e-book services and strain budgets. In turn, publishers explain that the changes to established pricing models are important to protect their retail sales of e-books.¹

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This is not the first time that publishers have established special pricing models for library orders to protect sales. In fact, the historical study of negotiations over book pricing has much to tell us about present circumstances. In the early twentieth century, publishers established a pricing model known as the “net price system” in order to raise book prices, including prices paid specifically by public libraries. In this essay, we describe the impact of the net price system on library book buying practices and librarians’ conceptualizations of good prices for books, and situate these changes relative to the concerns of the booksellers and publishers they dealt with.² In addition to this history of net pricing, we draw on the theories about what differentiates the market for “cultural commodities” from other types of commodity. This historical study reveals over a century’s worth of conflict and negotiation between publishers’ bottom lines, library budgets and circulation needs, and the unique nature of cultural materials in the marketplace. Librarians, publishers, and scholars of digital culture seeking to understand the contemporary e-book market should place the present within this relevant historical context.

Ours is also an argument for the necessity of the history of books and publishing, library history, and cultural studies for understanding book markets and negotiations of power in the past as well as the present. Book historians have long studied the relations between agents such as bookmakers, buyers, and sellers in what Robert Darnton famously called the “communication circuit.”³ We pursue a granular set of relations between publishers, distributors, and libraries in the early twentieth century to construct a model that owes as much to library history as it does book history. Doing so opens space to analyze strategies publishers have employed to protect and enhance the market value of their products and maximize sales to public libraries in both the early twentieth-century net price system and the contemporary e-pricing landscape.

As Wayne Wiegand wrote over a decade ago, interdisciplinary scholarship at the intersections of library history, book history, and cultural studies creates necessary space for scholars to think about the ordinary life of libraries, information, and users within communities. If, as Wiegand hoped, such scholarship can “help the American library community better understand its present, so that it can more prudently plan its future,” then we suggest a historical analysis of the interests and power holders involved in book buying, price fixing, and negotiation as a concrete way of understanding long-established conflicts, whether books and information are on paper or in electronic formats.⁴ Toward this goal, we present the history of the net price system focusing on how libraries engaged and negotiated prices and purchasing power within it.

Then, focusing on the similar nature of both print books and e-books as cultural commodities in the marketplace, we situate contemporary e-book pricing and vending to libraries within the same structure of power dynamics we saw emerging in the net price era. We argue that power dynamics between libraries, distributors, and publishers in the market of cultural commodities are very similar across these historical periods. Therefore, understanding e-book pricing within this long century of price control effort is important for the practice of librarianship today.

The Book Trades, Libraries, and the Net Price System

In the United States reading grew “tremendously” after the Civil War, accompanied by a major expansion in the scale and speed of publication. Many large publishing firms grew into large-scale operations from family businesses and consolidated in major cities. “The increasing speed of communication and transportation,” writes historian John Tebbel, “brought the big publishers directly into contact with the national market, and manufacturing facilities were concentrated more and more in the major centers to serve them.”⁵ But books were not the only commodities experiencing rapid transformation in the scale of production and the size and location of marketplaces. Publishers, therefore, had to contend with changes in marketing and retailing going on in bookstores and general stores alike.

In the late nineteenth century, the number of bookstores in the United States decreased significantly, largely due to competition from other types of book distribution, like dry goods stores, department stores, and mail-order agencies. These merchants purchased their books, mainly popular fictions, from warehouses, and then sold books to customers at low prices or even below cost.⁶ Booksellers also encountered competition when publishers sold their books directly to retail customers at reduced prices. Bookseller profits were further depressed by the fact that people could enjoy reading multiple popular books from circulating libraries with only a small subscription fee, rather than purchasing books from booksellers. All this competition pushed booksellers to give larger discounts to customers, which then led to shrinking profits. Consequently, many bookstores went out of business; for those that still sold books, many of them could not afford to carry as much stock as they did previously.⁷

Along with booksellers, publishers also suffered from competition among different book distributors. Since many of the dry goods stores or department stores selling books only carried popular fiction, publishers relied heavily on

booksellers to sell a wider range of their books. At the turn of the twentieth century, a reduction in the number of bookstores and their stocks led directly to the reduced sale of books. Publishers often did not recoup the expense of printing them.⁸ As a result, publishers and booksellers joined forces to reform the book trade, and the major measures they adopted were the formation of two trade organizations—the American Publishers' Association and the American Booksellers' Association—and the net price system established and maintained by both associations.

