A headline in the *New York Times* reads “Good for Europe’s exports, not so good for Europe.” The article dealt with the decline of the euro against the dollar since early December 2009, and academic librarians purchasing extensively in Europe might have added “Great for U.S. libraries!”

The dollar cost of books originating in the euro-zone, that is, in any one of the sixteen European Union countries that have adopted the euro as their common currency, had dropped 10 percent in that period.

In 1995, James Mouw stated: “The age in which any librarian purchasing more than a limited number of titles can ignore international finance is long past.” And yet, apart from well-known issues associated with the purchasing of serials, there is little evidence of attention to this important factor.

This paper argues for the creation of institutional programs incorporating mechanisms for greater responsiveness to currency trends into the building of collections.

At the 2009 ALA Annual Conference in Chicago, conversations with fellow bibliographers in the humanities revealed that some felt very pleased with their acumen in taking advantage of what was to the layman the unexplainable rise of the dollar in fall 2008. In the expectation that the dollar would sink again in 2009 (as it did), they concentrated their efforts in late fall 2008 on requesting materials from European publishers, deliberately postponing U.S. purchases.

They were convinced that this strategy had allowed them to add considerably more European items to their collections than would have been the case had they followed their usual ordering patterns.

Intrigued by this concept, I decided to examine more rigorously whether this was a freak consequence of the global financial meltdown of 2008, or whether librarians involved with collection development should emulate international business practice in exploiting currency fluctuations. There was no opportunity to do this before the 1970s, which marked the end of the era of more or less static rates of exchange. We recall how circa 2000 the cost to U.S. libraries of serials published in Europe rose substantially due to pricing decisions intended to counteract the effect of such currency fluctuations, but generally benefitting the publishers. Is it high time for U.S. libraries to take advantage of currency fluctuations?

The argument presented here applies more especially to individually selected items, which are priced according to the rate of exchange at the time of purchase and for which the librarian controls the timing of purchase.

This paper highlights the euro, but a similar analysis for the British pound or any other foreign currency would no doubt yield similar results. Think of the repercussions of the expected upward revaluation of the Chinese RMB. The current favorable conditions for collection development in Chinese Studies may soon be at an end. Fluctuations in the euro-dollar exchange

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rate were above 10 percent in nine of the last ten years, and above 19 percent in six of those ten years.\(^3\)

While the principle applies to all types of purchases, including non-print formats, in order to begin to understand how such variations in the rate of exchange could be used to advantage, consider the following simple hypothetical situation: Let us assume that 35 euros is the average cost of a euro-zone book in the humanities and that a budget of $10,000 is available to the U.S. bibliographer for purchasing such materials. The average cost of a book would of course be higher if scientific subjects are included in the count, but the purpose here is to make a point as simply as possible with a scenario from my own experience.

For the full fiscal year from July 1, 2008, through June 30, 2009, the average conversion rate for the euro was $1.37429, so that our 35 euro book cost on average $48, and the $10,000 budget allowed for 208 new purchases spread out over the entire fiscal year.

In fall 2008, the dollar began to rise and the consensus in the press was that this was to be expected and that the trend would continue through the end of the year. As mentioned above, some U.S. bibliographers took advantage of this trend and concentrated their efforts on European items. In the period October 1 to December 24, 2008, the average conversion rate for the euro was $1.31168, so that our 35 euro book cost on average $46, and the librarian’s $10,000 budget allowed for the purchase of 218 books.

The reader might well point out that paying attention to currency exchange yielded only ten more books in the year, and ask whether this justifies a change in behavior. On the other hand, who would not see the advantage of what amounts to a 5 percent increase in the librarian’s budget? On a large scale, this becomes especially significant for large academic libraries.

It is tempting to explain this potential increase in purchasing power by the exceptional and catastrophic financial meltdown of 2008. Examination of the data for the previous ten years, however, shows that the opportunity was there in all years to capture similar benefit from currency fluctuations, and in many years there could have been even more than a 5 percent increase in purchasing power.

If \(A\) is the average dollar-value of the euro\(^4\) during a particular fiscal year and \(B\) is the average dollar-value of the euro during the most advantageous three-month period during that same fiscal year, the fraction:

\[
\frac{100 \left( A - B \right)}{B}
\]

gives the percentage difference between \(A\) and \(B\).
and B, and thus the percentage increase in purchasing power of the dollar during that advantageous three-month period.5

The lesson is clear: global financial meltdown notwithstanding, fiscal 08-09 was not exceptional from our perspective. Within the last ten years, two thirds of the potential increases in purchasing power were greater than 3 percent, and half exceeded 5 percent.

