

1 CHANGES IN THE BOOK-PUBLISHING INDUSTRY, 1945–2005

The U.S. book-publishing industry in 1945 was an established, cozy world of editors, authors, publishers, booksellers, and readers (Tebbel 1987). Traditions inextricably bound these participants together, and publishing was for the most part a cultural institution dominated by the great trade houses. Publishers and editors, whether an Alfred A. Knopf or a Maxwell Perkins, were keenly aware of their role in the literary life of this nation. Yet financial matters often took a back seat when issues of literary importance and taste were discussed. They were, after all, independent publishers and editors, the guardians of the intellectual life of the United States.

It was a small world where everyone knew someone who knew someone. In 1947 (the first postwar year with reliable data) there were 648 book-publishing firms in the United States. The vast majority of these book houses were in New York City, with important clusters in Boston and Philadelphia. They published 9,182 new titles and saw revenues of \$435.1 million (Bowker Annual 1974). In that year, 1,307 new fiction hardcovers were published with an average retail price of \$2.66. The number one national fiction best seller in 1947 was *Miracle of the Bells* by Russell Janney (Korda 2001). Consumer books (or trade books, comprising mass-market, religious, book-club, and mail-order books) were sold in independent bookstores, department stores, and book clubs. The new 25¢ mass-market paperback book was also available at transportation terminals and newsstands. In 1947 consumer books battled for media usage and discretionary dollars against a small number of competitors, including magazines, newspapers, newsletters, AM radio, motion pictures, and various sporting and recreational activities. See table 1.1 for detailed information about title output after 1940.

By 2005 publishing had changed. The U.S. Department of Commerce, Bureau of the Census (1992, 1997, 2000–2004) tracked annually more than 3,500 publishing firms, although the R. R. Bowker Company (which issues all the International Standard Book Numbers [ISBNs] in the United States) counted more than 81,000 publishers (Bowker 2005). While still centered in New York City, publishing had active centers located in the Midwest, in the Sunbelt, and on the West Coast, and these houses published 195,000 new titles in

TABLE 1.1
U.S. book title output by category, 1940–1990 (number of titles)

Category	1940	1950	1960	1970	1980	1990
Agriculture, gardening	139	152	156	265	461	359
Biography	647	603	879	1,536	1,891	1,337
Business	402	250	305	797	1,185	748
Education	349	256	348	1,178	1,011	562
Fiction	1,736	1,907	2,440	3,137	2,835	1,962
Fine arts	222	357	470	1,169	1,691	759
Games, sports	182	188	286	799	971	403
General literature & criticism	536	591	726	3,085	1,686	1,312
Geography, travel	308	288	466	1,394	504	181
History	853	516	865	1,995	2,220	1,450
Home economics	94	193	197	321	879	357
Juvenile	984	1,059	1,725	2,640	2,859	3,675
Language, philology	319	148	228	472	529	312
Law	202	298	394	604	1,102	596
Medicine, hygiene	472	443	520	1,476	3,292	2,215
Music	124	113	98	402	357	184
Philosophy, ethics	110	340	480	1,280	1,429	963
Poetry, drama	738	531	492	1,474	1,179	486
Religion	843	727	1,104	1,788	2,055	977
Science	493	705	1,089	2,358	3,109	2,028
Sociology, economics	876	515	754	5,912	7,152	4,505
Technical, military	611	497	698	1,141	2,337	1,521
Misc.	422	345	282	846	1,643	1,035
Total	11,901	11,022	15,012	36,071	42,377	27,926

SOURCE: Bowker Annual, various issues.

TABLE 1.2
U.S. book title output by category, 1991–1999 (number of titles)

Category	1991	1992	1993	1994	1995	1996	1997	1998	1999
Agriculture, gardening	371	565	535	532	663	675	870	1,303	1,201
Biography	1,416	2,007	1,982	2,197	2,658	3,007	3,026	2,993	3,206
Business	790	1,367	1,420	1,616	1,843	1,788	1,635	4,015	3,844
Education	556	1,184	1,202	1,310	1,526	1,595	1,428	3,278	3,391
Fiction	2,062	5,690	3,121	5,415	7,605	8,573	5,013	9,312	11,016
Fine arts	717	1,392	1,526	1,621	2,156	2,033	1,892	4,565	4,934
Games, sports	440	1,113	1,002	1,161	1,591	1,751	1,616	3,664	3,718
General literature & criticism	1,265	2,227	2,143	2,356	2,525	3,082	2,661	3,467	3,784
Geography, travel	156	468	478	556	722	745	804	2,326	3,038
History	1,442	2,332	2,300	2,507	2,999	3,576	3,688	9,704	7,346
Home economics	341	826	798	1,004	1,395	1,447	1,521	2,481	2,518
Juvenile	3,705	5,144	5,019	5,321	5,678	5,353	3,387	8,631	9,195
Language, philology	240	617	690	700	732	898	1,035	3,199	2,862
Law	753	1,066	1,143	1,168	1,230	1,357	1,378	2,452	3,007
Medicine, hygiene	2,078	3,234	3,069	3,147	3,510	4,223	4,037	7,117	6,718
Music	173	346	375	364	479	461	426	1,643	1,398
Philosophy, ethics	945	1,806	1,675	1,741	2,068	2,333	2,188	5,622	5,965
Poetry, drama	511	899	998	1,065	1,407	1,566	1,530	2,770	3,018
Religion	958	2,540	2,619	2,730	3,324	3,803	3,809	5,748	6,347
Science	1,818	2,729	2,668	3,021	3,323	3,725	3,917	9,304	8,486
Sociology, economics	4,306	7,432	7,447	8,038	9,362	10,528	9,956	14,611	14,645
Technical, military	1,620	2,152	2,174	2,085	2,470	2,629	2,744	9,496	9,103
Misc.	1,071	2,153	1,809	2,208	2,751	3,027	3,139	1,561	1,504
Total	27,734	49,276	46,193	51,863	62,039	68,175	61,700	119,262	120,244

SOURCE: Bowker Annual, various issues.

TABLE 1.3
U.S. book title output by category, 2000–2004 (number of titles)

Category	2000	2001	2002	2003	2004
Agriculture, gardening	1,073	1,195	921	1,174	1,065
Biography	3,899	4,887	5,306	7,706	7,241
Business	4,068	5,023	5,028	5,399	5,626
Education	3,378	3,914	4,723	6,213	4,459
Fiction	14,617	17,349	17,303	17,599	25,184
Fine arts	4,980	5,324	5,107	6,541	6,766
Games, sports	3,483	3,789	4,086	4,718	4,806
General literature & criticism	3,371	6,009	4,609	4,948	4,671
Geography, travel	3,170	3,121	2,615	2,860	3,574
History	7,931	9,028	7,929	10,824	9,662
Home economics	2,513	2,430	2,183	3,059	3,639
Juvenile	8,690	9,582	11,208	20,187	21,516
Language, philology	2,536	2,954	13,452	5,284	3,523
Law	3,070	3,266	2,715	3,109	3,099
Medicine, hygiene	6,234	7,080	6,574	7,483	7,382
Music	1,582	3,098	1,920	2,574	2,764
Philosophy, ethics, psychology	5,556	6,320	6,663	7,187	8,409
Poetry, drama	2,479	2,924	3,328	4,391	6,170
Religion	6,206	8,015	7,436	10,343	13,177
Science	8,464	8,928	7,804	9,512	8,509
Sociology, economics	14,908	16,555	15,327	18,701	17,825
Technical, military	8,582	9,359	9,239	9,253	8,620
Misc.	1,318	1,553	1,644	1,996	3,512
Total	122,108	141,703	147,120	171,061	181,199

SOURCE: Bowker Annual, various issues.

