

**Squeezing Lemons in the Stacks:
Game Theory and the Economic Legitimacy of Libraries**

by

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Abstract

Contemporary political discourse celebrates the marketplace and sees little value in publicly supported institutions such as libraries. This article employs game theory to argue for the economic significance of libraries. Libraries improve public education by overcoming problems of collective action. They enrich cultural life by counteracting externalities in the literary marketplace.

Libraries in the Age of Market Populism

Few Americans doubted the economic value of libraries and professional librarians during the New Deal Era from 1930-1980. Most New Deal politicians – both Republicans and Democrats – believed in a mixed economy. While they thought that the capitalism generated growth and technological development better than any other economic system, they also thought that the government had an important role to play in the economy. The government regulated the booms and busts of the business cycle and provided social services such as health, education, and welfare that the market economy seemed to neglect.¹ Libraries, which provided a popular and relatively inexpensive public service, thrived in this political environment. During Lyndon Johnson’s Great Society administration at height of the New Deal, libraries were an essential part of Johnson’s ambitious War on Poverty. In his 1964 state of the union speech, Johnson asked that “this session of Congress be known as the session ... which helped build more homes, more schools, *more libraries* and more hospitals than any single session of Congress in the history of our Republic.”² Throughout the New Deal period, public funding for libraries remained strong, and librarianship increasingly became a professional occupation. The Federal government passed two Library Services Acts that provided funding to libraries, and library education reached its “heyday” during the 1970s when “there were more than seventy accredited library schools with accredited master’s programs in the United States and Canada.”³ But the heyday librarianship would not last forever. The fortunes of librarians faded along with the decline of the New Deal in the late twentieth century.

The market-oriented political philosophies of “Market Fundamentalism” and “Market Populism” that have replaced the liberal consensus of the New Deal have made it much more difficult for librarians to justify public expenditures on libraries. “Market Fundamentalism” rejects the notion of a mixed economy because it believes that unregulated private enterprise is the best solution to almost all social problems. Market Fundamentalists advance political, moral, and economic arguments against any governmental intervention in the economy that goes beyond its basic role of protecting life and property. Politically, they argue that the governmental regulation corrupts public officials and creates entrenched bureaucracies that serve their own special interests rather than the interests of the public. Morally, they argue that welfare programs undermine self-reliance because they make poor people dependent on government assistance and

reduce the incentive of the rich to work hard. Economically, they argue that the government spending almost always is wasteful and inefficient because the unregulated process of market exchange leads to the most efficient use of scarce social resources. Market Fundamentalists try to eliminate regulations and social spending programs wherever possible, and taxes on high income citizens have been greatly reduced in the last thirty years while spending on many of the domestic economic programs developed during the New Deal has been cut.⁴

Many Americans also have adopted the seductive market-oriented cultural philosophy of “Market Populism.” Market Populism sees the marketplace not only as the most efficient but also as the most egalitarian and democratic means of directing the process of production. Because the consumer is king in a capitalist economy, Market Populists argue that the only way for a product, a company, or an idea to succeed in the marketplace is to give consumers what they want. Intellectual elitists who sneer at the lack of sophistication in merely “popular” works of art ultimately are sneering at the common man. Although intellectuals do have the right to prefer Shakespeare or Beethoven to Spiderman or Mariah Carey, Market Populists argue that they do not have the right to impose their elite tastes on others. In the eyes of the Market Populists, anyone who wants to use the power of the government to improve the results produced by the unregulated marketplace has a secret will to power because he thinks that his personal vision of the good society is better than the society actually chosen by consumers through their “votes” in the marketplace. The social critic Thomas Frank coined the term Market Populism to highlight the differences between popular anti-market economic ideology of the late nineteenth century and the popular pro-market ideology of the late twentieth century. According to Frank, the Populist Party of the 1890s wanted to use the power of the government to protect the common man from the monopolists, plutocrats, and robber barons who had accumulated their power in the marketplace, but the late twentieth-century Market Populists promise that the freedom of the unregulated market exchange will liberate the common man and woman from the elitist liberal bureaucrats of the New Deal who seek to impose a “nanny state” on them.⁵

Market Populism and Market Fundamentalism undermine many of the traditional arguments that librarians have used to legitimize libraries. A thoroughgoing Market Populist would ask librarians what end is served by libraries that could not be served better by private enterprise. There are thousands of bookstores and other private information industries in the United States. Why use tax dollars to buy

additional books and information for community use? Librarians might argue that libraries provide information to people who otherwise would not be able to pay for it. They might argue that free and equal access to information is essential to public debate in a democratic society, or that libraries improve the cultural level of a community by giving people access to high quality books, or that libraries preserve the history of a community. But none of these standard arguments in favor libraries would convince a Market Populist that the government should provide them. If consumers really want the various services that libraries offer, they will be willing to pay for them out of their own pockets, and the marketplace would produce them without public subsidies. If the capitalist economy fails to provide library services without the help of governmental institutions, that failure simply illustrates that the community doesn't value them as much as librarians do. From the perspective of Market Populism, libraries and librarians undemocratically use the power of the government to impose their paternalistic vision of culture on others. What gives a small group of professional intellectuals the right to decide for a community what sort of informational and cultural services it needs?

Because libraries have become such popular and entrenched public institutions in the United States during the last 100 years, a few years of market-oriented public policy hardly have led their demise. Still, in the new political environment, librarians and libraries have lost many of the gains that they enjoyed during the New Deal Era. Funding for public and university libraries has decreased as a percentage of national income, and many of the new library schools opened during the 1960s and 1970s have closed.⁶ Since the 1980s, American libraries bought an increasingly declining share of the books published in the United States.⁷ University libraries, especially in public universities, often have faced drastic cuts in funding for staff and resources as legislatures have become increasingly reluctant to support higher education with tax dollars. Libraries face many of the same problems faced by the rest of the educational infrastructure of the nation. As a growing number of people see education as a private good that ought to be provided by the marketplace instead of as a public good provided by the state, legislatures increasingly are reluctant to use tax dollars to support it.⁸

Facing declining budgets and tenuous political support during the last thirty years, librarians have sensed that their profession is in a crisis, and the professional literature of librarianship has been filled with anxiety about the future.⁹ It has become a cliché to end articles about the "information revolution" with

ominous warnings that “the last person to leave the digitization workroom may be turning off the lights on the library.”¹⁰ Explicit discussion of the “crisis of librarianship” often focuses on the remarkable technological changes that have corresponded with the rise of Market Populism rather than on the political changes themselves. Librarians ask themselves if the digital revolution will make books and libraries irrelevant and wonder if the profession will be able to adapt to new information technology. Yet, implicit in the anxiety about new technology is a less articulate anxiety about the political challenges of Market Populism. The new Internet economy envisioned by those who celebrate the information revolution often seems to be synonymous with the idealized Market Economy envisioned by the Market Populists. In the eyes of many “technolibertarian” digital enthusiasts, the rapid exchange of endless information will eliminate the friction that previously prevented capitalist economies from achieving the virtues that Market Populists attribute to them. Although government intervention may have been required in the inefficient bricks and mortar economy, internet visionaries such as John Perry Barlow believe that the weightless, frictionless digital economy renders government superfluous.¹¹ Consequently, librarians who worry about the fate of the library in the digital age simultaneously are worrying about fate of the library in an age of privatization and deregulation. If the social value of libraries as a publicly subsidized source of information and culture were more obvious to librarians and the public at large, librarians would be less anxious about technological developments that merely alter the ways in which information is stored and transmitted.

Market Oriented Librarianship

Some leaders in the library community argue that the best way to survive in the new environment is to embrace the market-oriented ethos of contemporary political discourse through “customer-driven” librarianship.¹² Customer-driven librarians assume that many of the complaints that Market Fundamentalists make about public institutions accurately apply to libraries and librarians. Because libraries have been protected from the discipline of market competition for so long, customer-driven librarians suggest that many of them have in fact become entrenched bureaucracies that serve the needs of librarians better than they serve the needs of the public. Although few librarians go so far as to argue that libraries should be privatized, many argue that libraries can improve their services by acting “as if” they are competing with private businesses in the marketplace. They seek to re-orient the perspective of librarians by describing library users as “customers” instead of as “patrons.” The terminology is significant because

the notion that the customer is sovereign indicates that the goal of the customer-driven organization is to satisfy the demands of the end-user, regardless of any pre-determined mission for which the institution may have been founded. From the perspective of market-oriented librarians, this new perspective is essential because library customers, like any other consumer, have the freedom to go elsewhere if libraries fail to server their information needs as well as “competitors” such as superbookstores or Internet search engines.¹³

From the perspective of customer-driven librarianship, politicians will be unable to justify continuing public expenditures on libraries unless librarians somehow can demonstrate their market value by attracting large numbers of users. Several articles and books have argued that libraries can best achieve these goals by “building on the bookstore model.”¹⁴ Superbookstores such as Borders and Barnes and Noble have thrived during the last thirty years (although small independent bookstores have fared much worse than libraries) by creating an attractive environment for browsing and by satisfying customer demand for popular literature. Unless libraries can learn how to make their environment and their selection as attractive to consumers as the superbookstores have, the customer-driven librarians argue that they will increasingly lose market share and popular support.