In 1900 major publishers in the United States, including Harper and Brothers, Houghton Mifflin, and Macmillan, under the leadership of Charles Scribner, the president of Charles Scribner's Sons, formed a centralized trade organization called the American Publishers' Association (APA), which expanded to include "practically all of the general publishers" by 1901.⁹ The original purpose of the APA, upon its formation in 1900, was to "remedy . . . certain trade abuses which have told with peculiar hardship upon the retail dealers in books" and it aimed to achieve this goal through "reasonable regulation of prices . . . on certain classes of books." Following suit, booksellers formed the American Booksellers' Association (ABA) in 1901 to cooperate with publishers on the regulation of prices.¹⁰

To address the problems of the book trade, in 1901 the associations put a joint effort into establishing a net price system largely based on the net book agreement adopted by booksellers and publishers abroad, specifically in the United Kingdom.¹¹ Sir Frederick Macmillan pioneered the United Kingdom's net price system with the publication of Alfred Marshall's *Principles of Economics* in 1890. Macmillan argued that net pricing was necessary because what we would today call "sticker" prices were being set artificially high in order to create the appearance of deep discounting and because with discounting the profit margin on retail books was so low that little attention was given to them by sellers.¹² In the United States, George Haven Putnam would give nearly identical reasons for the APA's development of a net price system: publishers, he argued, needed to set a fixed price in order to maintain the financial ecology supporting the publication of books. "The publishers knew," he recounted, "that it was essential for the interests of the producers of books," including authors and publishers, "that an adequate machinery should be maintained for bringing books to the attention of American readers," because "the public at large had a very direct literary and educational interest in any measures that might further the economic distribution of books."¹³ The legality of protecting these interests was another question, as the Sherman Antitrust

Act was passed in 1890, the same year as the establishment of the UK net price system, and would eventually bring down American publishing's attempts to protect its market and infrastructure.¹⁴ But before the net price system was found to be illegal, librarians debated it and strategized how to push back against its strictures and demands on their book-buying budgets.

The move in 1901 was the first time in the history of the US book trade that publishers and booksellers worked together to regulate the price of books. The net price system included the following regulations: (1) all copyrighted books first published after May 1, 1901, would be categorized as "net books," except for school books and fiction; (2) publishers would set the prices for net books within the first year after publication; (3) publishers would aim to set net prices lower than the prices prior to the new system; and (4) publishers should only provide their books (including non-net books) to booksellers that maintained net prices, with the exception of libraries, which would be granted a discount of no more than 10 percent. The net price system also suggested a general 25 percent discount for booksellers.¹⁵

The APA amended the net price system several times between its creation in 1901 and its abolishment in 1914. In 1902 the system added protection for fiction by limiting the library discount to 33 1/3 percent. In 1904 the APA revised the system to eliminate the restrictions on the sale of noncopyrighted books. Then, in 1907, the APA changed its regulations into recommendations, and thus publishers were "free to disregard if they choose."¹⁶ In the spring of 1909, the "net fiction" campaign began, where several publishers published their fiction books as net books, which meant their library discount shifted from 33 1/3 percent to 10 percent. In the fall of 1910, 47 percent of fiction books were listed as net.¹⁷ In 1913 the Supreme Court decided in the *Macy's* case that the net price system was an infringement of the Sherman Anti-Trust Law. Consequently, the APA dissolved the net price system in 1914.¹⁸

Libraries and the Net Price System

When the net price system took effect in May 1901, it immediately raised concern among librarians. The most important question they asked was how the new arrangement would change book prices for libraries. Prior to the net price system, libraries often received a discount from the list price similar to the one publishers gave to booksellers. The net price system, however, limited the library discount for net books to 10 percent of the uniform net price set by publishers. In addition to the reduced discount, the APA also suggested

the net price be lower than the previous list price, and thus publishers claimed that the actual price for library books should be "somewhat near to present library rates," but that they would "not in all cases make a price as low as the present price on the same lines of books." A trade insider estimated that the actual price for libraries might increase 5–10 percent under the new plan. Several librarians expected an 8 percent increase on average library book prices.¹⁹