2004 (+ 14 percent from 2003). The outlook for 2005 was approximately 210,000 new titles. This meant that more than 22 new books were published every hour of the day, every day of the week in 2004.

In 2005 net publisher book revenues reached \$27.74 billion (Book Industry Study Group [BISG] 2005). The BISG's outlook for 2006–2009 was cautiously optimistic: in 2006, \$28.55 billion; in 2007, \$29.30 billion; in 2008, \$30.15 billion; and in 2009, \$31.04 billion.

In 2005 publishers released 25,184 new fiction titles in hardcover, with an average suggested retail price of \$27.52. The number one best-selling fiction title was *Harry Potter and the Half-Blood Prince* (Book Standard 2005). Consumer books were sold in independent bookstores, chain bookstores, superstores, retail establishments, discount stores, price clubs, newsstands, transportation terminals, on the Internet, and by street vendors. Mass-market paperback books retailed for an average of \$6.79. See tables 1.2 and 1.3 for detailed information about title output; see table 1.4 for best-selling books in 1945–2005; and see tables 1.5, 1.6, 1.7, 1.8, and 1.9 for data on average hardcover (also called “cloth”) book prices.

By 2005 consumer books competed aggressively for usage and discretionary dollars against television, cable and satellite stations, AM and FM radio, magazines, newspapers, thousands of motion pictures on prerecorded videocassettes or DVDs, computers, computer games, the World Wide Web, video games, handheld game devices, professional and college sports, shopping malls, the automobile, iPods, and portable radio-cassette-CD players.

TABLE 1.4
Top-selling fiction and nonfiction hardcover books, 1945–2005

Year	Fiction	Nonfiction
1945	<i>Forever Amber</i> (Winsor)	<i>Brave Men</i> (Pyle)
1946	<i>The King's General</i> (du Maurier)	<i>The Egg and I</i> (MacDonald)
1947	<i>The Miracle of the Bells</i> (Janney)	<i>Peace of Mind</i> (Liebman)
1948	<i>The Big Fisherman</i> (Douglas)	<i>Crusade in Europe</i> (Eisenhower)
1949	<i>The Egyptian</i> (Waltari)	<i>White Collar Zoo</i> (Barnes)
1950	<i>The Cardinal</i> (Robinson)	<i>Betty Crocker's Picture Cook Book</i> (Crocker)
1951	<i>From Here to Eternity</i> (Jones)	<i>Look Younger, Live Longer</i> (Hauser)
1952	<i>The Silver Chalice</i> (Costain)	<i>The Holy Bible</i> (revised standard version)
1953	<i>The Robe</i> (Douglas)	<i>The Holy Bible</i> (revised standard version)
1954	<i>Not as a Stranger</i> (Thompson)	<i>The Holy Bible</i> (revised standard version)
1955	<i>Marjorie Morningstar</i> (Wouk)	<i>Gift from the Sea</i> (Morrow)
1956	<i>Don't Go Near the Water</i> (Brinkley)	<i>Arthritis and Common Sense</i> (Alexander)
1957	<i>By Love Possessed</i> (Cozzens)	<i>Kids Say the Darndest Things!</i> (Linkletter)
1958	<i>Doctor Zhivago</i> (Pasternak)	<i>Kids Say the Darndest Things!</i> (Linkletter)
1959	<i>Exodus</i> (Uris)	<i>'Twas Twelve and Twenty</i> (Boone)
1960	<i>Advise and Consent</i> (Drury)	<i>Folk Medicine</i> (Jarvis)
1961	<i>The Agony and the Ecstasy</i> (Stone)	<i>The New English Bible</i> (The New Testament)
1962	<i>Ship of Fools</i> (Porter)	<i>Calories Don't Count</i> (Taller)
1963	<i>The Shoes of the Fisherman</i> (West)	<i>Happiness Is a Warm Puppy</i> (Schultz)
1964	<i>The Spy Who Came in from the Cold</i> (LeCarre)	<i>Four Days</i> (American Heritage)
1965	<i>The Source</i> (Michener)	<i>How to Be A Jewish Mother</i> (Greenberg)
1966	<i>Valley of the Dolls</i> (Susann)	<i>How to Avoid Probate</i> (Dacey)
1967	<i>The Arrangement</i> (Kazan)	<i>Death of a President</i> (Manchester)
1968	<i>Airport</i> (Hailey)	<i>Better Homes and Gardens New Cook Book</i>
1969	<i>Portnoy's Complaint</i> (Roth)	<i>American Heritage Dictionary</i> (Morris)
1970	<i>Love Story</i> (Segal)	<i>Everything You Always Wanted to Know about Sex, but Were Afraid to Ask</i> (Reuben)
1971	<i>Wheels</i> (Hailey)	<i>The Sensuous Man</i> ("M")
1972	<i>Jonathan Livingston Seagull</i> (Bach)	<i>The Living Bible</i> (Taylor)
1973	<i>Jonathan Livingston Seagull</i> (Bach)	<i>The Living Bible</i> (Taylor)
1974	<i>Centennial</i> (Michener)	<i>The Total Woman</i> (Morgan)
1975	<i>Ragtime</i> (Doctorow)	<i>Angels: God's Secret Agents</i> (Graham)
1976	<i>Trinity</i> (Uris)	<i>The Final Days</i> (Woodward & Bernstein)
1977	<i>The Silmarillion</i> (Tolkien)	<i>Roots</i> (Haley)
1978	<i>Chesapeake</i> (Michener)	<i>If Life Is a Bowl of Cherries, What Am I Doing in the Pits?</i> (Bombeck)
1979	<i>The Matarese Circle</i> (Ludlum)	<i>Aunt Erma's Cope Book</i> (Bombeck)
1980	<i>The Covenant</i> (Michener)	<i>Crisis Investing</i> (Casey)
1981	<i>Noble House</i> (Clavell)	<i>The Beverly Hills Diet</i> (Mazel)
1982	<i>E. T.: The Extra-Terrestrial</i> (Kotzwinkle)	<i>Jane Fonda's Workout Book</i> (Fonda)
1983	<i>Return of the Jedi</i> (Vinge)	<i>In Search of Excellence</i> (Peters & Waterman)
1984	<i>The Talisman</i> (King & Straub)	<i>Iacocca: An Autobiography</i> (Iacocca)
1985	<i>The Mammoth Hunters</i> (Auel)	<i>Iacocca: An Autobiography</i> (Iacocca)
1986	<i>It</i> (King)	<i>Fatherhood</i> (Cosby)
1987	<i>The Tommyknockers</i> (King)	<i>Times Flies</i> (Cosby)
1988	<i>The Cardinal of the Kremlin</i> (Clancy)	<i>The 8-Week Cholesterol Cure</i> (Kowalski)
1989	<i>Clear and Present Danger</i> (Clancy)	<i>All I Really Need to Know I Learned in Kindergarten</i> (Fulghum)
1990	<i>The Plains of Passage</i> (Auel)	<i>A Life on the Road</i> (Kuralt)
1991	<i>Scarlett: The Sequel to Margaret Mitchell's Gone with the Wind</i> (Ripley)	<i>Me: Stories of My Life</i> (Hepburn)
1992	<i>Dolores Clairborne</i> (King)	<i>The Way Things Ought to Be</i> (Limbaugh)
1993	<i>The Bridges of Madison County</i> (Waller)	<i>See, I Told You So</i> (Limbaugh)
1994	<i>The Chamber</i> (Grisham)	<i>In the Kitchen with Rosie</i> (Daley)
1995	<i>The Rainmaker</i> (Grisham)	<i>Men Are from Mars, Women Are from Venus</i> (Gray)
1996	<i>The Runaway Jury</i> (Grisham)	<i>Make the Connection</i> (Winfrey & Greene)
1997	<i>The Partner</i> (Grisham)	<i>Angela's Ashes</i> (McCourt)
1998	<i>The Street Lawyer</i> (Grisham)	<i>The 9 Steps to Financial Freedom</i> (Orman)
1999	<i>The Testament</i> (Grisham)	<i>Tuesdays with Morrie</i> (Albom)