Having established this potential advantage, we now turn to the question of how a bibliographer can avail of it. What are the instruments for determining these “advantageous periods”? A survey of financial resources available on the Web quickly revealed that this is no place for the uninitiated. As Paul Krugman and Maurice Obstfeld observed, “Like stock prices, exchange rates should respond strongly to ‘news,’ that is, unexpected economic and political events; and, like stock prices, they therefore should be very hard to forecast.”6 This uncertainty does not prevent people from benefitting from the stock market, and from exploiting currency fluctuations. And, indeed, this is the very expertise present in a university’s own endowment office.

Situations such as that which occurred in fall 2008 are rare, when general awareness of the financial meltdown coupled with common-sense allowed for a high probability of accuracy in the informed layman’s prediction that the dollar was enjoying only a temporary high. In general, what the library administration needs is an institutional alert of the likely onset of an “advantageous” period, however long or short, for specific foreign currencies, or conversely, of a “disadvantageous” period when emphasis might shift to U.S. purchases. Awareness of longer-term currency trends would also be helpful in decision making. While such forecasting cannot be prophetic, having some information is better than flying blind: we should now, for instance, be anticipating the revaluation of the RMB.

Nor would this advisory impact bibliographers alone. The Acquisitions Department must react nimbly to the alert and cooperate in this effort to maximize the effectiveness of the materials budget during the window of opportunity. Fortunately, the recent advent of the technical ability to batch orders in a vendor’s system makes it possible to trigger groups of purchases that can be processed rapidly at advantageous times. Moreover, since we can expect that different collection areas will be affected at different times, the workflow in the Acquisitions Department should tend to average out.

Is it worth, however, shifting emphasis just to accommodate a potential period of advantageous exchange rate? The above analysis for materials purchased from most European countries indicates that collection building across many subject areas would gain from such increased flexibility. The same argument could be made for items produced in countries using other currencies. It is always our responsibility to maximize our purchasing power in order to provide more quality foreign resources needed for scholarship in the United States. This is even more vital in times of very tight library budgets. James Mouw is right: academic libraries can no longer afford to ignore international finance. Taking advantage of the ebb and flow of currencies is a new and effective way to optimize our purchasing power.

Notes

4. Robert C. Michaelson, Anna Wu Ren, and Dana L. Roth, “Science and Engineering (continues on page 566)
octave designation, time signatures, keyboard compass, rehearsal marks, foreign musical terms, preferred word forms, and citations. $24.95. Scarecrow. 978-0-8108-7431-2.

The Terrible Axe-Man of New Orleans, by Rick Geary (76 pages, August 2010), is the latest graphic novel in Geary’s series on 20th-century homicides. This one involves an unsolved spate of assaults and murders by an axe-wielding household intruder in New Orleans from May 1918 to October 1919. As usual, Geary conveys the flavor of the time and place with historical details about the culture and the music. He even made a site visit to the city to ensure the accuracy of his architectural renderings. The case involved a mysterious Jack the Ripper–style letter to the Times-Picayune and evidence that a mafia hitman was involved, but it has been largely forgotten today. Perhaps Geary’s treatment will spark new interest. $15.95. NBM. 978-1-56163-581-8.

UFOs: Generals, Pilots, and Government Officials Go on the Record, by Leslie Kean (335 pages, August 2010), makes a solid journalistic case for the UFO phenomenon as a genuine scientific mystery that affects aviation safety and even national security. Kean, an investigative reporter with impeccable credentials, became interested in UFO reports in 1999 when she was alerted to a report by 13 retired French generals, scientists, and aerospace experts that documented the existence of unidentified aerial objects and their potential impact on national security (the COMETA report). Kean approaches the subject as a “principled skeptic” regarding the origin of UFOs, thus stepping outside the believers vs. debunkers stalemate that has tainted ufology as a taboo topic among policymakers, the scientific community, and the mainstream media. In this book, she lets 18 generals, pilots, investigators, and witnesses from nine countries go on the record about their experiences. Their testimony is compelling enough for Kean to call for a U.S. government agency to cooperate with other countries that are already investigating UFO reports and to release information openly about them. Former White House Chief of Staff John Podesta has written a short foreword. $25.99. Harmony Books. 978-0-307-71684-2.


3. This data and other historical exchange-rate data throughout this paper are available on FXHistory: historical currency exchange rates, visit http://www.oanda.com/convert/fxhistory.


5. This part of the study has been limited to three-month periods, since this interval would generally allow for the completion of a number of orders sufficient to have a significant effect.