Librarians initially showed support for the net price system when the APA introduced it as a way to restore the book trade by protecting the interests of booksellers. A librarian stated that the goal of libraries was the same as that of publishers and booksellers, namely, to "plac[e] . . . good literature in the hands of all the people." It was, some argued, "for the interest of the libraries that the booksellers be not driven out of business."²⁰ More important, due to lobbying from publishers and booksellers, some librarians expected only a small increase in the actual cost of books, which they could "accept[] with reasonable grace . . . as a proper advance in the interest of the bookseller."²¹

Librarians' optimism toward the net price system did not last long; shortly after the new system went into effect, librarians became wary of it. Some librarians noticed that the net prices were not as low as they expected and sometimes were even higher than the old list prices; with the library discount limited to 10 percent, libraries' book prices increased far more than the expected 8 percent. At this point, librarians did not adopt any aggressive measure to oppose the net price system; rather, they tended to take a wait-and-see approach toward the new arrangement, since it was still "in an experimental stage." Some librarians closely observed the changes of book prices, and an editorial in the *LJ* called upon librarians to "be on the alert to see that these [the net prices] are really on the reduced basis."²² At the same time, others warned that "some careful consideration of these varied interests at an early date would save considerable wrangling in the future," and encouraged publishers to reconsider their pricing strategies.²³

Beginning in the second year of the net price system, as evidence grew that the actual prices of library books had indeed increased more than the expected 8 percent, some librarians demonstrated their dissatisfaction. They questioned the real goal behind the new system.²⁴ One librarian stated that "this advance seemed to the librarians to be designed not so much for the benefit of the bookseller as for the benefit of the book publisher." Also, some librarians felt that publishers used the net price system to discriminate against them, claiming it was unfair for publishers to "bolster up the business of the

retail bookseller by imposing a tax on the public library which can so ill afford to bear it.”²⁵

Some librarians called for changes to the new system; as one librarian put it, “we should support, not *the* net-price system, but *a* net-price system.”²⁶ The two major modifications librarians requested were to lower the net prices or to increase the library discount. These requests were first proposed by the Massachusetts Library Club in a letter to the APA in January 1902. The library committee requested that the APA consider some modifications of the net price system “either by changing the discount allowed to libraries or by readjusting the scale of prices.”²⁷ Later in March, at the Bi-State Library Meeting in the Atlantic City, the Pennsylvania Library Club and the New Jersey Library Association passed a resolution requesting that the APA “consent that dealers and publishers be permitted to give to libraries a discount up to 25 percent on net books.” Further, some state library associations endorsed this resolution. During the American Library Association (ALA) annual conference held in Magnolia, Massachusetts, in July, the ALA approved a similar resolution requesting the APA increase the discount for library books.²⁸

In order to justify their requests for modifying the net price system, some librarians argued that libraries were often large purchasers with a good reputation in the book trade, and publishers and booksellers should grant larger discounts if they wanted to keep doing business with libraries.²⁹ Another major reason mentioned by several librarians was that libraries were educational institutions supported by public funds. Specifically, as custodians of public funds, libraries tried to attract more readers, which required them to provide as many books as possible to meet readers’ demands. However, the increased book prices reduced libraries’ purchasing power significantly, which then forced libraries to buy fewer books than before. The lack of sufficient books to provide to their readers limited libraries’ educational function considerably.³⁰

The APA, as the organization that established the net price system, denied library requests to lower net prices or increase library discounts. Both the *LJ* and *PW* published responses from the APA responding to the libraries’ requests, many of which were from the correspondence between Charles Scribner, president of the APA, and W. T. Peoples, chairman of the ALA Committee on the Relations of Libraries with the Booktrade.

In explaining the reasons for refusing to lower net prices, the APA claimed that it was individual publishers, rather than the APA, who fixed the net prices. As Scribner stated, “What we are trying to do is to maintain the retail price for a year”; the secretary of the APA, George P. Brett, also stated that the APA “does

not, and cannot, attempt to dictate to its members in regard to the prices at which they issue their books." Therefore, the APA suggested to librarians that "any complaint should be addressed directly to [publishers]."³¹

Further, the APA stated that it had recommended lowering the net prices from the previous list prices. Based on "a careful review of new net prices," the APA believed that "the average price obtained by us is less than under the old system," and only a small number of book prices were too high. When commenting on net books with extremely high prices, the APA argued that "the prices of books are subject to the ordinary business laws of competition and supply and demand" and thus these expensive net books should, theoretically, suffer through limited sales.³²