TABLE 1.4
(Continued)

Year	Fiction	Nonfiction
2000	<i>The Brethren</i> (Grisham)	<i>Who Moved My Cheese?</i> (Johnson)
2001	<i>Desecration</i> (Jenkins & LaHaye)	<i>The Prayer of Jabez</i> (Wilkinson)
2002	<i>The Summons</i> (Grisham)	<i>Self Matters</i> (McGraw)
2003	<i>The Da Vinci Code</i> (Brown)	<i>The Purpose-Driven Life</i> (Warren)
2004	<i>The Da Vinci Code</i> (Brown)	<i>The Purpose-Driven Life</i> (Warren)
2005	<i>Harry Potter and the Half-Blood Prince</i> (Rowling)	<i>Natural Cures "They" Don't Want You to Know About</i> (Trudeau)

SOURCE: *Publishers Weekly*, various issues.TABLE 1.5
Average hardcover U.S. book price by category, 1947–1966 (dollars)

Category	1947–									
	1949	1956	1958	1960	1961	1962	1963	1964	1965	1966
Agriculture	3.23	5.09	6.95	—	7.66	6.39	7.60	7.69	8.04	8.37
Art	7.06	9.97	11.35	12.61	10.63	8.57	10.32	10.68	10.60	1.73
Biography	3.89	4.47	5.20	4.98	5.49	5.94	6.56	6.65	7.65	7.57
Business	4.72	6.30	7.98	6.83	7.36	8.70	9.47	9.74	9.68	9.47
Juvenile	2.11	2.50	2.73	2.74	2.77	2.77	2.94	3.06	3.11	3.46
Economics	4.03	5.97	6.16	6.19	6.75	6.59	8.70	7.63	8.43	9.08
Education	3.39	4.47	4.75	4.97	4.89	5.64	5.71	5.50	5.78	5.61
History	4.76	5.88	6.46	5.91	6.01	6.72	6.75	7.73	8.83	8.56
Law	4.84	7.17	8.12	8.01	7.59	10.60	9.09	9.96	10.64	10.95
Literature—general	3.52	2.63	3.54	3.97	3.78	4.76	5.31	5.16	6.90	6.67
Literature—fiction	2.66	3.49	3.52	3.40	3.59	3.97	4.17	4.14	4.34	4.52
Literature—poetry	2.42	2.40	3.49	3.31	3.46	4.03	4.37	4.11	3.92	4.74
Literature—drama	3.09	3.60	4.03	4.48	4.86	4.62	6.38	5.91	5.47	6.67
Medicine	6.39	7.73	7.97	8.41	9.40	9.87	10.98	11.22	11.88	12.37
Music	4.06	4.56	5.53	5.56	5.10	6.74	7.79	6.98	8.04	8.15
Religion	2.84	3.74	3.69	4.05	3.98	4.42	4.48	4.63	6.72	5.38
Science	5.52	8.46	9.16	10.21	9.06	10.30	11.22	10.99	12.13	11.72
Sports & recreation	3.91	4.57	4.68	4.80	5.41	5.12	5.59	6.13	6.58	6.28
Technology	4.86	7.52	8.09	8.89	10.38	10.46	10.69	11.02	12.30	12.51
Average price for all categories	3.59	4.61	5.12	5.24	5.81	5.90	6.55	6.93	7.64	7.94

SOURCE: Bowker Annual, various issues.

TABLE 1.6
Average hardcover U.S. book price by category, 1967–1976 (dollars)

Category	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
Agriculture	8.90	10.23	8.97	10.42	13.64	10.94	11.79	13.21	13.72	15.40
Art	12.32	12.00	12.65	16.16	16.41	14.94	15.42	14.46	17.90	20.29
Biography	8.52	9.03	10.63	11.49	11.64	12.80	12.70	12.65	14.09	15.05
Business	9.77	10.00	10.47	12.45	12.60	12.45	13.23	14.97	16.54	18.28
Juvenile	3.41	3.47	3.85	4.05	4.23	4.37	4.65	5.01	5.82	6.01
Economics	8.65	9.68	9.65	—	—	—	—	—	—	—
Education	5.61	6.22	6.99	10.75	7.81	10.26	9.67	10.33	10.81	12.91
History	9.02	9.03	10.64	14.75	12.97	14.92	15.56	15.69	15.85	16.74
Law	12.52	12.79	13.39	16.41	18.37	17.15	16.78	18.24	23.22	20.65
Literature—fiction	4.80	4.93	5.14	5.51	5.98	6.47	7.37	7.43	8.31	9.96
Literature—poetry	5.49	5.97	7.26	—	—	—	—	—	—	—
Literature—drama	6.49	8.14	9.13	—	—	—	—	—	—	—
Literature—poetry & drama	—	—	—	9.35	9.15	10.62	10.50	9.93	10.76	12.66

(Continued)

TABLE 1.6
(Continued)

Category	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
General works	—	—	—	24.96	25.77	25.19	18.42	23.02	21.60	26.12
Home economics	—	—	—	7.30	7.33	7.88	10.12	8.82	10.27	11.18
Language	—	—	—	19.56	10.15	14.16	12.53	14.15	15.80	16.62
Medicine	12.78	12.55	13.89	18.05	17.58	16.19	15.92	18.92	22.15	22.04
Music	8.69	8.65	9.03	11.44	11.73	13.53	12.68	14.43	14.83	16.38
Philosophy & psychology	—	—	—	10.72	10.77	10.44	10.89	11.57	12.75	14.27
Religion	5.66	6.02	6.75	8.51	8.48	9.80	9.35	9.70	11.16	12.44
Science	12.15	11.90	11.96	14.95	15.94	16.05	17.34	20.83	22.18	24.42
Sociology & economics	—	—	—	12.38	17.47	16.93	12.22	17.47	21.65	22.79
Sports & recreation	7.25	7.19	7.45	9.96	10.20	10.65	9.73	9.70	10.97	11.36
Technology	12.86	12.93	13.37	14.91	15.28	16.11	15.38	17.74	19.66	21.19
Travel	—	—	—	12.39	19.15	12.78	13.19	13.57	15.43	18.40
Average price for all categories	7.99	8.47	9.37	11.66	13.25	12.99	12.20	14.09	16.19	17.39

SOURCE: Bowker Annual, various issues.

TABLE 1.7
Average hardcover U.S. book price by category, 1977–1986 (dollars)

