



Opinion piece by economists with the Netherlands Authority for Consumers & Markets (ACM) in Dutch daily newspaper *NRC Handelsblad*, June 11, 2014

## Fixed book prices result in lower book sales

**Experiences in other countries show that, without fixed book prices, fiction sales are higher, *Jarig van Sinderen, Jan Tichem and Rob Vossen* argue.**

Just like many other countries, the Netherlands has a law that governs fixed book prices, requiring publishers to determine the consumer price for each new title. That means that new titles have the same price in each and every bookshop, and that bookshops are not allowed to sell books at a discount. Thus, bookshops are not able to compete on price. This act is now being evaluated by the Dutch Minister for Education, Jet Bussemaker.

A restriction of competition generates upward pressure on prices. Fixed book prices are no exception to this rule of thumb. However, the rationale behind fixed book prices is that they stimulate having a wide selection of books, as well as wide availability. Yet since consumers pay higher prices and, as a result thereof, buy fewer books, such fixed book prices reduce the cultural output of the book market. After all, items of cultural value do not just need to be offered, but they also need to be experienced.

Supporters of fixed book prices argue that it stimulates having a wide range of books that are commercially unattractive books but still have a high cultural value nonetheless. In order to stimulate booksellers to include such titles in their selections, the fixed book prices limit competition. Higher profits on successful titles can be used to offset losses on less successful titles, so that a wider selection of books can be realized.

We cannot follow this reasoning. Fixed book prices may create more opportunities to offer unpopular titles, but they do not create an incentive to actually do so (a notion that was already put forward in 2002 by the Netherlands Bureau for Economic Policy Analysis (CPB) and the Netherlands Institute for Social Research (SCP)). Why would a bookseller sacrifice his profits on a bestseller by stocking up on an unpopular book?

The second argument used by supporters of fixed book prices is that reduced competition makes it more attractive to start a bookshop. A dense network of bookshops is thus created, making books widely available. However, practically all new Dutch titles are offered online, and virtually everyone in the Netherlands has an internet connection. The need for a dense network of brick-and-mortar points of sale seems less evident.

Around the turn of the century, Denmark and the UK abolished their fixed book price systems. In Denmark, which is comparable to the Dutch-language market, the number of bookshops declined by 20 percent since the gradual abolition of the system, but the number of supermarkets that offered a substantial selection of books increased by 200. On balance, the number of physical points of sale grew by 25 percent. Moreover, the number of fiction titles increased by 44 percent, and the number of non-fiction titles decreased by 12 percent. The



latter could be explained by the impact of internet and e-books. An additional effect was that the prices for fiction titles decreased by 12 percent, and those of non-fiction titles decreased by 24 percent, while the sales of fiction titles increased by 25 percent and the sales non-fiction titles decreased by 17 percent. In the UK, the abolition of the fixed book price system resulted in a 50 percent increase in consumer spendings on books, and the number of published items doubled.

A comparative study into countries with and without fixed book prices is far more effective to determine the effects of fixed book prices than the recent study, which only covered the situation in the Netherlands (*Second Evaluation of the Fixed Book Price Act*). Therefore, the Danish and British studies have to be taken into account. Our conclusion is that fixed book prices do not improve availability and diversity, but, on the contrary, result in higher prices and lower book sales. Readers will benefit from an abolition of the fixed book price system, as will the cultural output of the book market.