Although librarians who turn to bookstores for inspiration often focus on cosmetic changes in how books are displayed and how services are advertised, one especially provocative article by Steve Coffman, “What if you ran your library like a bookstore?” illustrates the deeper implications of the customer-driven philosophy.¹⁵ Coffman compares the services that customers typically receive at a library to those that they receive at a large bookstore and concludes that bookstores meet the needs of their customers better than libraries do in almost all respects. Bookstores have longer hours than libraries and are much more likely to be open during the evenings and on weekends. Customers find it easier to navigate bookstore shelves, and a much larger percentage of the bookstore’s budget is spent on the bestsellers that people really want. Coffman argues that libraries are less efficient at meeting their customers’ needs primarily because they spend so much of their money on professional staff instead of on their collections. The selection, reference, and cataloging done by professional librarians is more expensive and less effective at satisfying consumer demand than the automated inventory control systems used by large national bookstores. Coffman’s

analysis implies that the best way for libraries to compete with bookstores would be to replace their over-paid professional staff with a few managers and a large supply of low-wage clerks.

Another provocative example customer-driven librarianship is the “Give ‘em what they want” philosophy promoted by Charles Robinson, the library director of the Baltimore County Public Library (BCPL) in Maryland. According to Robinson, the librarian’s role is not to decide what books belong in the library based on his or her standards of critical judgment but to stock the library with the most popular books in the marketplace. The BCPL buys multiple copies of bestsellers and judges the success of its collection development policy based on the number of times that a book circulates and on the amount of time that a patron must wait before receiving a new book. The “Give ‘em what they want” policy applies Market Populism directly to library collection development. According to the BCPL librarians, any other method of evaluating the library’s collection damages “user orientation because it often assumes that the user doesn’t truly recognize what is ‘good,’ because the user’s wants, or motivations, or tastes are not the same as ours. It’s damaging to cost-effective service because we are very apt to spend money on materials or services that few people (those like us) use, leaving fewer resources to supply the much larger number of users whose very legitimates demands are unfulfilled.”¹⁶ Although librarians may prefer less popular books, Robinson argues that it would be undemocratic for librarians to assert that their tastes are somehow more legitimate than the popular tastes of the public.

There are many virtues in the arguments of customer-driven librarians. Because they acknowledge the changed political environment for libraries, their challenges to traditional librarianship encourages new “out of the box” thinking. Public institutions can learn a great deal about creating attractive environments for users from private corporations that have invested so much money in researching consumer behavior. But there are a couple of fatal flaws in customer-driven librarianship from the perspective of professional librarians. First, it tends to devalue the professional tasks that traditionally have been assigned to librarians. Advocates of customer-driven libraries argue that librarians can protect their professional status in the new world of librarianship by becoming managers who focus on directing the work semi-skilled employees rather than experts about books and information.¹⁷ However, as one critic of market-oriented librarianship notes, “individuals with degrees in business management or public planning are better qualified to be managers than librarians. This is the route by which librarians will be removed from libraries.”¹⁸ If the

knowledge and the skills specific to libraries as institutions are removed from the professional education of librarians, there is no reason why library managers need to have skills that are any different from managers in other businesses or why they should come from library schools instead of from business schools.

More importantly, customer-driven librarianship fails to justify the *existence* of libraries as public institutions. Perhaps librarians can learn how to make libraries more popular with consumers if they work hard to implement the suggestions of customer-driven librarianship, but why exactly should taxpayers pay them to do so? Barnes and Noble will build its stores in a town without collecting any taxes from the citizens, and it is likely that private enterprises always will be more agile in responding to changes in consumer demand than public institutions. Even the idea that libraries give poor people access to books that they would not be able to afford at the bookstore is not very compelling from the market-oriented perspective. If bookstores did not have to compete with publicly funded libraries that lend books out for free and if there really were a strong market demand for cheap book rentals, the marketplace would meet the demand as it has done with rented video-tapes and DVDs. Moreover, as the BCPL librarians readily admit, studies of library use suggest that libraries tend to be used by the middle classes much more than they are used by the poor. Thus, taxes for public libraries are not really taking money from the rich to subsidize the education of the poor but often are taking money from the poor to subsidize the recreation of the middle class.

Ultimately, the assumptions of customer-driven librarianship undermine the legitimacy of libraries as a collective institution supported by the community as whole. For over 100 years, Americans have taxed themselves to pay for public libraries in the belief that they serve some kind of collective good that goes beyond the private goods supplied by the marketplace. If librarians themselves dismiss this belief as romantic nostalgia that hinders their ability to satisfy popular demand in a cost-efficient way -- as do the "give 'em what they want" librarians of Baltimore County -- why should the larger non-library-using public continue to support the institution?¹⁹ By embracing the values Market Populism, customer-driven librarians hope to make libraries competitive enough to survive in a tough new political environment, but by doing so they accept economic assumptions at odds with the fundamental purpose of libraries as most American citizens understand them.

Barbarians at the Gates

A few progressive librarians have criticized the arguments of market-oriented librarianship, but they have struggled to formulate effective arguments against the intuitive appeal of Market Populism. Often, the most strident defenders of the notion that libraries ought to be collective social institutions readily embrace the cultural elitism that Market Populism would attribute to them. While they argue that libraries are essential to American democracy, they attack the “debased” culture of the democratic public that the library seeks to serve. A stimulating new book by Ed D’Angelo of the New York Public Library, *Barbarians at the Gates of the Public Library: How Postmodern Consumer Capitalism Threatens Democracy, Civil Education and the Public Good* illustrates the problems with this approach. D’Angelo, whose book has been widely praised by progressive librarians such as Kathleen de la Peña McCook and cultural critics such as Henry Giroux, argues that Market Populism and the rise of postmodern consumer capitalism have undermined belief in the shared public good that libraries traditionally have served. According to D’Angelo, librarians need to defend traditional ideals of culture against the encroachments of mass consumer culture not only to protect the status of librarians but also to save democracy. Without the rational public sphere embodied by libraries and other educational institutions, D’Angelo believes that modern capitalist economies will dissolve into shallow cultures of narcissism.

Unfortunately, D’Angelo’s criticism of Market Populism seems to rest on the claim that most American consumers just don’t know what is good for them. While Market Populists argue that a market society benefits people by giving them what they want, D’Angelo argues that capitalism “panders” to consumers by satisfying their immediate desires instead of providing what they truly need. D’Angelo, who has a Ph.D. in philosophy, uses Plato to explain what he sees as the crucial difference between “pandering” to people and “edifying” them. He cites a speech from Plato’s dialogues in which Socrates predicts that he will lose his trial before the Athenian senate because he will tell people the truth. According to Socrates, “corrupt politicians are like confectioners and entertainers. They produce words or images which give us immediate pleasure but have no lasting beneficial effect. True statesmen on the other hand are like doctors of medicine and educators. They produce words or images which may not be immediately pleasant to receive but which edify or serve the real good of their audience.”²⁰ In D’Angelo’s eyes, modern capitalist corporations are like Socrates’ corrupt politicians. They provide consumers with immediate gratification

but fail to give people what they need to live rich and fulfilling lives. Similarly, librarians who “give ‘em what they want” are serving empty literary calories to their users instead of the cultural nutrition that librarians have a professional obligation to provide.

According to D’Angelo, the pandering of modern culture industry is even worse than the pandering of the Sophists in Socrates’ days. In the modern marketplace of ideas, capitalists not only prey on the irrational, short-sighted desires of consumers, but they actually create these desires through advertising and popular culture. Whereas the defenders of the marketplace assume that consumers enter the marketplace with pre-existing needs that they then try to satisfy through exchange, D’Angelo argues that marketplace actually produces the demands that it claims to satisfy. The popular culture industry actively promotes the least rational aspects of human nature because superficial and impulsive consumers are easier to manipulate for the sake of profit. Ultimately, modern consumers “are like unschooled children. They too are unlikely to choose the real good over immediate pleasure. They too respond well to those who pander to them and poorly to those who attempt to educate them.”²¹ In D’Angelo’s eyes, postmodern consumer culture has become the ultimate Platonic cave of shadow and illusion, and the customer-driven librarians who embrace it contribute to the infantilization of the American public.

D’Angelo understands the irony of using Plato, who considered his philosophy a fatal argument against democracy, in a book that claims to defend “democracy” from postmodern capitalism. Plato, whose ideal state would have been governed by a philosophical elite sheltered from the irrational whims of the crowd, epitomizes the elitism that Market Populists attribute to those who want to use the power of the government to impose a social order that they prefer over the democratic results of market exchange. Because Plato thought that most people were incapable of distinguishing the true good from pleasing illusions, he believed that democratic societies necessarily would be controlled by demagogues. D’Angelo tries to reconcile Plato’s criticism of popular culture with his own democratic ideals by pointing to the Enlightenment hope “that the rational public sphere can be expanded to include ever wider circles of the population” through education.²² Although Plato believed that only the enlightened few were capable of reason, D’Angelo believes that most people can be educated to achieve rationality. This is why the educational mission of public institutions is so important to D’Angelo. If librarians and other public

servants abandon their responsibility to educate the population, the majority never will achieve the level of enlightenment required for an effective democratic society.