Category	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Agriculture	16.24	17.24	20.94	27.55	31.88	33.54	33.39	34.92	36.77	39.26
Art	21.24	21.11	21.95	27.70	31.87	31.68	33.79	33.03	35.15	35.14
Biography	15.34	15.76	17.52	19.77	21.85	22.27	22.40	22.53	22.20	22.96
Business	18.00	19.27	23.11	22.45	23.09	25.58	27.72	26.01	28.84	30.72
Juvenile	6.65	6.58	7.14	8.16	8.31	8.77	9.73	10.02	9.95	10.64
Education	12.95	13.86	15.10	17.01	18.77	20.74	21.56	24.47	27.28	26.11
History	17.12	17.20	19.79	22.78	23.15	26.25	24.96	27.53	27.02	28.44
Home economics	11.16	11.27	11.95	13.31	16.07	16.42	16.62	15.70	17.50	18.97
Language	14.96	16.67	18.25	22.16	22.95	22.85	23.80	22.97	28.68	32.80
Law	25.04	24.26	29.44	33.25	36.30	35.61	39.09	43.88	41.70	49.20
Literature—fiction	10.09	11.27	11.99	12.46	15.49	13.91	14.29	14.74	15.29	16.84
Literature—poetry & drama	13.63	14.86	15.83	17.85	19.34	19.96	22.42	26.75	22.14	25.11
General works	30.99	25.51	28.56	29.84	35.02	37.29	37.45	35.61	37.91	38.97
Medicine	24.00	25.01	29.27	34.28	36.47	38.88	39.84	40.65	44.36	49.99
Music	20.13	24.68	18.93	21.79	25.82	26.42	25.77	27.79	28.79	32.59
Philosophy & psychology	14.43	14.75	17.98	21.70	22.41	23.28	25.72	29.70	28.11	29.65
Religion	12.26	13.04	14.83	17.61	18.54	17.89	17.22	17.76	19.13	21.60
Science	24.88	26.20	30.59	37.45	40.63	44.44	44.02	46.57	51.19	55.65
Sociology & economics	29.88	29.66	43.57	31.76	29.28	45.12	46.97	33.35	33.33	30.34
Sports & recreation	12.28	12.96	13.88	15.92	18.82	20.20	20.07	20.16	23.43	23.25
Technology	23.16	22.64	27.82	33.64	36.76	40.65	37.77	45.80	50.37	55.00
Travel	18.44	17.12	15.02	16.80	19.55	22.20	23.25	21.31	24.66	24.32
Average price for all categories	19.22	19.30	23.96	24.64	26.63	30.34	30.84	29.99	31.46	32.43

SOURCE: Bowker Annual, various issues.

Competition for usage and dollars heated up in the 1990s, and consumer books lagged behind other media and entertainment formats (U.S. Department of Commerce, Bureau of the Census 2004). This was a rugged business environment since the total amount of leisure time increased rather modestly.

What major economic and business trends affected the U.S. book-publishing industry between 1945 and 2005? Why did they occur?

TABLE 1.8
Average hardcover U.S. book price by category, 1987–1996 (dollars)

Category	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Agriculture	46.24	49.36	51.05	54.24	57.73	53.76	41.84	58.10	49.00	45.11
Art	37.71	39.96	50.30	42.18	44.99	44.59	39.99	39.97	41.23	53.40
Biography	25.04	25.99	27.34	29.58	27.52	30.41	28.37	30.43	30.01	31.67
Business	33.31	37.51	37.94	45.48	43.38	43.91	37.95	42.72	46.90	52.63
Juvenile	11.48	11.79	13.01	13.03	16.64	14.46	13.87	14.59	15.55	15.97
Education	31.58	33.55	37.62	38.72	41.26	48.77	38.60	47.98	43.00	47.11
General works	43.81	50.35	49.73	54.77	51.74	56.29	45.51	60.41	54.11	68.36
History	31.74	33.44	37.95	36.43	39.87	39.19	40.78	40.20	42.19	45.62
Home economics	20.13	21.38	22.17	23.80	24.23	24.88	20.55	20.49	22.53	23.39
Language	37.80	40.42	47.35	42.98	51.71	49.68	34.02	52.09	54.89	58.81
Law	49.65	50.85	58.62	60.78	64.89	76.21	53.94	72.32	73.09	88.51
Literature—fiction	18.19	17.63	18.69	19.83	21.30	20.39	19.50	20.95	21.47	22.89
Literature—poetry & drama	28.46	28.02	31.12	32.19	32.29	36.76	31.06	31.56	34.96	34.15
Medicine	57.68	66.59	69.87	72.24	71.44	75.22	79.78	76.20	75.80	81.48
Music	35.82	36.95	41.73	41.86	41.04	47.37	41.44	39.27	43.27	39.21
Philosophy & psychology	33.32	34.75	36.55	40.58	42.74	46.85	39.44	44.71	45.26	48.40
Religion	24.51	26.73	28.12	31.31	32.3	35.31	29.16	30.76	34.27	36.62
Science	62.16	66.91	68.90	74.39	80.14	81.95	82.71	90.12	65.52	90.63
Sociology & economics	34.38	37.25	41.26	42.10	48.43	45.53	41.32	50.24	55.51	53.82
Sports & recreation	23.96	27.33	29.46	30.52	30.68	34.62	32.28	33.39	32.14	34.71
Technology	60.24	65.26	71.04	76.80	76.40	82.18	86.31	81.03	88.28	91.60
Travel	28.07	26.22	31.37	30.11	32.43	33.28	26.22	32.13	38.30	33.92
Average price for all categories	36.28	39.00	40.61	42.12	44.17	45.05	44.98	44.65	47.15	50.00

SOURCE: Bowker Annual, various issues.

TABLE 1.9
Average hardcover U.S. book price by category, 1997–2004 (dollars)

Category	1997	1998	1999	2000	2001	2002	2003	2004
Agriculture	63.70	61.99	55.40	66.52	61.03	65.87	55.50	67.99
Art	55.99	55.43	59.31	50.31	56.00	60.87	50.97	57.13
Biography	54.78	46.40	45.20	45.31	53.05	50.13	78.82	49.92
Business	99.34	93.43	131.50	93.84	95.61	99.71	99.61	100.67
Juvenile	19.25	21.10	23.06	22.71	23.85	22.56	28.11	27.85
Education	85.74	60.53	59.75	62.23	72.55	62.24	82.58	66.85
General works	108.87	110.66	153.98	165.39	167.40	157.12	142.96	234.71
History	62.81	62.27	52.25	54.01	61.21	57.43	73.27	57.16
Home economics	36.79	37.97	38.52	39.76	51.45	32.28	29.78	34.45
Language	71.90	75.98	55.92	52.27	73.96	71.71	86.56	77.06
Law	109.50	94.00	100.13	101.50	89.70	97.32	102.92	120.37
Literature—fiction	24.97	26.79	27.95	25.75	28.84	30.35	27.46	26.53
Literature—poetry & drama	44.99	43.07	46.11	39.90	43.79	44.87	48.42	41.75
Medicine	111.88	94.13	90.03	90.32	99.62	101.61	93.84	96.46
Music	57.87	54.60	55.55	42.91	112.31	53.04	51.05	46.04
Philosophy & psychology	59.87	55.20	54.01	52.02	66.03	65.61	57.15	58.84
Religion	54.32	45.38	44.68	41.61	41.93	45.75	45.43	42.07
Science	103.54	95.96	94.55	90.11	100.61	106.51	110.00	117.17
Sociology & economics	79.32	65.97	62.24	66.79	94.80	70.27	75.53	76.96
Sports & recreation	46.97	44.15	38.45	40.64	41.63	41.68	42.39	42.60
Technology	133.58	111.86	100.53	102.40	99.93	95.95	93.35	115.93
Travel	44.87	38.55	40.31	40.27	67.88	38.70	49.78	44.69
Average price for all categories	72.67	63.53	62.32	60.84	70.05	62.84	63.33	61.32

SOURCE: Bowker Annual, various issues.

DOMINANT TRENDS SINCE 1945

Eight substantive business and economic trends directly affected the growth of the U.S. book-publishing industry since 1945:

1. A large increase in and concomitant growth of the number of publishing firms, the sale of family-owned establishments, and consolidation in the consumer book-publishing industry, the largest (and in many ways the most important) component of the entire industry
2. A pattern of overall modest annual increases in the consumer price index (CPI)
3. A period of economic growth and sharp increases in the gross domestic product (GDP), the gross national product (GNP), disposable personal income, the unemployment rate, median and mean household incomes, and the population of the country
4. An expansion in consumer credit and disposable personal income
5. Changes in the channels of distribution, the marketing of books, the best-seller phenomenon, and the electronic distribution of content
6. The price sensitivity of consumer books
7. The importance of the book export market
8. Uncertainty in the marketplace

Consolidation in the Book-Publishing Industry

While the total number of publishing establishments after 1945 experienced sharp growth, the number of mergers and acquisitions in the U.S. also saw an extraordinary increase. They involved some of the industry's best-known firms (e.g., Random House, Dial Press, New American Library, Bantam Books, Simon & Schuster, Pocket Books, Harper & Row) as well as large media and nonmedia corporations (e.g., the American Broadcasting Company, Bertelsmann AG, Gulf & Western, the Music Corporation of America, News Corporation, Pearson PLC, and the Radio Corporation of America; Greco 2005).