Despite complaints from librarians and suggestions from the APA and the trade, many publishers did not take any steps to reduce their net prices. The major reason for them to maintain current net prices was the increasing cost of publishing. An editorial from *PW* explained the increase in cost in different elements of book publishing, including an upward trend in remuneration to authors and an increase in manufacturing and distribution costs; therefore, publishers had to raise the net prices to cover these increased costs. It is also interesting to note that *PW* published several editorials to reaffirm that the purpose of the net price system was not to increase publishers' rates or retail prices. Even if they were ineffective, these editorials warned the publishers who priced their net books unduly high to reconsider their net prices.³³

Predictably, booksellers opposed the libraries' request for a larger discount, and their association, the ABA, also denied this request. Further, the ABA proposed a more radical and aggressive net price system; it urged the APA to remove the library discount, to put all fiction on the net price system, and to extend the protection of net books to at least two years.³⁴

First and foremost, booksellers claimed that they could not afford a larger library discount. They argued that, even with the current 10 percent discount, they could barely make a profit in their library orders, and an increased library discount would bring a loss to their business. Booksellers claimed it was "morally wrong to sell goods without profit." As a result, booksellers opposed granting libraries a larger discount; moreover, some aggressive booksellers and the ABA petitioned the APA to remove the current library discount for net books so that the booksellers would obtain an extra amount of revenue to cover the loss generated by carrying books for libraries.³⁵

In addition to arguing that they could not afford a larger library discount, booksellers argued that libraries' role as custodians of public funding did not

justify their request for a larger discount. Booksellers contended that libraries were tax-supported institutions, and local booksellers had already paid through taxes to support libraries. If libraries wanted to meet their patrons' increasing demands, argued the booksellers, then they should seek more funding, such as asking for more tax money, rather than sacrifice the local booksellers' profit through a larger discount. As the ABA put it, "there is no possible reason why local dealers, authors and publishers should bear the whole burden!" One bookseller pointed out that libraries did not ask other business partners, like architects and contractors of the library buildings, or other supply houses to sacrifice their profits; based on the same rule, libraries should also allow booksellers to obtain "a reasonable profit for the expenditure of public funds."³⁶

Third, booksellers argued that the removal of the library discount would also be beneficial to other parties in the book trade. With the additional money gained from library orders of net books, booksellers would be able to order more new books, which meant increasing the exposure for these new books. As a result, booksellers could sell more books, and publishers and authors would then enjoy the "mutual advantage."³⁷

Finally, booksellers cited the net price systems in Britain and Germany, which were the models for the new American net price system, to support their attempt to remove the library discount.³⁸ Since the English net price system required libraries to pay the full net price, and the German system reduced its library discount from the original 10 percent to 5 percent, and eventually removed it entirely, booksellers claimed that the American net price system should follow the examples in Britain and Germany and reduce or even eliminate the library discount.³⁹

Unable to satisfy either libraries or booksellers, the APA decided to deny the requests from both sides, and maintain the 10 percent library discount.⁴⁰ When libraries' attempts to lower net prices and gain larger discounts failed, they began to modify their book selection methods in order to relieve financial hardships caused by increased book prices. As a librarian stated, "We feel that immediate relief from the hardships of the net price system must come from what the librarian may do toward adjusting himself beneath the burden, not by ineffectual struggles to throw it off, nor yet by attacks upon those who imposed it."⁴¹ Important actions librarians took included the creation of the Committee on Book Buying under the ALA and changes in book-purchasing decisions.

The ALA introduced the Committee on Relations of Libraries with the Booktrade during its annual meeting in Waukesha, Wisconsin, in 1901, and selected W. T. Peoples as the chairman of the committee.⁴² The major goals of

this committee were “not only to guard the purchasing interests of the various members composing our Association, but also to endeavor to promote amicable and harmonious relations with [the American Publishers’] Association as the representative of the book trade.” The committee took great efforts to communicate with the APA in order to obtain better terms from publishers.⁴³ However, due to the ALA’s own governance law, the committee was not allowed to provide libraries with instructions on actions to take, and thus the ALA discharged this committee during its annual meeting in 1903. Meanwhile, the ALA appointed a new committee under the same name, with the main purpose of providing advice to librarians throughout the country regarding “any measures that may seem feasible, including variations in methods of purchase, for the avoidance or mitigation of the hardships experienced through the net-price system.”⁴⁴