The value of D'Angelo's book is that he boldly spells out the philosophical assumptions implicit in the arguments of many anti-market cultural critics who believe that modern mass culture tends to transform the majority into "kidults."²³ Yet, by doing so, he illustrates the tenuous radicalism of their goals. A populace that is so easily transformed into irrational children by the seductions of popular culture seems to be a shaky foundation on which to build a democratic society. The transformation of human nature required to achieve the ideal democracy envisioned by D'Angelo seems to be far beyond the scope of public libraries unless the economic system that engulfs them with the enticements of capitalist consumer culture is radically transformed. A few libraries scattered throughout a nation facing the onslaught of a popular culture industry with billions of dollars worth of resources hardly seems capable of enlarging the rational public sphere to include enough people for a legitimate democracy. Ultimately, the metaphor of D'Angelo's title, which sees the library as a frail cultural institution desperately defending its values from the attack of the "barbarians," seems to offer a more accurate picture of his vision of the library's place in American society than does his talk about enlarging the rational public sphere.²⁴

The rise of Market Populism thus seems to impose an unpalatable choice on American librarians. Either they can either join the customer-driven librarians such as Robinson and Coffman, who suggest that they abandon any claim to a higher educational calling and simply give the public whatever it wants, or they can join D'Angelo, who suggests that they abandon their democratic faith in the people by asserting that the semi-literate "barbarians at the gates of the library" need the paternalistic guidance of literary professionals. Is there another way of understanding the value of libraries and librarians that would allow us to avoid this dilemma?

One promising answer to this question comes from a branch of economic thought called Game Theory. Although economic theory does provide arguments that legitimize the ideology of Market Populism, it also provides powerful arguments against Market Populism through Game Theory, which demonstrates that Market Populism's fundamental assumption that the unregulated marketplace gives people what they want often is wrong, especially when collective social goods are involved. When the private choices made by one individual in the free marketplace are mixed up with the private choices made

by other individuals -- regardless of how rational and enlightened they all are -- the result can be a collective social environment that none of them want.

An Economic Critique of Market Populism

A good way to understand the significance of Game Theory for economic thought is to see that it focuses on the social context in which individuals make economic choices. Standard neoclassical economic theory abstracts from the social context when studying human behavior. It works with the assumption that one person's choices in the marketplace do not depend directly on the choices made by others. The typical economic decisions in neoclassical theory resemble the decisions made by a shopper who goes into a supermarket with ten dollars to spend on his dinner. Based on the prices of commodities in the store, the shopper tries to allocate his limited funds so that he will get the most satisfaction from what he can afford to buy. Although the collective social judgment about the value of a product is communicated to him indirectly through the price system, the individual shopper doesn't have to think about how other people will respond to his choices. He confronts a faceless environment in which the choices available to him in the marketplace are not much different than the choices available in the inanimate natural world. Based on this individualistic view of economic choice, twentieth-century neoclassical theorists have developed elaborate general equilibrium theories demonstrating that the social resources of society would be allocated in the most efficient way if all consumers were to communicate their values to each other indirectly through the mechanism of supply and demand.²⁵ Although Market Populists understand the real world is messier than the elegant mathematics of neoclassical theory, they believe that the theory accurately describes how the free market economy tends to work when governmental interference is limited.

Game Theory differs from standard neoclassical theory because it focuses on situations in which it is impossible to abstract from the social context of choice. In Game Theory, the typical individual is not a shopper allocating his resources in an impersonal environment but someone playing a game like poker. The poker player has to think strategically. He has to anticipate how other players will respond to his decisions, and he recognizes that the bets that other players make do not necessarily represent an accurate estimate of the value of their hands. His success or failure depends not only on the resources that he holds in his hand but also on his social interaction with the other players in the game. Game theory thus studies situations in which the welfare of an individual depends on the choices made by other people as much as it depends on

choices that he himself makes. In his powerful new book, *No One Makes You Shop at Wal-mart*, Tom Slee, an independent scholar from Toronto, demonstrates that many of the insights of Game Theory expose the blind spots of Market Populism.²⁶ By introducing the social context of individual choice into economic analysis at a fundamental level, Game Theory demonstrates that Market Populism neglects the value of the collective goods provided by libraries and many other social institutions.

The Prisoner's Dilemma

The "Prisoner's Dilemma," the most famous thought experiment of Game Theory, makes this point in a simple but powerful way. In the typical formulation of the prisoner's dilemma, two conspirators are held by the police in isolated interrogation rooms. The police already have enough evidence to convict the prisoners of a crime that would put them both in jail for three years. However, they also suspect -- but don't have enough evidence to prove -- that the prisoners committed another crime that would put them in jail for eight years in total. To get confessions for the second crime, the police offer each of the prisoners the same deal separately. If he confesses to the crime, the police will give him a break on his sentence. If the prisoner confesses and his partner refuses to confess, the police will need his evidence to get a conviction, and they will reduce his sentence to one year. If the prisoner confesses and his partner also confesses, they do not need his confession, but they will still give him a break for cooperating with them and reduce his sentence from 8 years to 6 years. From the perspective of each prisoner, the best strategy is to confess regardless of what his partner decides to do. If his partner refuses to confess, the prisoner gets 3 years by refusing to confess but only one year by confessing. If his partner confesses, he gets 8 years by refusing to confess but only 6 years by confessing. Because both prisoners recognize that confession is their best option, the "equilibrium" solution from the perspective of economics is that they both will confess and get 6 years in jail. Neither individual has the incentive to change his decision because neither can improve his own results by doing so.

The paradox of the prisoners' dilemma is that they get the worst possible deal collectively in the equilibrium solution. Together, they get stuck with 12 total years of prison time when they both confess although they could have reduced that to 6 total years by cooperating with each other instead of with the police. A benevolent dictator who had the best interests of both prisoners in mind would have forced both of them not to confess so that each would have gone to jail for 3 years instead of 6 years. The important

thing to notice about the paradox is that it assumes that both prisoners make a completely rational and informed choice. They are not tricked somehow by the police into making a mistake. They are not fooled by superficial desires, as Plato might argue, because they fail to perceive what is truly good for them. The real problem for the prisoners is not that they are making bad choices but that neither of them is the master of his own fate. Regardless of how enlightened and intelligent the individual prisoner is, his fate is determined by the choice made by the other prisoner as much as it is determined by his own choice. Consequently, his control over the outcome is limited when he is isolated from his partner because he is powerless to influence the decision made by the other prisoner.

At first glance, the Prisoner's Dilemma looks like it may be an interesting but highly contrived example that is not applicable to situations that people face in the real world. Usually, when two people face choices that are so closely intertwined, they are not locked in separate rooms, and they can negotiate with each other to figure out how to get a better deal. Even in police interrogations, prisoners seldom face the dilemma as described in the thought experiment. Prisoners who are tempted to provide evidence against their partners know that they may meet their partners again in the future and that the punishment that their co-conspirators can impose on them might be worse than anything that the police can dole out. The prisoner's fear of being labeled a "snitch" or a "rat," makes it difficult for interrogators to use the logic of the prisoner's dilemma to extract confessions. Nevertheless, the prisoner's dilemma is extremely helpful for analyzing the barriers to social cooperation that we face in real societies because it highlights the dilemma that we all face whenever we decide whether or not we will pay for a collective good that will exist only if other people also chose to pay for it. In the pure prisoner's dilemma, the collective good of reduced jail time requires the cooperation of only two people, but many of the collective goods that we want to achieve require the cooperation of large groups, and it is much more difficult for a large group to spontaneously coordinate its actions.

The Tragedy of the Commons

Another instructive thought experiment used by Slee in *No One Shops at Wal-Mart* demonstrates how the prisoner's dilemma can be generalized to show the dilemma faced by any group of people who collectively use a common resource. Slee imagines a public park shared by 50 similar people who walk through it on their way to work each morning. Each individual enjoys the park because it is clean and likes

to drink a cup of coffee while he or she is walking. However, the typical park-user finishes his coffee about half way through the park and has to decide whether to drop the empty cup on the ground or to carry it out of the park to find a garbage can. The sight of one empty cup on the ground reduces the walker's enjoyment of the park slightly, but the displeasure caused by the inconvenience of carrying the cup for the rest of his walk is greater than the displeasure caused by the sight of a single cup on the ground. Thus, the rational thing for any walker to do is to drop his cup in the park. The dilemma is that the park gets progressively dirtier as all the other park users make the same rational decision. While the presence of one more cup on the ground doesn't make too much difference, the park becomes completely unpleasant when it is covered with litter. Nevertheless, no matter how dirty the park gets, it still makes sense for an individual walker to drop his cup. Even if he doesn't enjoy the park anymore, one more cup on the ground doesn't make much difference, and at least he can avoid the inconvenience of carrying his cup out of the park. As with the prisoners in the prisoner's dilemma, the park users are caught in a trap because their welfare is determined primarily by choices made by other people whom they cannot control.²⁷

Slee's analysis of littering resembles Garrett Hardin's famous analysis of the "Tragedy of the Commons" in an article for *Science*. Hardin used the example of a common field for cattle shared by an entire village. Even if all of the villagers fully understand that the field has a limited carrying capacity, none of them has an incentive to limit the size of his own herd. Each one wants to maximize the size of his herd so that he can get as much as possible from the field as an individual, regardless of its collective productivity. The "tragedy" is that "each man is locked into a system that compels him to increase his herd without limit – in a world that is limited. Ruin is the destination toward which all men rush, each pursuing his own best interest in a society that believes in the freedom of the commons. Freedom in a commons brings ruin to all."²⁸ Hardin argues that social coercion is necessary to reduce the number of cattle on the field and maintain its productivity. In this case, restrictions on individual freedom benefit those who lose their freedom of choice. In a society that emphasizes the inherent value of free choice, the most paradoxical implication of the prisoner's dilemma and the tragedy of the commons is that people often are better off when they lack freedom – not because they make bad choices – but because the collective good that they seek is created by the actions of others more than it is created by their own behavior.