Clearly, consolidation within book publishing occurred for a number of disparate reasons. Some entrepreneurs had children who were unable or unwilling to succeed them. Others either had severe cash flow problems or lacked access to enough capital to remain competitive. A few publishers were visionaries, able to handle adroitly the pains and challenges associated with a start-up but unable to manage a company on the upswing. Managing growth requires a different skill set than the one needed to launch a firm. The potential impact of inheritance taxes compelled some individuals to sell in order to maximize the estate they left to their family. Lastly, as the value of their content (backlist and new titles) increased, some publishers sold their companies to cash in on sizable profits (Connors, Henry, and Reader 1985–1986; Dessauer 1985–1986; Tebbel 1987).

Was something lost, some intangible asset associated with privately owned publishing firms? These publishers, ranging from Alfred A. Knopf to Bennett Cerf, operated in what was, and still is, a market economy. One must assume they made a voluntary business

decision to sell, and a few made sizable profits from these transactions. Did they select mammon over culture? Only they can answer that question. What is known, however, is that this consolidation pattern paralleled developments in other industries.

Many observers were dismayed with this consolidation. Bagdikian remarked in *The Media Monopoly* that “for the first time in U.S. history, the country’s most widespread news, commentary, and daily entertainment are controlled by six firms that are among the world’s largest corporations, two of them foreign.” He also addressed events in book publishing. “In books, as in other media, there is the growing presence of corporations that dominate in other media. . . . The six companies are: Paramount Communications (Simon & Schuster, Ginn & Company, and others), Harcourt Brace Jovanovich (Academic Press and others), Time Warner (Little, Brown; Scott, Foresman; and others), Bertelsmann, A.G. (Doubleday, Bantam Books, and others), Reader’s Digest Association (Condensed Books and others), Newhouse (Random House and others)” (Bagdikian 2000).

Schiffrin, in *The Business of Books: How International Conglomerates Took Over Publishing and Changed the Way We Read*, commented on what he perceived to be a lack of editorial independence at Random House after its purchase by Sy Newhouse. “Despite his early promises of editorial independence, Newhouse soon became personally involved in acquiring titles. He insisted that Random House pay a huge advance to Donald Trump, the New York real estate speculator.” Schiffrin, publisher of Pantheon Books, a Random House imprint at the time of its purchase by Newhouse, also alleged that Vitale, president of Random House, told him to “stop publishing ‘so many books on the left’ and instead publish more on the right” (Schiffrin 2000).

McChesney, in *Rich Media, Poor Democracy: Communication Politics in Dubious Times*, argued, “The striking structural features of the U.S. media system in the 1990s are concentration and conglomeration.” The end result in book publishing, according to McChesney, was a “situation in which a handful of global firms dominate the market,” which he believed changed the way publishers operated in the marketplace of ideas. “In addition to shaping what manuscripts are considered market-worthy and what authors ‘bankable,’ there is increased pressure to publish and record writers and artists whose work complements products produced in other branches of these far-flung empires” (McChesney 1999).

Epstein wrote in *Book Business: Publishing Past, Present, and Future* about the “golden age of publishing.” Epstein remarked that “for many of them Random House was their family as much as it was ours . . . [an enterprise run by individuals who] risked their personal fortunes and disapproved of their elders by aggressively promoting the literature and ideas of modernism.” Epstein insisted that this world of letters and authors was undermined by a vast transformation. “Book publishing has deviated from its true nature by assuming, under duress from unfavorable market conditions and the misconceptions of remote managers, the posture of a conventional business . . . book publishing is not a conventional business. It more closely resembles a vocation” (Epstein 2001).

In essence, these critics insisted that the mergers had created a real or de facto media monopoly (i.e., a restraint of free trade) that threatened and undermined the marketplace of ideas, culture, and democracy itself. A few writers insisted that the U.S. Department of Justice (Justice) or the Federal Trade Commission (FTC), the two agencies empowered to investigate

monopolistic practices and mergers, should prohibit any merger designed to increase market share. Bagdikian's solution was somewhat intriguing. "Book publishers, like magazine owners, should be limited in the share of the market they can attain by acquiring existing properties, but not limited by expansion of their own companies" (Bagdikian 2000).

All of these writers presented carefully crafted ideas, views, and perceptions about the impact mergers and acquisitions had on the industry. Unfortunately, none of them presented hard empirical evidence to substantiate their serious allegations about "anti-democratic" concentration levels in this business. In addition, some of their statements were inaccurate: Bagdikian's list of publishers in 2000 was clearly wrong. Others were not precise; after all, the manager of a publishing company has a fiduciary responsibility under federal law to stockholders, an issue not addressed by these writers. Of course, prohibiting all mergers and acquisitions in book publishing could be challenged by constitutional law specialists or Justice.

As for an alleged violation of the Sherman and Clayton antitrust acts, no empirical evidence surfaced about monopolistic activities in the U.S. book-publishing industry during hearings and investigations of potential mergers and acquisitions conducted by Justice or the FTC after 1960 under presidents Kennedy, Johnson, Nixon, Ford, Carter, Reagan, Bush, Clinton, or Bush. Two major studies of the consumer book industry addressed the allegations of Bagdikian et al. (covering 1989–1994 and also 1995–1996), employing the standard empirical formula used by Justice and the FTC. No empirical evidence about monopolistic practices (i.e., illegal levels of concentration) was found (Greco 1999, 2000a). Was there a change in the levels of media concentration since 1995?

For many years, economists and marketers relied on a number of empirical methods to analyze concentration levels. They included Lerner's index of monopoly power:

$$L = (p - MC)/p, \quad (1)$$

where p is price and MC is marginal cost.

Another important formula was the Bain index of monopoly:

$$P = PQ - C(Q) - D - iV, \quad (2)$$

where P is price, Q is quantity, and thus PQ is total revenue; $C(Q)$ represents the current cost of generating the income; D represents the depreciation on fixed capital investment; and iV is the opportunity cost on the owned assets of the firm, or the implicit costs of the firm.

Both formulas proved unusable. This prompted Justice and the FTC to rely on the more stable Herfindahl-Hirschman index (HHI) to calculate precise concentration levels. The formula is as follows:

$$\text{HHI} = \sum_{i=1}^n (MS_i)^2, \quad (3)$$

where MS_i represents the market share of firm i when n firms are in the market. Consequently, if a market consisted of a single firm, the HHI would be 10,000, a perfect monopoly. Justice and FTC divide a market into three components: (a) an unconcentrated market

TABLE 1.10
 Top 10 U.S. consumer (trade) book publishers, 1995–1996

Publisher	1995 net revenues (\$ millions)	1995 market share (%)	1995 HHI	1996 net revenues (\$ millions)	1996 market share (%)	1996 HHI
Random House	1,225.0	12.72	161.80	1,220.0	12.28	150.80
Simon & Schuster	855.0	8.88	78.85	911.0	9.17	84.09
Time Warner	817.0	8.48	71.91	851.0	8.57	73.44
Bantam Doubleday	670.0	6.96	48.44	670.0	6.74	45.43
Reader's Digest	556.0	5.77	33.29	561.0	5.65	31.92
HarperCollins	496.0	5.15	26.52	520.0	5.23	27.35
Penguin	349.3	3.63	13.18	400.0	4.03	16.24
Putnam Berkeley	300.0	3.11	9.67	291.5	2.93	8.58
Holtzbrinck	259.0	2.69	7.24	263.8	2.67	7.08
Golden Books	255.0	2.65	7.02	—	—	—
Harlequin	—	—	—	225.0	2.26	5.11
Total Top 10	5,612.30	—	—	5,913.30	—	—
Industry Total	—	—	9,632.80	—	—	9,934.8
C4	—	—	361.00	—	—	353.76
C8	—	—	443.66	—	—	437.85
HHI Top 10	—	—	457.92	—	—	450.04

SOURCE: *Subtext*, various issues, and author's calculations. Because of mergers and acquisitions, various publishing houses were absorbed into larger corporate entities (e.g., Bantam Doubleday purchased Random House, changing the name of the corporation to Random House). Consequently, certain firms were added to and deleted from the top ten list over the years. All percentages were rounded off and may not add up to 100%.

