The First Sale Doctrine and the Digital Challenge to Public Libraries

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Libraries have traditionally provided free communal access to books, facilitated by the first sale doctrine's (FSD) guarantee that libraries may purchase physical books at consumer prices. Increasingly restrictive ebook access terms may imperil libraries, and we compare the welfare cost of higher ebook prices to the welfare benefit of the FSD's guarantee of low physical book prices for libraries and their patrons. Using data on over 8,000 library systems for 2013-2019, we measure the impacts of physical and electronic holdings on the respective formats' circulation. We then build a structural model of the library market, and we rationalize the status quo book holdings with a librarian utility function that attaches higher weights to electronic circulation. While higher counterfactual ebook prices would induce libraries to substitute physical for electronic holdings, this would have little effect on patron CS because of consumer willingness to substitute. By contrast, higher physical book prices, as would prevail absent the first sale doctrine, reduce CS by almost ten times as much as an analogous ebook price increase.