These thought experiments get at a fundamental weakness in the philosophy of Market Populism by demonstrating a basic difference between market exchange and democratic politics. In a free marketplace, individuals have complete freedom over their private choices (as long as they obey the basic laws of property and contract), but they pay for this freedom by abandoning any power to control the choices of others. In contrast, citizens in a democracy sacrifice some of their personal freedom of choice by acknowledging the community's power to impose its laws on them but also gain some control over the actions of others through their participation in the democratic process. Market populists ignore this distinction when they argue that choosing what we buy in the marketplace is equivalent to casting a vote with our dollars. A rational voter facing the tragedy of the commons often will make a different decision than will a rational consumer facing the same dilemma. In Slee's public park, the same walkers who decide to drop their cups on the ground when there are no laws against littering would vote in favor of a law that restricted their own freedom by making littering illegal. Differences between a person's choices in the absence of a law and the preferences he expresses in the voting booth do not mean that he is somehow inconsistent or hypocritical. Instead, they illustrate an understanding of the difference between unregulated individual behavior and collective decisions about how to achieve collective goods. When all of the people who use the park recognize the collective benefit of a litter-free environment, they have a much better chance of realizing this benefit through the voting booth than they do through spontaneous cooperation in a society that emphasizes the absolute freedom of individual choice.

This logic applies to many situations in which Market Populists argue that the results of market competition are more democratic than the results of government-imposed laws and regulations. For example, Market Populists often argue that laws against employers who exploit the environment are unnecessary because protestors can express their moral values through their choices in the marketplace. If a consumer does not like the way that a company operates, he or she can vote against the company by refusing to buy its products. If other consumers share these values, they also will vote against the company, and consumer demand eventually will force the company to change its ways. But the tragedy of the commons demonstrates that, even if consumers have full knowledge about a company's production practices (another flaw the logic of Market Populism is that consumers seldom have this knowledge), they know that their own sacrifice in abstaining from a product will not have any effect on the company's

behavior unless many other consumers make the same sacrifice. An organized boycott or a legal restriction is much more likely to achieve the result that the individual consumer seeks by assuring her in advance that many other people do share her values and will join in her protest.

Similar arguments can be made in favor of unions and minimum wage laws. Market Fundamentalists often complain about the inefficiency of unions and wage and labor laws. In the long run, they assert that most workers who are “free agents” will earn more because they will be working in a more efficient and productive economy. Yet, individual workers often face a kind of prisoner’s dilemma when they try to negotiate employment contracts. Even when a worker knows that his work has a specific value, he risks not having a job at all unless he knows that other workers with similar qualifications will refuse to accept lower pay. Through unions that impose collective contracts on their members, individual workers have a much better chance of receiving a better salary than they do when they freely are able to negotiate their employment contracts as individuals. Similarly, minimum standards of health and safety on the job are much more likely to be enforced through governmental coercion than through individual action. Although an individual worker does have the freedom to reject an employer whose workplace does not meet his desired standards of safety, he knows that he risks unemployment if other workers do not make the same choice. He is caught in a prisoner’s dilemma along with other people looking for work and is much more likely to express a preference for safe working conditions through the voting booth than simply by refusing to work for unsafe employers.²⁹

Of course, the parable of democracy implicit the tragedy of the commons is much simpler than the messy reality of actual democratic societies full of corruption, log rolling, and deceptive politicians, just as Adam Smith’s parable of the invisible hand in the neoclassical theory of general equilibrium is much simpler than what actually happens in real market economies full of uncertainty, corruption, and market power. The value of these simple stories is that they abstract from the confusing complexity of everyday experience to give us some ability to understand and control our social environment. The really difficult thing about them is that they teach exactly the opposite lessons. The parable of the invisible hand indicates that a government that leaves people alone to pursue their own interests in a market society will do the most to benefit society as a whole, but the tragedy of the commons asserts that “ruin is the destination toward which all men rush” when the government allows each to pursue “his own best interest.” Whereas the

invisible hand implies that individual freedom benefits society as whole even more than it benefits the individuals who receive freedom, the tragedy of the commons implies that individual freedom hurts those who receive freedom at the same time that it undermines the welfare of society as a whole.

A crucial question for modern democratic societies is to determine when each of these contradictory parables applies. Economists often argue that the invisible hand applies to private goods that can be created and consumed through individual action and that the tragedy of the commons applies to collective goods that are created and consumed through the joint action of groups of people.³⁰ In his famous explanation of the invisible hand, Adam Smith observed that a baker makes bread not out of any benevolent interest in those who eat his bread but out of a desire to exchange his bread for a profit. Bread is an obvious example of an individual good, and most people now believe that it makes sense to allow the process of market exchange to determine how much bread is produced rather than to have centralized governmental planners guess in advance how much bread the society will need. In contrast, a clean environment often seems to be an obvious example of a common collective good that only can be created through the joint actions of a group and cannot be so easily bought and sold in the marketplace. If a society simply leaves it to individual choices of consumers and producers to determine how clean its environment will be, it is likely to get a public environment as dirty as the park in Snee's thought experiment.

Although most politicians and economists would agree with these general principles, the controversial question is when each of them applies to the messy reality of public life. Ideologically inclined economists argue that almost any social good ought to be seen as a private commodity that can be produced more efficiently through market exchange. Market Populism and Market Fundamentalism take this ideological position to its extremes. They interpret society as if the parable of the invisible hand always were true and as if the parable about the tragedy of the commons almost never applied. It is an outlook that leads to lots of dirty parks and neglected public goods. The challenge for librarians when confronting Market Populism is to explain exactly what kind of collective social good libraries produce. Do we need libraries in addition to a private marketplace for literature and information because libraries generate collective social benefits that can only be created through the joint action of society?

Libraries and Collective Goods

Traditionally, public financing for libraries has been based on the notion that they are part of the nation's educational infrastructure. School and University libraries obviously are integral parts of larger educational institutions, and public libraries frequently have been seen as the primary source of public education for those who are no longer in the school system. When the city of Boston opened the first American public library in the 1850s, they saw it as "the means of completing our system of public education ... the crowning glory of our system of city schools."³¹ As long as education was seen a collective good worthy of public support, libraries benefited from their association with the educational system. Yet, Market Fundamentalism and Market Populism increasingly have portrayed education as a private good that can be supplied more efficiently by the marketplace. Although most education still is subsidized by tax dollars, many reformers would like to introduce elements such as vouchers and charter schools that make the school system replicate the marketplace. Libraries may be affected by this trend toward privatization more than the school system in general because public support for primary education has been stronger than support for higher education. Whereas basic skills such as reading and writing seem to be a fundamental need that a modern society ought to give to everyone, higher adult education seems to be a private good that people seek for their own benefit, and direct governmental funding for public University systems has decreased in the last thirty years.³² Because both University libraries and Public libraries are useful primarily for continuing adult education, they are particularly vulnerable to the notion that higher education is private good that individuals ought to provide for themselves.

How do the insights of the prisoner's dilemma and the tragedy of the commons apply to the question of public funding for adult education? They suggest that privatizing higher education will not necessarily reduce the amount of education that people seek but will change the *type* of education that they seek. When people have to pay for education not only through the time and effort required to learn something new but also by paying the market rate for access to information through books and teachers, they will focus on learning that gives them the best private return on their personal investment. Although the pleasure and satisfaction of learning often makes it an end in itself, the external benefits of education such as higher income and social prestige differ for different types of knowledge. For some types of higher education, especially in training for the traditional professions, the marketplace does a pretty good job of

rewarding people for their intellectual efforts. Doctors and engineers earn higher salaries than the average worker does because their education has trained them to perform a service that is particularly valuable. Consequently, it makes some sense for the marketplace to determine the cost of a medical education (ignoring for now how medical associations control the supply of doctors available in the marketplace through licensing) because potential doctors will decide how much money to allocate to their training based on their expectations of earning a higher salary throughout their career. Yet, there are other types of education that benefit to society as a whole but fail to give educated individuals much of an economic return on their private investment. In a society that treats all education and information as private goods to be obtained through the marketplace, this type of knowledge will tend to be neglected. Two important examples are education in general scientific knowledge and in political and civic awareness.

Libraries and Scientific Education

A society vigorously engaged in scientific research and education will tend to be better off than a society that neglects science. Advances at the frontiers of research lead to better technology and the more efficient use of existing technologies. Moreover, a democratic society in which many people are familiar with science will probably make better decisions about how to use and direct future research. Despite the social benefits of scientific research and education, the free marketplace often fails to reward individuals who make scientific advances adequately. A society's stock of scientific knowledge resembles the common pasture in Hardin's tragedy of the commons. Private companies have a strong incentive to exploit the existing stock of knowledge for gain, but they have little incentive to add to the common stock available to everyone.