In service of its mission, the new committee issued bulletins to provide libraries with information and advice on measures to take to reduce the negative impact of the net price system. The committee compiled a list of about 1,000 libraries that might not be able to get access to those journals and mailed the bulletins to them on postal cards. In 1905 the committee changed its name to the Committee on Bookbuying, to indicate that library “relations with the booktrade are to be limited to the peaceful avenues of commerce, excluding controversy, [and] retaliation.”⁴⁵

Some librarians began to discuss other measures to mitigate the financial hardships in book purchasing.⁴⁶ Some librarians noted the efforts made by English librarians to reduce the hardships under the net price system in Britain.⁴⁷ Later, these measures appeared in the bulletins of the Committee on Bookbuying in a more systematic and detailed way, and included actions such as the following: (1) purchasing fewer net books; (2) purchasing old books; (3) purchasing second-hand books; (4) importing books; (5) purchasing from the remainder list to obtain books that just passed their protection year at low prices; and (6) purchasing from auction catalogs to obtain lower prices.⁴⁸

The committee, as well as several other librarians, recommended purchasing fewer net books because these books were expensive, and their prices would be greatly reduced after their one-year protection period. Therefore, libraries could save money either by purchasing non-net books, or by delaying their purchase of net books by a year or longer. Further, librarians found the remainder list or auction catalog to be excellent sources for obtaining these previous net books in new condition. For net books that had a British edition, in many cases British editions were cheaper than American ones. With their

privilege of free importation, libraries could save money by importing books, even if they had to pay transportation fees.⁴⁹

Changes in Librarian Ideas of Good Books and Fair Prices

After complaining about the net price system in the first several years of its existence, some librarians noticed that it could also be beneficial to them, largely because the system had taught them to be more careful buyers and negotiators.⁵⁰ After the shift in purchasing channels began, so did a shift in libraries' book selection and buying philosophy.

One of the most significant changes brought by the net price system was that libraries became less dependent on new books to build their collections. Before the net price system, and even during its early stages, many libraries relied heavily on new books for collection development. A *Library Journal* editorial contended that "newly published books are the chief consumption of most libraries," and another librarian made a similar claim about the proportion of net books in library purchases.⁵¹

In the net price system's early stage, some librarians suggested limiting or even boycotting the purchase of net books to protest against the exorbitant prices for library books, with the hope that publishers might accept requests for either a lower net price or a larger discount.⁵² After the APA declined libraries' requests for modifying the net price system, librarians gradually realized that many net books were not necessary for library collections. Novelty, and the higher prices that came with it, was increasingly questioned as a principle for purchasing. The ALA Bookbuying Committee issued a bulletin titled "Reading Ripe Books," claiming that "the reading of new books because they are new, to the neglect of good books because they are old" was an "evil."⁵³ Specifically, the bulletin argued that many people tended to read the latest books regardless of their quality, which was harmful to all the stakeholders in the book trade: readers, booksellers, publishers, and authors. As "the only counteracting force" against this "evil," the bulletin argued, libraries should not devote most of their money to "satisfying the immediate desires of the public for literature so perishable that it has to be handled as rapidly as milk and eggs," because most of these new books would just become unwanted several months later. The bulletin advised that libraries use the net price system to their benefit and begin to purchase as few net books as possible, which would be "a powerful influence against the trashy and ephemeral," and thus would be "for the benefit of good literature." Several librarians shared the opinion of this

bulletin: many net books were in the category of trivial books, and libraries should therefore avoid them.⁵⁴

An increase in the valuation of other types of books, particularly old books, accompanied the devaluation of new books. As Hopkins stated, "Many of [the older books] are better than the books that will come out under the net-price system." "Reading Ripe Books" also referred to some librarians' endeavors to promote old books in libraries and claimed that these efforts have "direct[ed] the public to the best in literature regardless of its age."⁵⁵

Another noticeable change in the way libraries approached books was the shift toward understanding the total cost of a book in relation to its durability and projected usage. When the net price system was first introduced, librarians primarily focused on price when selecting materials. One librarian, Mr. Elmendorf, stated, "I buy books at the lowest possible cash price," and several other librarians made similar statements about the importance of the price factor in their book-selection practices.⁵⁶