NOTE: HHI = Herfindahl-Hirschman index.

with an HHI below 1,000; (b) a moderately concentrated market with an HHI between 1,000 and 1,800; and (c) a highly concentrated market with an HHI above 1,800 (U.S. Department of Justice 1997).

A review of the most reliable data sets on consumer book-publisher firm size (i.e., annual U.S. net publisher revenues for adult trade books, juvenile trade books, mass-market paperback books, book-club books, mail-order books, and religious books) in a specific year (*Subtext* 1995–2005) as well as data sets on total net publisher revenues for the entire U.S. consumer book market (*BISG* 1995–2005) revealed annual HHI totals as follows:

1995	457.92	2000	444.29
1996	450.04	2001	304.47
1997	443.61	2002	346.36
1998	456.72	2003	331.62
1999	284.04	2004	650.81

Clearly, all of the HHI data from 1995 through 2003 indicate conclusively that the industry had HHI indexes below, and even well below, the 1,000 HHI threshold, indicative of unconcentrated market levels in the consumer book industry. Tables 1.10, 1.11, 1.12, 1.13, and 1.14 respectively list the results of the HHI analysis for the top 10 firms, the industry's total net revenues, the concentration level for the top four firms (the C4), and the concentration level for the top eight firms (the C8).

TABLE 1.11
 Top 10 U.S. consumer (trade) book publishers, 1997–1998

Publisher	1997 net revenues (\$ millions)	1997 market share (%)	1997 HHI	1998 net revenues (\$ millions)	1998 market share (%)	1998 HHI
Random House	1,250	12.49	156.00	1,580	14.79	218.74
Simon & Schuster	975	9.75	95.06	932	8.72	76.04
Pearson	845	8.45	71.40	975	9.13	83.36
HarperCollins	737	7.37	54.32	750	7.02	49.28
Bantam Doubleday	660	6.60	43.56	330	3.09	9.55
Time Warner	310	3.10	9.61	310	2.90	8.41
Holtzbrinck	300	3.00	9.00	285	2.67	7.13
Hearst Books	170	1.70	2.89	180	1.69	2.86
Andrews McMeel	100	1.00	1.00	87	0.81	0.66
Houghton Mifflin	88	0.88	0.77	89	0.83	0.69
Total Top 10	5,435	—	—	5,418	—	—
Industry Total	10,004.7	—	—	10,682.0	—	—
C4	—	—	376.78	—	—	427.42
C8	—	—	441.84	—	—	455.37
HHI Top 10	—	—	443.61	—	—	456.72

SOURCE: *Subtext*, various issues, and author's calculations. All percentages were rounded off and may not add up to 100%.
 NOTE: HHI = Herfindahl-Hirschman index; C4 = the top four firms; C8 = the top eight firms.

TABLE 1.12
 Top 10 U.S. consumer (trade) book publishers, 1999–2000

Publisher	1999 net revenues (\$ millions)	1999 market share (%)	1999 HHI	2000 net revenues (\$ millions)	2000 market share (%)	2000 HHI
Random House	1,410	12.36	152.77	1,612	14.34	205.64
HarperCollins	780	6.84	46.79	1,029	9.15	83.72
Penguin Putnam	705	6.18	38.19	1,141	10.15	103.02
Simon & Schuster	590	5.17	26.73	596	5.30	28.09
Holtzbrinck	300	2.63	6.92	280	2.49	6.20
Scholastic	—	—	—	325	2.89	8.35
Time Warner	298	2.61	6.81	300	2.67	7.13
John Wiley	—	—	—	162	1.44	2.07
Thomas Nelson	183	1.60	2.56	168	1.49	2.22
IDG Books	165	1.45	2.10	—	—	—
Houghton Mifflin	89	0.78	0.61	103	0.92	0.85
Andrews McMeel	85	0.75	0.56	—	—	—
Total Top 10	4,605	—	—	5,716.0	—	—
Industry Total	11,409.1	—	—	11,242.1	—	—
C4	—	—	264.48	—	—	420.47
C8	—	—	282.87	—	—	441.22
HHI Top 10	—	—	284.04	—	—	444.29

SOURCE: *Subtext*, various issues, and author's calculations. All percentages were rounded off and may not add up to 100%.
 NOTE: HHI = Herfindahl-Hirschman index; C4 = the top four firms; C8 = the top eight firms.

If the empirical data do not indicate any monopolistic levels, is it possible some firms employed other monopolistic practices, including predatory pricing practices, creating stiff or impenetrable market entry barriers, or reducing output (to create scarcity in the market to push up prices)? A review of data (in tables 1.1–1.9) on prices, the increase in the number of firms between 1947 and 2005, the apparent ease of access into the industry by new

TABLE 1.13
 Top 10 U.S. consumer (trade) book publishers, 2001–2002

Publisher	2001 net revenues (\$ millions)	2001 market share (%)	2001 HHI	2002 net revenues (\$ millions)	2002 market share (%)	2002 HHI
Random House	1,350	12.15	147.62	1,463	12.90	166.41
HarperCollins	790	7.11	50.55	835	7.86	61.78
Penguin	787	7.08	50.13	810	7.14	50.98
Simon & Schuster	625	5.63	31.70	660	5.82	33.87
Holtzbrinck	300	2.70	7.29	320	2.82	7.95
Time Warner	297	2.67	7.13	350	3.09	9.55
Scholastic	210	1.89	3.57	208	1.83	3.35
Thomas Nelson	202	1.82	3.31	188	1.66	2.76
John Wiley	162	1.46	2.19	322	2.84	8.07
Houghton Mifflin	110	0.99	0.98	145	1.28	1.64
Total Top 10	4,833	—	—	5,301	—	—
Industry Total	11,108.6	—	—	11,304.7	—	—
C4	—	—	280.0	—	—	313.04
C8	—	—	301.30	—	—	341.96
HHI Top 10	—	—	304.47	—	—	346.36

SOURCE: *Subtext*; various issues, and author's calculations. All percentages were rounded off and may not add up to 100%.
 NOTE: HHI = Herfindahl-Hirschman index; C4 = the top four firms; C8 = the top eight firms.