In the past, American politicians have recognized a distinction between pure and applied science by supporting fundamental research with subsidies while allowing private industry to figure out how to make a profit from the new knowledge produced by governmental researchers. The development of the Internet is a famous example. The basic protocols used in Internet were created by researchers in the Department of Defense who wanted to develop a distributed system of communication that would survive a limited nuclear attack. Once the backbone of the Internet was made available to everyone, entrepreneurs in the private marketplace were able to figure out creative ways of using this common infrastructure to make a profit. Pharmaceutical research is another example of this distinction between public and private research.

Generally, governmental support for biological research focuses on the basic mechanisms of disease and health. Collectively, the community supports research that teaches us how the body works while private pharmaceutical companies focus on research that uses this knowledge to develop specific therapies that they can sell.

However, during the current era of Market Populism, politicians who believe that the marketplace solves all problems have become increasingly reluctant to invest tax dollars in pure scientific research. Joseph Stiglitz, the President of Council of Economic Advisors during the Clinton administration, complained that “we ... underinvested in research, especially the basic sciences, which underlay the New Economy. We were, in part, living off past ideas, breakthroughs of an earlier day, such as transistors and lasers. We were counting on the foreign students who were flocking to our universities to sustain much of our research capabilities, while our best students were putting together the financial deals.”³³ According to Stiglitz, the market ideology of the late twentieth century is depleting our scientific commons. Without collective support for scientific research through tax subsidies, the most talented people lack the private incentive to pursue research and are more likely to educate themselves for work as lawyers or stockbrokers that will enrich them as individuals but less likely to improve our collective welfare.

Although Stiglitz focuses on direct governmental support of laboratory research, science librarians have complained that the same ideology that has reduced support for research has led to a declining investment in science libraries.³⁴ Librarians can use the arguments employed by Stiglitz to make a case for stronger public support of science libraries. Because science is a collective, cumulative endeavor, isolated researchers would be lost without access to the record of scientific knowledge traditionally provided by university libraries. Although some scientists and university administrators wonder if the digital age will make libraries obsolete as storehouses of scientific knowledge, technical questions about how knowledge will be stored are secondary to the economic question of whether it will be preserved as a common resource or will become a private market commodity. Regardless of how cheap digital storage becomes, editing, indexing, and providing effective search interfaces to the vast accumulation of scientific knowledge will continue to be expensive and labor intensive. If this work is left to private companies trying to maximize their profits, the same forces that lead to the underinvestment in basic research will lead to an underinvestment in the features of electronic databases that make them most useful for scientific research.

In their book *Information Rules*, economists Carl Shapiro and Hal Varian described an interesting case that demonstrates that “purveyors of high-quality content find it difficult to compete with lower-quality but lower-priced content” in an unregulated market for information. When Electric Library, which offered “full text of 150 newspapers, hundreds of magazines ... and many other high-quality sources of information,” tried to sell its service directly to students, it had little luck because students saw no reason to pay for electronic information when they had access to so much free information on the Internet. Shapiro and Varian note that Electric Library ultimately succeeded by selling site licenses to school libraries because the librarians recognized that their content was better than much of the free content on the Internet.³⁵ Similar forces are at work in the market for scientific databases, especially as Google Scholar has emerged as a low-cost alternative to expensive databases such as Web of Science. Comparisons between these databases by experienced bibliographic researchers indicate that Web of Science allows for much more comprehensive, consistent, and sophisticated searching than does Google Scholar.³⁶ There is little economic incentive for a company that markets its products to end users to invest in sophisticated features that will be appreciated primarily by few experienced researchers, and it is unlikely that high quality bibliographic resources such as Web of Science would survive in an unregulated information marketplace without the intervention of university librarians who recognize the value provided by Web of Science and can use the collective funds of the community to pay for it

Perhaps one could agree with the proposition that society needs to subsidize the production of scientific knowledge, and still argue that university librarians are unnecessary middlemen in the process. The government could give subsidies directly to researchers through grants that would allow them to go out and buy the data that they need in a private information marketplace. Or it could support the production of scientific databases through direct subsidies to private companies that produce the databases. Nevertheless, librarians can make a strong case that libraries still are the most efficient means of providing collective access to social knowledge because librarians have extensive experience in maintaining the scientific record as a collective community resource that will be used by a wide variety of individuals with diverse and unanticipated needs. Information grants to individual scientists with narrow research agendas would tend to leave scientists with the same problems of collective action that they find in the marketplace. A scientist with a grant to buy information would focus on data that he needs for his personal research and would be

less likely to support generalized scientific databases. Alternatively, if society were to give direct subsidies to private information companies to produce scientific databases for the public benefit, it would somehow have to monitor the companies to make sure that the grants were spent as it intended. But what better way of doing this than by filtering the subsidies through the purchases made by university libraries, which have years of experience in evaluating information resources from the perspective of the collective needs of a research community.

Although public libraries differ from university libraries because they seldom support the cutting edge research of scientists at the frontier of knowledge, they also play a valuable role in supporting scientific progress. From the perspective of society, the breath of scientific knowledge throughout the community is as important as the depth of knowledge in elite researchers. A society in which an understanding of the scientific method is widely shared will have larger pool of potential scientists to engage in new research and will probably make better collective decisions about how to use current knowledge. Many questions about how to use scientific knowledge and how to direct research are important to the health of democratic societies as they face questions such as global warming, environmental degradation, and the potential use and abuse genetic research. While public libraries, which are voluntary institutions, are less useful for producing basic knowledge than the compulsory school system, they are a means by which the public dollars can subsidize access to accurate scientific knowledge for a population that already has received its basic education in the school system.

Libraries and Political Education

Even more important than scientific education for a democratic society is political education in its broadest sense. When individuals in a democracy decide how much time, effort, and money to devote to learning about current events and the political process, they are caught in another prisoner's dilemma. Although people understand that their society will make better laws and elect better representatives if most voters are well-informed about the available options, the individual voter has little private incentive to educate herself. No matter how much she learns about laws, propositions, and potential candidates, her vote makes little difference if the other voters fail to educate themselves. Even if she does believe that other voters will be knowledgeable, she is tempted to become a "free-rider," who allows everyone else to take care of politics while she focuses her attention on education or entertainment that is more likely to benefit

her personally. Like the captive in the prisoner's dilemma whose best choice is to betray his partner, the best choice of an individual voter in a democracy is to betray her fellow voters, and a democracy that allows its citizens to decide for themselves how much political education they will obtain will tend to have under-informed voters. Even worse, the best-informed political actors often will be people with special interests who want to use the power of the government to benefit themselves by doing things that are not necessarily good for society as a whole. Just as the prisoners in the prisoner's dilemma would be better off if a benevolent dictator forced them to cooperate, the average citizen in a democracy would be better off if a benevolent dictator forced her and her fellow citizens to participate actively in the political process.

Because dictators – benevolent or otherwise – are inconsistent with democracy, the United States has tried to address this dilemma with its public education system. The founders of the school system in New England understood that education was necessary for an effective democracy. Sometimes, these founders have been criticized in the terms of Market Populism as elitists who wanted to force their culture on the lower classes because they did not trust the uncouth masses to participate in democracy. According to this critique, they developed the public education system and the public library system because they did not want the working classes, the Irish and Italian immigrants, to participate in democracy without getting indoctrinated in WASP values. Although there probably is some truth in this argument, there also is truth in the notion that a compulsory political education is required to transform people of any class or ethnic group in a democratic society into effective citizens. At its best, American public education provides training that combines private and collective benefits. At the same time that it prepares a student to make more money in the job market, it also prepares her for effective citizenship. This combination makes sense to economists who have studied the problem of public goods because institutions that do the best job of providing collective goods often combine a private good that attracts individuals into the institution along with the collective good that they create.³⁷

However, as the ideology of Market Fundamentalism has obscured our understanding of the value of a political education in recent years, the school system increasingly has focused on the individual needs of its students to the exclusion of political education. Parents and educators increasingly assume that the primary purpose of the school system is to prepare students for the marketplace by building up the human capital that will allow students to earn a higher income after they graduate. From this perspective, the

argument that administrators can improve schools by introducing market-oriented features into the public school system such as vouchers makes sense. Because parents and students are the best judges of the effectiveness of a school for themselves, Market Populists argue that giving them a choice about which school they want to attend will force schools to improve the education that they provide. From the perspective of political education, however, introducing individual choice into the public school system undermines its effectiveness. If schools have to compete with each other to attract individual students, they will focus on those aspects of education that benefit the individual at the expense of those aspects of education that benefit society as a whole. Surveys of college freshmen over the last thirty years suggest that they have been deeply influenced by the increasingly individualistic orientation of our educational system. In 1965, nearly sixty percent of the students thought that it was important to “keep up to date with politics” while approximately forty percent considered it important to “be very well off financially,” but in the year 2000, only twenty-seven percent thought that it was important to “keep up to date with politics” and nearly seventy-five percent considered it important to “be very well of financially.”³⁸ It is not surprising that the rise of Market Populism has corresponded to a decline in political awareness and participation.