When the net price system decreased the purchasing power of libraries, it also taught librarians to consider a broader range of criteria, collectively referred to as the total cost of a book, in deciding whether a book price was acceptable or not. As one bulletin stated, "The total cost of a book is represented by first cost plus cost of preserving and caring for it during its life." Considering the cost of mending, rebinding, or replacing books, a loosely bound book with a lower price could cost more than a stoutly bound book with a higher price, since the former would be more likely to wear out. Further, the bulletin suggested that libraries should take the projected usage of a book into consideration when calculating its total cost; it would probably be unnecessary to purchase a book with a low circulation rate in strong binding. In response, publishers started to provide different editions of books, pricing editions differently based on material quality and projected long-term value, among other factors.⁵⁷

What Cultural Commodities Tell Us about the Net Price System

The study of the net price system in the early twentieth century demonstrates publisher strategies to protect their profits in the library book market through the control of price, which links to books' characteristics as being fragile as a cultural commodity, and this nature of the cultural commodity drives publishers to influence the structure of the book marketplace in the early twentieth century, and today.

The “fragility” of cultural commodities refers to two different meanings: First, cultural commodities are fragile because of their uncertain use-value. Some scholars argue that the demand and thus the marketplace for cultural commodities is unpredictable, since cultural commodities are “not rooted in biological necessity” due to their nature as “non-utilitarian objects.”⁵⁸ Second, cultural commodities are fragile because the initial purchase allows a consumer to enjoy a repeated (and sometimes pirated) experience. Since the consumption of cultural commodities does not destroy these products, a consumer will not buy an identical copy multiple times in most cases. Further, most of the purchased cultural commodity will live on before its physical decay, which makes it hard for producers to “establish the scarcity on which price is based.”⁵⁹

The producers of cultural commodities, including book publishers, have adopted different strategies to mitigate the uncertain demand of their products. The most common way is to offer a repertoire of products as a risk-spreading strategy to improve producers’ chance to develop a highly demanded product.⁶⁰ Therefore, publishers tend to provide a wide range of books, hoping that at least one of them will become popular enough to cover the cost for producing all these titles. Further, publishers will not reduce the chance to expose other books in the repertoire even when they already have one or more popular titles, because it is still possible that one of the rest books might become popular later.

The net price system represents one of the publishing industry’s efforts to protect the repertoire of products and to finally mitigate the fragility of books as a cultural commodity. Specifically, the primary reason for the APA to establish the net price system was to protect the interests of booksellers during the price competition with other types of book distributors, because bookstores were the major distributors of larger repertoires of publishers’ books, including both popular books and other types of books. In other words, bookstores were the primary and reliable way for publishers to increase the exposure of a complete list of their books; while the alternative distributors, like dry goods stores or department stores, usually only sold one or two of a publisher’s most popular books, rather than the whole list of publishers’ books. Therefore, publishers introduced the net price system to prevent those alternative channels from selling the popular books at lower prices. Without a price advantage, these alternative distribution channels became less attractive to potential consumers of books. It helped the bookstore establish and enhance its role as the main distributors in the book market, which also secured a reliable outlet for publishers to expose all their books to potential customers.

E-books, Fragility, and Control

We believe that historical study of the net price system is important for contemporary librarians negotiating e-book licenses because in both markets publishers and distributors have introduced artificial means to minimize the effects of the market “fragility” of books. Regardless of the book format, the fragility of books has been and continues to be managed through controls like net price agreements or digital rights management.⁶¹ Therefore, we historicize the net price system with an eye not only toward those interested in library history or book history, but also toward those who are negotiating sales and contracts on behalf of readers and publics more interested in the accessibility of books in libraries than with the bottom lines of powerful publishers and distributors.

Understanding how fragility was mitigated through price control in the past helps us better understand how e-book publishers take advantage of digital formats to reduce fragility and gain market advantages today. We have observed from the net price system that the major strategy for publishers in the past to reduce the fragility of their books was to minimize the uncertain demand of their books through the protection of booksellers as their major distributors. Today, publishers adopt similar strategies to increase the exposure of their e-books, like the recommendation system built on users’ reading history, or making their e-books available to multiple platforms. Another strategy, brought out by digital technologies, for contemporary publishers to reduce the fragility of their e-books is to limit access to their e-books for the purpose of creating scarcity. Ted Striphas notes that the digital technologies allow publishers and distributors to retain some control of e-books after purchase in a “society of controlled consumption.”⁶² In the library book market specifically, digital technologies, particularly the digital rights management (DRM), and licensing make library e-books less fragile by limiting repeated consumption of those e-books. Specifically, DRM, like the loan cap and the restriction of interlibrary loans, controls and limits libraries and their patrons’ behaviors on legitimately purchased e-books to create artificial scarcity; while licensing, especially the subscription without perpetual access, increases the number of times libraries must pay for licenses of e-books in order to enjoy repeated uses and support ongoing circulation of the e-book.