TABLE 1.14
 Top 10 U.S. consumer (trade) book publishers, 2003–2004

Publisher	2003 net revenues (\$ millions)	2003 market share (%)	2003 HHI	2004 net revenues (\$ millions)	2004 market share (%)	2004 HHI
Random House	1,400	11.98	143.52	1,330	16.5	272.25
HarperCollins	920	7.87	61.94	920	11.4	129.96
Penguin	902	7.72	59.60	900	11.2	125.44
Simon & Schuster	640	5.48	30.03	640	7.9	62.41
Time Warner	350	3.00	9.00	350	4.3	18.49
John Wiley	340	2.91	8.47	340	4.2	17.64
Holtzbrinck	322	2.76	7.62	280	3.4	11.56
Scholastic	320	2.74	7.51	170	2.1	4.41
Thomas Nelson	195	1.67	2.79	195	2.4	5.76
Houghton Mifflin	125	1.07	1.14	138	1.7	2.89
Total Top 10	5,514	—	—	5,263	—	—
Industry Total	10,194	—	—	8,503	—	—
C4	—	—	295.09	—	—	590.06
C8	—	—	327.69	—	—	643.51
HHI Top 10	—	—	331.62	—	—	650.81

SOURCE: *Subtext*; various issues, and our calculations. All percentages were rounded off and may not add up to 100%.
 NOTE: HHI = Herfindahl-Hirschman index; C4 = the top four firms; C8 = the top eight firms.

firms, and increases in the total output of new titles shows no indication of monopolistic practices.

It appears that the allegations of Bagdikian, Schiffrin, and McChesney about the creation of a real or de facto media monopoly cannot be substantiated using standard empirical analysis or analyzing the structure, title output, ease of entry into the marketplace, prices, etc.

U.S. ECONOMIC GROWTH PATTERNS

The Consumer Price Index

After the termination of World War II's hostilities in August 1945, an increase in the CPI was inevitable. The CPI is an exceptionally valuable measure of the overall cost of goods and services purchased by a typical consumer during a month, quarter, or year.

The CPI stood at 53.9 at the end of 1945. By 1949 it topped 74.4, for a five-year increase of 38.04 percent. Yet the CPI leveled off between 1950 and 1959, reaching 87.3 (for a total increase of 21.08 percent in that period). This 10-year average annual increase was a relatively modest 2.11 percent. A slow growth pattern was also evident in the 1960s, when in 1969 the CPI reached 109.8 (+23.79 percent and an average annual increase of 2.38 percent). See table 1.15 for details.

However, a period of rapid changes in the CPI emerged in the 1970s, approaching hyperinflation. The CPI was up a staggering 86.93 percent, growing from 116.3 in 1970 to 217.4 in 1979. The CPI was readjusted with a new base index of 82.4 in 1980 (index readjustments had taken place periodically since 1913). The CPI cooled off somewhat in the 1980s, reaching 124 in 1989 (+50.49 percent). As for recent years, the CPI was up a more moderate 27.47 percent in the 1990s and up 12.37 percent between 2000 and 2005.

While a comparison between 1945 and 2005 is not possible, because of the changes in the index, during those decades the CPI experienced periods of modest increases and unsettling surges, with more acceptable increases since 1990 (+134.83 percent). This pattern had a positive impact on many publishers who decided to increase their business and title output, a development addressed later.

The Gross Domestic Product

The GDP is the market value of all final goods and services produced in the United States in a specified period (in this instance, in a year).

In 1945 the GDP stood at \$223.1 billion. Because of the inevitable need to convert from a wartime economy to a peacetime one, the nation sustained a modest 19.81 percent growth in the GDP by 1949, reaching \$267.3 billion. Yet in the next 10 years, it topped \$506.6 billion (+72.43 percent). While impressive, it could not match the pattern of the subsequent decades, which was truly spectacular.

In the 1960s the GDP approached the \$1 trillion plateau, reaching \$984.6 billion by 1969 (up 87.04 percent between 1960 and 1969). In 1970 the GDP finally passed the trillion-dollar mark (actually reaching \$1.04 trillion), and by 1977 it easily passed the \$2 trillion level (\$2.03 trillion). In 1979 the tally reached \$2.56 trillion (+146.83 percent for that decade). Sharp increases were recorded throughout the 1980s, exceeding \$3.1 trillion in 1981, \$4.2 trillion in 1985, and \$5.48 trillion in 1989 (+96.61 percent for that decade).

This pattern of spectacular growth was apparent through the 1990s: \$6.33 trillion in 1992; \$7.07 trillion in 1994; \$8.30 trillion in 1997; and \$9.27 trillion in 1999 (+59.71 percent between 1990 and 1999). Additional growth was posted between 2000 (\$9.82 trillion) and 2004 (\$11.74 trillion), an increase of 19.54 percent despite a recession and the events of 9/11.

TABLE 1.15
U.S. statistical data, 1945–2005

Year	Book title output	CPI all items	Gross domestic product (\$ billions)	Gross national product (\$ billions)	Personal income	Population (thousands)
1945	6,548	53.9	223.1	211.9	—	133,434
1946	7,735	58.5	222.3	210.6	—	140,686
1947	9,182	66.9	244.2	234.3	—	144,083
1948	9,897	72.1	269.2	259.4	—	146,730
1949	10,892	74.4	267.3	258.1	—	149,304
1950	11,022	72.1	293.8	284.8	—	152,271
1951	11,255	77.8	339.3	328.9	—	154,878
1952	11,840	79.5	358.3	346.9	—	157,553
1953	12,050	80.1	379.4	365.4	—	160,184
1954	11,901	80.5	380.4	363.1	—	163,026
1955	12,589	80.2	414.8	398.0	—	165,931
1956	12,538	81.4	437.5	418.1	—	168,903
1957	13,142	84.3	461.1	442.8	—	171,984
1958	13,462	86.6	467.2	447.8	—	174,882
1959	14,876	87.3	506.6	482.7	—	177,830
1960	15,012	88.7	526.4	503.7	2,277	180,671
1961	18,060	89.6	544.7	526.1	—	183,691
1962	21,904	90.6	585.6	560.3	—	186,538
1963	25,748	91.7	617.7	590.5	—	189,242
1964	28,451	92.9	663.6	632.4	—	191,889
1965	28,595	95.4	719.1	684.9	2,860	194,303
1966	30,050	97.2	787.8	749.9	—	195,560
1967	28,762	100.0	832.6	793.9	—	198,712
1968	30,387	104.2	910.0	865.0	—	200,706
1969	29,579	109.8	984.6	930.3	—	202,677
1970	36,071	116.3	1,038.5	977.1	4,090	205,052
1971	37,692	121.3	1,127.1	1,054.9	—	207,661
1972	38,053	125.3	1,238.3	1,171.1	—	209,896
1973	39,951	133.1	1,382.7	1,306.6	—	211,909
1974	40,896	144.7	1,500.0	1,412.9	—	213,854
1975	39,372	161.2	1,638.3	1,528.8	6,181	215,973
1976	41,698	170.5	1,825.3	1,702.2	—	218,035
1977	42,780	181.5	2,030.9	1,899.5	—	220,239
1978	41,216	195.4	2,294.7	2,127.6	—	222,585
1979	45,182	217.4	2,563.3	2,368.9	—	225,055
1980	42,377	82.4***	2,789.5	2,784.2	10,134	227,726
1981	48,793	90.9	3,128.4	2,996.6	11,266	230,138
1982	46,935	96.5	3,255.0	3,166.0	11,951	232,188
1983	53,380	99.6	3,536.7	3,405.7	12,635	234,307
1984	51,058	103.9	3,933.2	3,902.4	13,915	236,348
1985	50,070	107.6	4,220.3	4,180.7	14,787	238,466
1986	52,637	109.6	4,462.8	4,422.2	15,466	240,651
1987	56,027	113.6	4,769.5	4,692.3	16,255	242,804
1988	55,483	118.3	5,103.8	5,049.6	17,358	245,021
1989	53,446	124.0	5,484.4	5,837.9	18,545	247,342
1990	46,743	130.7	5,803.1	5,803.1	19,500	250,132
1991	48,146	136.2	5,995.9	5,916.7	17,609	253,493
1992	49,273	140.3	6,337.7	6,244.4	18,494	256,894
1993	49,757	144.5	6,657.4	6,558.1	18,872	260,255
1994	51,863	148.2	7,072.2	6,947.0	19,555	263,436
1995	62,039	152.4	7,397.7	7,433.4	20,287	266,557
1996	68,175	156.9	7,816.9	7,661.6	21,091	269,667
1997	119,262*	160.5	8,304.3	8,300.8	21,940	272,912
1998	120,244*	163.0	8,747.0	8,768.3	23,161	276,115
1999	119,357*	166.6	9,268.4	9,302.2	23,968	279,295
2000	122,108*	172.2	9,817.0	9,855.9	25,472	282,388

(Continued)

TABLE 1.15
(Continued)

Year	Book title output	CPI all items	Gross domestic product (\$ billions)	Gross national product (\$ billions)	Personal income	Population (thousands)
2001	141,703*	177.1	10,128.0	10,135.9	26,236	285,321
2002	147,120*	179.9	10,487.0	10,502.3	27,159	288,205
2003	171,061*	184.0	11,004.0	11,031.5	28,034	291,049
2004	195,000*	189.0	11,735.0	—	29,034	292,801
2005	200,000**	193.5**	12,487.1	—	—	295,507

SOURCE: U.S. Department of Commerce, various agencies and departments; Bowker Annual, various issues.