But how do these arguments in favor of political education apply to libraries? Even if the public school system misunderstands its purpose when it focuses on individual needs to the exclusion of social values, one could argue that libraries are not very useful for creating social value because they are voluntary institutions. Although most Americans accept idea that the state can force children to go to school for twelve years, few would want the state to force adults to go the library to do thorough research on the issues before casting their votes. Obviously, libraries are not a magic wand that will create civic virtue where none exists, but they can serve an important function as part of a larger system of public education. In communities where people have developed the skills and the knowledge required to participate in politics, libraries allow them to continue their political education by providing subsidized access to information from diverse points of view. Even if the school system and social institutions have made people interested in political affairs, they will be less likely to develop that interest if they are forced pay the market rate for information. Libraries do use coercion to the extent that they force every taxpayer in the community to contribute to an institution that provides free access to public information regardless of whether or not that taxpayer plans to use the library. Just as school administrators who focus solely on

preparing students for the marketplace fail to understand the broader purpose of a subsidized public educational system, librarians who focus solely on “giving ‘em what they want” misunderstand the social purpose of a publicly funded library system.

Game Theory and the Market for Culture

While the paradoxes of the prisoner’s dilemma illustrate the value of libraries as a means of providing democratic education, another simple game, the coordination game, helps illustrate their value as a means of enriching the cultural options available to a community. Market Populism dismisses the cultural significance of librarians and other public intellectuals because it assumes that the marketplace generates the popular culture that most people really want regardless of the complaints of cultural critics. Game theory undermines this argument by demonstrating that a laissez-faire cultural marketplace tends to produce a limited variety of predictable entertainments even if most people really would prefer a more challenging and diverse cultural environment. In this context, publicly supported libraries and librarians can broaden the cultural experience of individuals by making sure that they have choices that would not be available to them in an unregulated marketplace.

The Rational Herd

Again, the key insight of game theory is that individuals make choices not only according to their intrinsic preferences but also in response to the choices made by other people in their environment. While the prisoner’s dilemma demonstrates the individual’s incentive to become “free rider” who fails to contribute to the creation of collective goods, the coordination game demonstrates the individual’s incentive to “join the herd” regardless of his personal preferences. In its simplest form, the coordination game can be played by two people, say Dick and Jane, who are trying to decide where to spend the evening. Both Dick and Jane have the option of going either to party in a sports bar or to a party in the museum. If everything else is equal, Dick prefers the bar and Jane prefers the museum, but everything else is not equal because what both of them really want is to be at the party where they can see each other. Dick would be much happier if he were to meet Jane at the museum than he would be if he were to go to the bar without Jane, and the same is true for Jane. She would be much happier at the bar with Dick than at the museum without him. Unlike the prisoner’s dilemma, which has one logical solution, the coordination

game has two equilibrium solutions – either both people go to the sports bar or both go to the museum. Dick would be slightly happier if they both went to the bar, but there would be no way for him to improve his situation if they both went to the museum. Because there are two stable results, the game is indeterminate from the logical perspective of game theory. Pure theory cannot predict which outcome would occur if two people played this game, but it does show that both of them are much better off if they can coordinate their choices.

From the common sense perspective, the coordination game seems to be less paradoxical than the prisoner's dilemma. Obviously, two people who want to meet will be happier if they end up in the same place, but the game emphasizes another way that our social context influences our choices that is neglected by the assumptions of Market Fundamentalism. What Dick really is choosing is to make the same choice as Jane. There is no absolute right decision for him because Jane's decision determines whether or not his own decision was good. When the coordination game is played with large groups of people, the logical choice for any one person often is to join the herd regardless of his private tastes and preferences. In these cases, herd behavior does not result from the mindless conformism of the mass as some cultural critics argue but from the rational choices of individuals who recognize that they gain much more from joining the group than by pursuing their idiosyncratic tastes. There are many common examples of rational herd behavior. Choosing which side of the street to drive on is a large co-ordination game. It is much better for everyone involved if we all drive on the same side than if that choice were left to the personal preferences of each driver. Choosing which computer operating system to use also is a coordination game. Consumers receive many benefits from joining the Microsoft herd regardless of the technological advantages of alternative operating systems because it is much easier to share documents, programs, and expertise when everyone is using the same system. Even if some new operating system would serve the needs of the herd as a whole better than the existing system, it would not make sense for individuals to switch it if most other people already have invested their monetary and human capital in Microsoft Windows.

Economists describe the benefits of joining the herd as “network externalities.” Externalities are benefits (or detriments) of a product that are external to the market costs of producing the product. Even if a potential competitor of Microsoft can produce a superior operating system at roughly the same cost as Microsoft does, it would have trouble competing with them in the marketplace because consumers who buy

Windows gain all the external benefits of joining an existing network of consumers. The benefits of these network externalities are so great that even operating systems such as Linux, which are essentially available for free, have made little headway against Microsoft's monopoly. As Slee argues, Market Populism would "have us believe that individual choice and the market lead to competition: the option of spending our money somewhere else encourages new entrants into markets and keeps existing ones on their toes. But when the best choice is to join the herd, individual choice leads to monopoly and the eradication of meaningful choice."³⁹ The point is not that the collective decisions made by the herd necessarily are wrong but that it is extremely difficult for the herd to alter its collective choice through the actions of independent individuals. Often, the first available solution to a specific problem becomes so entrenched in the network that it is not possible to successfully introduce better solutions into the free marketplace when they become available. A famous article on "Clio and the Economics of QWERTY" made this point with the example of typewrite keyboards. Once the typewriter keyboard design with the letters QWERTY in the top row of keys was widely adopted in the network of American business, it was impossible for alternative designs, even those which claimed to increase typing efficiency by 20-40%, to succeed in the marketplace.⁴⁰

The logic of the herd is important for librarians to understand because there are network externalities involved in our cultural experiences. People are more likely to read books or watch movies that they will be able to discuss with others because our appreciation of culture is enhanced by our ability to share thoughts, feelings, and experiences. The phenomenal success of books selected for Oprah Winfrey's book club results in part from the show's ability to generate network externalities.⁴¹ For viewers, a book that appears on the show becomes much more attractive because they can engage with the televised discussion of the book and because they will be likely to find other people interested in the book due to the show's large audience. On a smaller scale, local book clubs at libraries and bookstores take advantage of herd effects to enhance their literary enjoyment. Participants in a book club are playing a coordination game in which they use the club to harmonize their literary choices.⁴²

The network externalities of shared cultural experiences also allow creators to produce deeper and more complex cultural products. Writers, artists, musicians, and movie directors who know that their audience shares a specific cultural tradition can engage in a dialogue with the tradition that adds power to their work. In a movie, a reference to the shower scene in *Psycho* conveys a whole host of impressions,

emotions, and ideas that a director would have to work much harder to create if he had to start from scratch with his audience. Similarly, literary references to the Bible or to Shakespeare allow authors to draw upon shared historical investigations of human experience that will resonate with many of their readers. Just as a computer programmer writing for Windows knows that his program will be more useful because it will be easy to integrate with other programs written for Windows, a writer working in a specific literary tradition knows that his work conveys additional meaning through its connections to a literary network. For this purpose, almost any widely shared cultural product – Homer, the Bible, or American Idol – can create herd effects regardless of its other merits. Just as Dick's decision about whether to go to the sports bar or the museum is determined by what he expects Jane to do, a modern American trying to decide whether he should spend his evening reading the Bible or watching American Idol is deeply influenced by what he expects other people in his community to do.

Although the network externalities involved in our cultural choices cast doubt on the assumptions of Market Populism, they are not necessarily strong enough to produce the monopolies enjoyed by the QWERTY keyboard or Microsoft Windows. Despite the benefits of joining a literary herd, there are other considerations involved in our literary choices that do not apply when we chose keyboards or operating systems. Although people may enjoy a book more if they have the opportunity to discuss it with others, their private tastes and experiences determine what kind of books they want to read and talk about in the first place. Furthermore, there are a wide variety of cultural networks available to most people in the modern world. While people have almost no choice about the keyboard network that they will join when they learn how to type and relatively little choice about what operating system herd to join when they buy a computer, they do seem to have more choice over their cultural networks. In part, when we choose what we will read, watch, and listen to, we also choosing the cultural identities that we want to adopt. Jazz aficionados and Civil War buffs often pursue their hobbies precisely because they enjoy associating with people who have similar interests. Consequently, Market Populists could argue that the market distortions caused by cultural network externalities are not strong enough to undermine the diversity and freedom of choice that a free marketplace ought to provide according to their theories. But there are other factors involved in the cultural marketplace that strengthen the herd effects caused by network externalities and limit the quality and variety of cultural experience available in an unregulated marketplace.