Mapping Power and Pricing

Another special characteristic of cultural commodities is the unpredictability of an individual cultural commodity’s price due to the uncertainty of demand. Historically and in the present, we see evidence that it is challenging

for publishers and distributors to price library books, and it is also difficult for libraries to determine whether a certain book price is appropriate or not. One possible way to approach the pricing of library books is to understand the unstable power relations among the major stakeholders: publishers, distributors, and libraries. Brett Christophers argues that power is “the critical factor” in determining the price of cultural commodities, and power “shapes the scope, intensity and outcome of all negotiations [between buyers and sellers].”⁶³ A comparison of the net pricing debate to contemporary e-book debates can help librarians recognize and predict the workings of power relations today by mapping strategic patterns among the major stakeholders over time. In what follows, then, we map the strategies adopted by publishers, distributors, and librarians in negotiating book prices. Based on how these stakeholders acted in battles over the net price system, we then examine how these strategies, more generally, continue to shape negotiations in the e-book market today.

The first strategy enacted by publishers to influence library book pricing has been to *establish professional associations*. By forming such an organization, publishers have been able to introduce and regulate industry-level action in order to maximize the interests of publishers as a whole. For instance, in the net price age, publishers gained their power through a united professional association, the APA. The majority of publishers were members of the APA, which meant they all followed the net price system; thus, libraries did not have much of a choice other than to accept the rules made by the APA. A challenge publishers have historically encountered, and might still encounter, when forming such professional associations is how to balance the power of the association in order to avoid violation of antitrust laws.

Publishers also commonly *emphasize the negative effect of library lending on book sales*. In both periods, publishers have claimed that library lending hinders their sale of books because readers will not be willing to purchase personal copies once they can check out the books from libraries for free. Publishers emphasize the negative effect of library lending on book sales, so they can justify library pricing strategies as compensation for losses experienced in the retail market due to library lending. Solid data supporting publishers’ claims of the negative effect of library lending is difficult to find, however.

In turn, the most important strategy libraries adopt to gain power has been to *rely on the leading role of the ALA*. As a not-for-profit organization working for the library community, the ALA has been an advocate for library interests. During the net price period, the ALA Bookbuying Committee provided continuous guidance for libraries in finding alternatives to net books to build

their collections; this directly reduced the control of the net price system over libraries. In the e-book era, the ALA published *Ebook Business Model* to provide public libraries with guidelines on e-book licensing terms, including but not limited to e-book pricing issues, so that libraries were able to “negotiate aggressively for the most favorable and flexible terms possible.”⁶⁴

A second strategy libraries use is *collective protest*. In adopting this strategy, some individual libraries or library associations use collective efforts to fight against publishers’ pricing decisions. Although such protests usually cannot generate immediate change in the pricing of library books, they raise publishers’ and even a broader public’s awareness of libraries’ concerns or attitudes toward pricing issues. Examples of this strategy include the state library associations’ request to modify the net price system in 1902 and, more recently, some libraries’ boycotts against HarperCollins’ twenty-six-loan cap in 2011.

The third effort libraries take is to *stress the importance of the library market*. This strategy allows libraries to gain a certain power over publishers by claiming their critical role for publishers’ business. By citing data either from library communities or from third parties, like the Pew survey on e-book usage, libraries attempt to prove the benefits of library lending to retail book markets in order to weaken publishers’ justification of their library pricing strategies.⁶⁵

Finally, libraries use *consortia purchasing*. When multiple libraries work together to form a purchasing consortium, the consortium often builds a greater power than the individual members could; thus the consortium is able to negotiate lower prices for its members. Such purchasing consortia are common in the current e-book age, and according to the *LJ* e-book usage survey, about 64 percent of public libraries in the United States are members of a consortium for e-book purchasing.⁶⁶

Distributors also try to maximize their strategic power in the market. Many libraries rely heavily on distributors like bookstores and e-book aggregators to build their collections. Therefore, the power relations between libraries and distributors directly affect the pricing of library books. One strategy distributors use to affect library book pricing is *industry-level regulations*. Distributors use this strategy to eliminate what would otherwise be chaotic competition among themselves. By developing industry-level regulations, distributors are able to coordinate within the profession to control library book prices. One example of this strategy was the ABA’s involvement in the net price system, where many booksellers formed a professional organization, the ABA, and joined the APA in establishing the net price system in order to regulate the maximum library discount.

