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Mourning Serial/ To Hedge Or Not To Hedge

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To hedge or not to hedge...

that is the question for U.S. libraries anticipating serial price increases for 1994. European and U.S. publishers have recently indicated they will increase subscription prices by about 10.5 percent for 1994. However, a currently strong dollar has created optimism about next year's prices, given that if the dollar retains its strength, the trend of double-digit percentage increases for non-U.S. titles could come to a much-welcomed halt. Since last November, when most publishers were paid for 1993 subscriptions, the dollar has gained about 6 percent against a composite mix of major European currencies (British pound, Dutch guilder, French franc, German mark and Swiss franc). If the dollar holds its current level against these currencies, the 10.5 percent increase would be offset so that U.S. libraries would effectively pay only about 4.5 percent more for European publications than they did last year. But that's only if the dollar retains its strength.

Last year the dollar's value fluctuated wildly. It gained considerably against European currency during the first quarter of last year, bottomed out in September, and then recovered somewhat in November. This compounded European publisher price increases, especially for journals published in the U.K. that were purchased before the value of the pound declined after Great Britain announced its withdrawal from the European Community. (The pound declined more than 20 percent in value from late August to mid-October.) Since last October the pound has weakened by about 13 percent, so British journals would be considerably less expensive if paid for at the current rate.

European journals which are priced

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with a fixed conversion rate set by publishers would also cost less today. European publishers who set fixed conversion rates for their journals did so last year at a time when the dollar was especially weak against most European currencies. If publishers set fixed exchange rates today, the currency conversion would cost libraries about 10 percent less than it did last year for most European journals; about 25 percent less for British journals.

So the question remains — **how much to budget for 1994 subscriptions?** Since, fortunately, currency conversion is not a factor for U.S. publications, it's probably a good bet to take the publishers at their words and budget for a 10.5 percent increase for domestic publications. Relying on the current rates to hold and budgeting for a 3 to 5 percent increase would certainly seem appealing — especially in contrast to the gloom-and-doom budgeting of recent years. But optimism can have its price. Last year, libraries which used the situation in April to budget for publications invoiced in November would have fallen about 9 percent short of what was needed to cover just the currency conversion for European subscriptions (those which were not priced with publisher-set exchange rates). For example, a library with a $500,000 subscription list would have undershot its needs by $45,000.

We always recommend a conservative approach to budgeting, a hedge against future depreciation of the dollar. This year that would entail counting on a 10.5 percent increase for domestic journals and at least a 10.5 percent increase for non-U.S. journals. A conservative approach protects the library from drastic, Murphy's-law change in the value of the dollar. However, we realize that libraries with a fixed budget would have to plan a 10.5 percent reduction in the library collection.