The Lemon Principle

Another important factor is our lack of advance knowledge about exactly what we are buying when we purchase cultural commodities. Almost always, when someone buys a book or a movie ticket, she does not know what she will get for her money. Nor do consumers usually have the option of getting a refund for a book that disappointed them. The consumer's ignorance about the quality of cultural products available for sale is inconsistent with the assumptions of the economic theories that demonstrate the efficiency of free market. The theories assume that all consumers have "perfect information" about all of the commodities available for sale in the marketplace so that they know exactly how much satisfaction they will get from something before they decide how much to pay for it. Everyone knows that the assumption of perfect information is unrealistic, but there is debate amongst economists about how important it is to the theory. Some believe that the theory approximately describes what happens in the real markets despite real consumers' lack of perfect information, but others argue that relaxing the assumption of "perfect information" undermines many of the economic justifications for unregulated markets.⁴³

An important article by the economist George Akerlof in 1970, "The Market for 'Lemons': Quality Uncertainty and the Market Mechanism" argued that markets tend to be distorted in specific ways when consumers lack information about what they are buying.⁴⁴ The article used a simple thought experiment to explain the large price difference between new and used cars. In the thought experiment, Akerlof assumed that there were two types of used cars, plums and lemons. Although many buyers would be willing to pay more to get a plum instead of a lemon, they can't tell which kind of car they are getting when they make their purchase. A consumer may not find out that he bought a lemon until he has been driving his car for several weeks. Hence, it makes sense for buyers to assume that all of the cars that they see are lemons because they know that they can't get cheated by refusing to pay more than the lemon price for any car. For sellers, it doesn't make any sense even to try to sell plums because they know that cannot get a fair price for plums from buyers who are worried about getting cheated. In the end, Akerlof argued that "most cars traded will be the 'lemons,' and good cars may not be traded at all. The 'bad' cars tend to drive out the good."⁴⁵ From the perspective of neoclassical economics, this result is a "market failure." Although many people are willing to sell and buy high quality used cars at a fair price, the lack of reliable

information available to consumers prevents them from consummating these mutually beneficial exchanges.

Akerlof's "Lemon Principle" has important consequences in the cultural marketplace because consumers often are as ignorant about the quality of their potential purchases of cultural products as they are in the used car marketplace. In a laissez-faire cultural marketplace, the bad products tend to drive out the good because it makes little economic sense for artists and authors to spend the extra time and effort required to produce a superior products if potential buyers can't tell the difference between high quality products and cultural lemons produced with much less effort. Of course, the assumption that cultural consumers have no information at all about the quality of the products that they buy is an oversimplification. Consumers do have various means of evaluating cultural products before they commit to buying them, but the type of information that consumers get in the marketplace often reinforces the herd effects of network externalities. A common way of trying to avoid lemons is to stick with the most popular products. As the saying goes, the ten million viewers who went to the latest blockbuster can't all be wrong. The herd effects produced by Oprah's book club thus has two sources. Not only does the viewer know that he will have the opportunity to discuss the books on the show with other viewers but Oprah's seal of approval reduces his uncertainty about buying the book because he knows that people whose tastes he shares already have read and enjoyed the book.

Another way that producers try to reduce the uncertainty of consumers in the cultural marketplace is through branding, which leads to a marketplace dominated by a limited variety of predictable products. Akerloff argued that chain restaurants have been successful in the United States due to consumers' uncertainty about the quality of independent restaurants. When people are choosing a restraint in an unfamiliar neighborhood, they don't know how to distinguish the good from the bad before they make a commitment. Consequently, there is less incentive for restaurant owners to make the effort to provide a superior experience to their patrons. Chains such as McDonalds or Appleby's reduce the uncertainty by creating a predictable dining experience at many restaurants throughout a region. While consumers really might prefer the distinctive dining experience that they could find at some independent restaurants to the bland food that they find at Appleby's, it makes sense to choose the predictable product when they have no reliable means of sifting the lemons from the plums.

Many cultural products similarly emphasize predictability to reduce their consumers' uncertainty about what they are buying. Publishers of romance novels have detailed formulas for their authors to use so that buyers know pretty much what they are going to get from their books before they buy. Other types of genre fiction and blockbuster films also provide consumers with fairly predictable experiences. Furthermore, Hollywood often makes several movies in one series such as Star Wars or Spiderman or Shrek and likes remakes of popular books and TV shows because remakes reduce the potential audience's uncertainty about what they will get for their money. Books by well-known authors and movies by famous actors usually are worth much more to publishers and producers than new books and movies by unknown creators because they reduce the uncertainty of the audience. The audience has almost no way of knowing if the product of an unknown artist will be a lemon, but the products of stars are more reliable. The trouble with these methods of addressing the lemon principle is that standardization often diminishes the fulfillment that people derive from culture. For companies that produce machine equipment or missile guidance systems, reliability and consistency are vital to the utility of their products, but predictability and consistency tend to be less valuable for cultural products. Diversity, variety, and originality often are valuable in and of themselves for cultural products because our minds are stimulated by new and unexpected impressions. However, due to the lemon principle, predictable remakes often drive out the fresh and the new in the cultural marketplace even when there are creators willing and able to produce original work of high quality and consumers are eager to buy it.

Increasing Returns to Scale

In addition to herd effects and the lemon principle, a third factor that undermines Market Populism's belief that the cultural marketplace "gives em what they want," is that it is much cheaper to copy and distribute these products than it is to make the original. Although the first copy of a new book or song or movie always has been more expensive to make than additional copies, the information revolution has intensified the difference between the cost of the original and the costs of distribution. Today, the time and labor involved in writing a novel is not much different than it was 100 years ago, but the costs of distributing limitless electronic copies around the world are negligible. Economists describe industries in which the average cost of production for a product decreases as a company produces more of it as having "increasing returns to scale," and they note that such industries easily can be dominated by monopolies. If

an established business can increase its production as much as it wants to without increasing its costs, it is very difficult for new businesses to compete with it. This is another reason behind the power of Microsoft's monopoly. Because it costs Microsoft almost nothing to copy and sell its code to a new consumer, it can charge almost any price it wants for its programs – and often give them away for free – without losing money. Microsoft can use this power to discourage new competitors, who face the high initial costs of writing and developing a program, by lowering its prices until the competitor gives up or goes out of business, leaving Microsoft free to charge what the market will bear. Thus, increasing returns to scale in the software industry reinforces the monopolistic consequences of network externalities.

Similar dynamics are at work in the television and movie industries. In *Blockbusters an Trade Wars: Popular Culture in a Globalized World*, Peter Grant and Chris Wood demonstrate that Hollywood dominates the global television and movie industry through price discrimination as it sells the rights to distribute its products at different prices in different countries. A one-hour television show that is produced for \$2 million costs \$1.4 million to air in the United States but only costs \$60,000 to air in France or \$10,000 in Brazil.⁴⁶ The television industry's ability to alter its price based on the customer's ability to pay allows it to maximize its profits. However, price discrimination makes it almost impossible for local producers to compete. Even if the labor costs of production are lower in France or in Brazil than in Hollywood, there is no way for local producers to make a profit if they try to sell their shows for same prices as Hollywood does in the local marketplace. Due to the increasing returns to scale enjoyed by the dominant cultural network, everyone's freedom to choose from a diverse variety of cultural products is diminished. Although an individual's cultural choices may reflect his desire to participate in specific cultural networks, he has fewer networks to choose from if many communities are unable to bring their cultural products to him in the marketplace. At the same time, in its effort to appeal to a global audience, Hollywood often produces movies with shallower themes that can be appreciated by people around the world rather than delving deeper into the shared experiences of its specific local community. As with the lemon principle, decreasing returns to scale in the entertainment industry gives predictable and minimally satisfying products significant advantages in the marketplace despite the preferences of individual consumers for richer and more diverse cultural options.

In the book industry, increasing returns to scale give a huge advantage to bestsellers and expected bestsellers by known authors. Because publishers can charge less for books with large print runs, they often give bookstores rebates on the sale of these books and spend much more money on promoting them. As a result, the bestsellers get the most prominent display in the bookstores and the lesser-known books get relegated to the back shelves where it is more difficult for consumers to find them. In the era of Market Populism, bestsellers increasingly have dominated the marketplace for books at the expense of “midlist” titles.⁴⁷ As the Author’s Guild reports, it has become increasingly difficult for midlist publishers and authors to survive in a market increasingly dominated by a few bestsellers. Similar “winner take all” dynamics have changed the face of academic and university publishing in the last thirty years. University presses are struggling to stay afloat because it has become almost impossible to publish monographs aimed at narrow academic audiences while the academic marketplace is dominated by a few best-selling textbooks that enjoy all of the benefits of network externalities and increasing returns to scale.⁴⁸

The Harry Potter phenomenon exemplifies all of the forces that generate winner take all markets in the contemporary cultural economy. Some critics who have focused on the content of the Harry Potter novels have been mystified by their unprecedented success. Although the stories are entertaining, there are hundreds of children’s novels published each year that are ignored and neglected despite being equally as good. What is it about J. K. Rowling’s writing that allows her to succeed in such a spectacular way where so many others have failed? The key is less in the specific content of her stories than in all of the market forces that generate winner take all returns for a few cultural products. When a teenager decides whether she will spend her time and money on the new Harry Potter book or on some other novel by an unknown author, everything favors Harry. First, there are the herd effects. She knows that many of her friends and school mates will be reading Harry Potter, and she may need to know about “muggles” and “Quidditch” to interact with them. Second, there is the lemon principle. Because Harry Potter is a known commodity that many people like her have tried and liked already, she is much less likely to be wasting her time with him. Even if there are 100 books in the bookstore that she really would like better than Harry Potter, it is difficult for her to separate those books from the duds before she invests the time and money to read them. Third, there are the increasing returns to scale enjoyed by Harry Potter’s publisher that allows it to lavish promotion and advertising on the series. When the teenager enters the bookstore she will be surrounded by

Harry Potter posters and paraphernalia and hundreds of copies of the latest book in the series prominently displayed. When she turns on the television or the radio, she will see advertising, reviews, and promotions of the related movies. There is little chance for alternate works to compete for her attention no matter how much more they ultimately might appeal to her private tastes and interests.