In turn, libraries sometimes push back against distributors. Libraries gain more power in their relationships with distributors by *exploring alternative acquisition channels*. By expanding their acquisition channels, libraries are able to reduce their reliance on mainstream distributors, and therefore obtain leverage in the negotiation of pricing. For instance, libraries purchased books from auctions or imported books from foreign publishers in the net price age, and libraries nowadays purchase e-books from some smaller distributors, such as “Freeding” or “24symbols.” A more radical example is that of the Douglas County Libraries in Colorado, where libraries play the role of distributors to collaborate with multiple publishers to provide e-books to their patrons.⁶⁷

Distributors and publishers also negotiate among themselves through the shifts between two models: wholesale and agency. Under the wholesale model, publishers sell books to distributors at wholesale prices, and distributors are able to set book prices by themselves; under the agency model, publishers directly set the retail prices, while distributors receive a fixed commission for the books they sell.⁶⁸ The shifts between the two models reflect the changing power relations between publishers and distributors, and it is not difficult to find examples of these shifts throughout the history of the publishing industry.

In the early twentieth century, the net price system allowed the publishing industry to transfer from the wholesale model to the agency model, in which publishers were able to directly set the prices for retails and libraries in order to eliminate the chaotic competition among distributors. By switching to the net price system, distributors sold books at the prices set by publishers, which then eliminated the price competition; the tradeoff for distributors to accepting the agency model here was that they lost control over the book prices. In the e-book age, two recent cases demonstrate the battles between publishers and distributors. The first one is the lawsuit *United States v. Apple Inc., et al.*, and the second one is the dispute between Amazon and Hachette in 2014.⁶⁹ In both e-book cases, the publishers tried to move from the wholesale model to the agency model due to their discontent with Amazon’s \$9.99 pricing strategy. It is interesting to note that the two cases had disparate results: in the first case, the court concluded that Apple and these publishers violated the Sherman Act and, consequently, publishers’ attempts to raise their e-book prices failed; in the second case, Hachette eventually was able to set its e-book prices through Amazon, and further, Amazon, Simon and Schuster, Macmillan, and HarperCollins recently signed similar agreements, which allow the publishers to set their Amazon e-book prices. The different resolutions from the two cases demonstrate the unstable power relations between publishers and Amazon.

While these disputes primarily affect retail book prices, the power relations between publishers and distributors ripple out to library book prices. First, the shifting power determines libraries' strategies during the negotiation of book prices. In publisher-distributor relations, the party that has more power will determine the pricing model for library books, and therefore libraries should focus on the negotiations with this party. Second, the battle between publishers and distributors influences library perceptions of appropriate book pricing. For instance, nowadays many libraries use the Amazon retail prices to compare with library prices and claim that library e-books are overpriced.⁷⁰

Conclusion

Publishers and librarians have debated book pricing over time and will continue to do so in the future. On the one hand, publishers rely on strategies to reduce the fragility of their books/e-books and thus to protect the market values of those books/e-books: in the early twentieth century, they protected booksellers through controlled prices of net books, which allowed them to ensure the exposure of their complete list of books, and then to reduce the fragility brought by the uncertain demands of books; while in the contemporary e-book market, publishers adopt strategies such as DRM or licensing to limit the repeated use of library books, which then minimizes the fragility through establishing scarcity of the e-books. On the other hand, the inherent connection between power and price remains the same from past to present: stakeholders in the library book market have always tried to gain more power over other parties to influence book/e-book prices, and librarians should look to the past to model and predict the actions of others in the network of power and negotiation that we have described.

MEI ZHANG is a PhD candidate in the Information School at University of Wisconsin–Madison. Her research interests include electronic resource management and information policy. She is currently working on her dissertation about librarian e-book selection practices in academic libraries.

JONATHAN SENCHYNE is an assistant professor of library and information studies and the director of the Center for the History of Print and Digital Culture at the University of Wisconsin–Madison. His research has been published in *Book History*, *Debates in the Digital Humanities* 2016, and *Early African American Print Culture*.

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