The argument from game theory is not that people cannot be trusted to make good cultural choices or that they lack the moral discipline required to develop refined literary tastes. Nor is it that cultural producers purposefully corrupt and manipulate their audience. The reality is that forces at work in unregulated winner take all marketplaces tend to produce a cultural environment that is less diverse and enriching than both producers and consumers might want. Just as libraries can help communities overcome some of the problems of collective action revealed by the tragedy of the commons, they also can counteract the problems revealed by herd effects of a winner-take-all cultural economy.

Squeezing Lemons in the Stacks

Governments and other organizations “squeeze lemons” when they help consumers avoid the Lemon Principle by providing them with additional information about the commodities available in the marketplace. Slee points to the “highly successful effort of the Campaign for Real British Ale (CAMBRA) in the United Kingdom to promote the benefits of independent beer producers and to provide information about the quality of independent beers.” Before CAMBRA started publishing its *Good Beer Guide*, the marketplace for beer in England was dominated by a few mass-produced products and “no new breweries [had been] set up in the UK for fifty years.” Since CAMBRA started publishing its guide, nearly 300 independent breweries have started selling beer in England, and beer drinkers have access to a wider variety of high quality beers than they did before.⁴⁹ The tastes and desires of beer drinkers did not change, but their access to reliable information about the beer available in the marketplace and their ability to participate in a community with shared interests allowed them to escape from their dependence on the predictable if bland virtues of the mass-produced beers. Libraries are an excellent institution for squeezing lemons in the literary marketplace. In several related ways, libraries do for readers what CAMBRA does for beer drinkers by counteracting the tendency toward winner take all results in the cultural marketplace.

The first way that libraries squeeze literary lemons is simply by offering readers temporary access to the variety of products available in the marketplace. Readers are more likely to experiment with

unfamiliar authors, if they can test them for a while before committing themselves to a purchase.

Bookstores purposefully create an environment that encourages browsing and relaxing in their stores because they understand this principle. They know that people are more likely to buy a book if they have the opportunity to evaluate it in advance.⁵⁰ But libraries give readers a better opportunity to test a wider variety of literature by allowing people to take books home for a limited period of time. Although publishers sometimes have worried that libraries spoil the market for books by giving them away for free, economists such as Shapiro and Varian argue that “there is no doubt that the circulating libraries were much to the benefit of the publishing industry. The availability of low cost entertainment motivated many to learn to read.”⁵¹ Libraries benefited the literary marketplace by whetting the appetite of readers and encouraging them to read more.

For individuals, reading is an activity that generates increasing returns to scale. The more that someone reads, the more pleasure and value that he or she derives from reading. Students of cultural economics argue that “the major distinctive feature of cultural goods is that consumers must learn how to consume them.”⁵² Experienced readers are better able to identify titles and authors that they will like and usually get more out of individual book because they can see how it interacts with a broader literary network. As an earlier essay on the economics of libraries noted, the fortunes of booksellers, publishers and libraries tend to be harmonious because libraries encourage the cultivation of taste, which then tends to increase the retail demand for books.⁵³ By reducing the barriers of entry to literature, libraries make it easier for people to get started on a more adventurous literary path that will make them more avid consumers of books that go beyond the safe and predictable bestsellers that dominate winner take all markets.

Furthermore, libraries do more than passively give their users access to books. They lend a measure of institutional legitimacy to the books that they chose to stock. Governmental licenses help consumers avoid some of the pitfalls of the lemon principle when choosing doctors, dentists, and real estate agents by certifying that a licensed professional meets certain minimal levels of competence.⁵⁴ Similarly, libraries certify the potential value of books and databases that they select for their collections. Library selectors, who are experienced readers and who often are experts in specific fields, are better at separating the wheat from the chaff than novice readers. Library selectors also are aided by an institutional

infrastructure and a social network of librarians that assists them in identifying high quality new books. Library journals give librarians the ability to read, write, and share reviews with each other, and library institutions have set up several prizes and awards for the best new books each year. Like doctors who have an official license to practice, books and other resources that appear in the library are certified by an independent literary authority.

Reference services also help readers separate the plums from the lemons when they confront the bewildering abundance of information available in the digital age. Of course, there are many other ways for people to learn about books outside of the library. Bookstore employees and online book reviews also can help readers navigate the literary world to find what they want and need. Yet, the suggestions of professional reference librarians often carry more weight for a couple of reasons. First, as employees of the state or the community, librarians lack the motivation to push a particular product for commercial reasons and can be trusted as neutral evaluators of the intellectual or literary quality of an information resource. Second, the expertise and experience of professional librarians has been certified by the library schools and the social network of librarianship that provides training for new librarians and ultimately decides who will be employed in libraries. Without the social legitimacy conferred by libraries as institutions, it is more difficult for readers to decide whose reviews can be trusted and used. Especially in the anonymous realm of online networks, it is almost as much work for readers to read and evaluate the abundance of reviews as it is to read and evaluate the books themselves. In many ways, therefore, librarians can assist readers in identifying the best new books published each year and often provide more effective advertising for quality books than publishers and bookstores can. Instead of restricting the literary experience of their community by telling people what they ought to read as the Market Populists suggest, libraries often offer readers a safe environment to expand their literary tastes by giving them the ability to experiment with less fear that they are wasting time and money while searching for what they need and enjoy.

In addition to expanding the literary and intellectual options for readers, libraries allow publishers to produce books that would be difficult to sell directly to individuals. Due to the economies of scale in publishing, books published for a small audience are more expensive than books published for a large audience. To make a profit on a scholarly monograph in philosophy or history, a publisher not only needs to find 2,000 readers who would rather read the monograph than the latest Danielle Steele novel but also

needs to find 2,000 readers who are willing to pay three or four times as much as they would have to pay for the novel. If they were forced to sell directly to individuals, it often would make little sense for publishers to cater to small audiences, but libraries have been an intermediary institution that allows publishers to serve these smaller and more specialized audiences indirectly. Through libraries, readers with diverse interests can pool their resources to make sure that specialized products get produced. According to Kirkpatrick, “libraries provide a base level of sales for well-reviewed books. There are currently about 16,000 public libraries in the U.S., so together they can make a book a moderate success. University press editors, in particular, say there was a time when library acquisitions provided a big enough market to make scholarly publication almost a no-lose proposition. But that isn’t the case any more.”⁵⁵ A few of the books that readers buy collectively through libraries also will become successful in the marketplace for individual readers. Some scholarly monographs become classics in their fields and are assigned to thousands of students, and some “midlist” books generate enough buzz to become bestsellers. Without libraries to give publishers an initial market for these books and to give readers time to discover them, it would be much more difficult for alternative products to survive long enough to find their niche in the literary marketplace. Unfortunately, as libraries have faced the budget cuts in recent years, they are less able to fulfill their role as a spawning ground for literary and cultural diversity.

Just as libraries depend on a broader system of educational institutions to achieve the political goals described earlier, they also depend on a broader system of institutions to achieve the cultural goals described here. Libraries work together with publishers, bookstores, schools, and universities to broaden the cultural options of the community. These institutions complement libraries in giving readers choices that go beyond the winner take all bestsellers. Libraries can not provide access to books that never get produced or sold, and they cannot teach people to read and appreciate literature without the efforts of schools and colleges. Yet, many of these complimentary literary institutions have suffered in recent years under the influence of Market Populism. Independent bookstores increasingly have been driven out of business by chain bookstores and online vendors, and book reviews increasingly have been eliminated from the pages of newspapers and magazines while literary and cultural education has been reduced at public schools in favor of classes that prepare students for the job market.⁵⁶ When these institutions are healthy, they work together with libraries to create a virtuous circle conducive to the development of a literary

culture that benefits libraries. When they are neglected, their decay leads to vicious circle in which the decline of one institution undermines the others. Kirkpatrick convincingly demonstrates that the decline in the number of independent bookstores has corresponded to the increasing dominance of bestsellers in the book marketplace.⁵⁷ This narrowing of the market leads to a declining interest in the book review section of the newspapers and causes newspapers to reduce their book review sections, which further reduces interest and awareness of the literary options that go beyond the range of bestsellers. In the long run, libraries will not thrive as cultural islands isolated from a network of institutions that promote the development of literary culture.

Unfortunately, as they struggle to adapt to contemporary political culture, librarians themselves sometimes contribute to the vicious cycle destroying their cultural habitat. Customer-driven librarians undermine the library's complementary role in the literary marketplace by focusing on their "competition" with bookstores. It is precisely the popular bestsellers that already benefit from market-driven network externalities, economies of scale, and the lemon principle that do not need to be promoted by librarians. When "give'em what they want" librarians focus on stocking their shelves with books that people already know that they want before they enter the library, they may make their libraries more popular, but they diminish the unique contribution that libraries make to the literary economy. A more sophisticated understanding of the library's role in the cultural and educational economy may allow librarians to develop more convincing arguments in favor of libraries in a political culture dominated by the discourse of economics. It also may help librarians develop strategies to defend their funding without losing their value.

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