*Starting in 1997, Bowker changed its methodology, incorporating more data sets, resulting in an increase in totals.

**Estimate.

***Commerce changed the index year. Gross domestic product plus income receipts from the rest of the world less income payments to the rest of the world equals the gross national product.

Overall, the GDP surged 5,159.97 percent between 1945 and 2004. See table 1.15 for details.

The Gross National Product

The GNP is the total market value of all of the final goods and services produced in a month, quarter, or year. In 1945 the GNP of the United States stood at \$211.9 billion (U.S. Department of Commerce, Bureau of the Census 1959). Because of the postwar conversion of industries and the return of veterans, the GNP was expected to decline in 1946 and in subsequent years. Although 1946's GNP was off a modest 0.61 percent, positive gains were posted in 1947 and 1948. While the tallies for 1949 were disappointing, this was the last decline in the GNP recorded in the 20th century (U.S. Department of Commerce, Bureau of the Census 1999).

Overall, the GNP increased between 1945 and 2003, topping \$11.03 trillion (+5,205.99 percent). See table 1.15 for information about the GNP for 1945–2003.

Personal Income

Personal income (PI) is the income households receive, including interest income and governmental transfer programs (e.g., Social Security). PI statistics were unavailable for 1945–1959, and five-year tallies were available for certain years (1960, 1965, 1970, and 1975). Consistently reliable data were available between 1980 and 2002.

PI stood at \$2,277.00 in 1960 and \$2,860.00 in 1965, for a growth rate of 25.60 percent. The CPI, on the other hand, grew at a slower pace of 7.55 percent during those years. This pattern was also evident in subsequent years: in 1965–1970 PI increased 43.00 percent and the CPI increased 21.90 percent, in 1970–1975 PI increased 51.12 percent and the CPI increased 38.60 percent. A change in the CPI index in 1980 negated any opportunity to compare data for 1975 with 1980. However, annual data were available after 1980.

In the 1980s PI surged 82.99 percent while the CPI lagged at 50.49 percent. As for the 1990s, PI experienced a far more moderate pattern, an increase of 30.93 percent, barely exceeding the CPI's 27.49 percent increase.

Overall, personal income increased sharply, influencing a number of discretionary consumer expenditures, including book purchases.

The Unemployment Rate

The U.S. government considers individuals employed if they spent most of the previous week working at a paid job. Individuals are considered unemployed if they are laid off, looking for a job, or waiting to start a new job. A third classification is “not in the work force,” that is, an individual who is a full-time student, retired, etc. Unemployment statistics exist for all years since 1980 and for certain preceding years (1950, 1960, 1970). See table 1.16 for details.

The unemployment rate stood at 5.3 percent in 1950, increasing to 5.5 percent in 1960 and declining to 4.9 percent in 1970. The nation withstood a period of high unemployment rates starting in 1980 (7.1 percent), growing sharply to 9.7 percent in 1982. Declines were posted between 1984 and 1989, bottoming out at 5.3 percent in 1989.

The economy sustained a period of uncertainty in the early part of the 1990s, and increases in unemployment mirrored these trends, reaching 7.5 percent in 1992. Yet a period of relative prosperity marked the years after 1993, with better employment rates the norm. Unemployment dropped annually, reaching a low of 4.2 percent in 1999.

While the tallies for 2000 were impressive, a recession and the impact of 9/11 triggered yet another round of higher unemployment rates, reaching 6.0 percent in 2003. The only positive feature was an increase in the total number of Americans working between 2000 and 2003, paced by increases in the overall population.

Median and Mean Household Income

Median and mean household income statistics (for all races) were evaluated for 1967–2004. See table 1.16 for details.

In 1967 the median household income stood at \$34,234.00, reaching \$39,688 by 1979 (+15.93 percent). During the next 10 years, median household income increased a sluggish 10.59 percent, a pattern also evident in the 1990s (income +9.93 percent) and between 2000 and 2004 (income –3.62 percent).

A review of data on mean household income during those same years revealed a radically different pattern. While the mean for 1967 was below the median (off \$1,945), the mean's growth rate when compared to the median's was startling.

Between 1967 and 1979, mean income grew 46.01 percent. During the 1980s, the mean (+17.48 percent) again exceeded the median, as it did in the 1990s (mean +18.36 percent) and between 2000 and 2004 (–3.42 percent).

Overall, the median household income grew 29.66 percent between 1967 (\$34,234) and 2004 (\$44,389), with the mean up 87.46 percent during those years (1967: \$32,289; 2004: \$60,528). Ultimately, an increase in household income, and the concomitant increase in discretionary income, helped trigger a strong increase in consumer expenditures, including book sales, especially after 1985.

TABLE 1.16
Econometric data, 1945–2005

Year	Number of banks	Consumer credit (\$ millions)	Disposable personal income (\$ billions)	Unemployment in labor force (%)	Median household income all races (\$)	Mean household income all races (\$)
1945	14,598	5,665	154.1	n.d.	n.d.	n.d.
1946	14,633	n.d.	178.0	n.d.	n.d.	n.d.
1947	14,755	6,695	190.5	n.d.	n.d.	n.d.
1948	14,735	8,995	210.4	n.d.	n.d.	n.d.
1949	14,705	11,590	189.7	n.d.	n.d.	n.d.
1950	14,656	21,471	207.5	5.3	n.d.	n.d.
1951	14,636	n.d.	227.5	n.d.	n.d.	n.d.
1952	14,596	n.d.	238.7	n.d.	n.d.	n.d.
1953	14,538	n.d.	252.5	n.d.	n.d.	n.d.
1954	14,388	n.d.	257.4	n.d.	n.d.	n.d.
1955	13,756	38,830	275.3	n.d.	n.d.	n.d.
1956	14,188	n.d.	293.2	n.d.	n.d.	n.d.
1957	14,103	n.d.	308.5	n.d.	n.d.	n.d.
1958	14,034	n.d.	318.8	n.d.	n.d.	n.d.
1959	n.d.	n.d.	337.3	n.d.	n.d.	n.d.
1960	13,484	56,141	350.0	5.5	n.d.	n.d.
1961	n.d.	n.d.	364.4	n.d.	n.d.	n.d.
1962	13,924	63,164	385.3	n.d.	n.d.	n.d.
1963	14,076	69,890	404.6	n.d.	n.d.	n.d.
1964	14,277	76,810	411.9	n.d.	n.d.	n.d.
1965	13,818	89,900	473.2	n.d.	n.d.	n.d.
1966	n.d.	97,543	511.9	n.d.	n.d.	n.d.
1967	13,741	102,132	544.5	n.d.	34,234	32,289
1968	13,698	110,800	588.1	n.d.	35,680	40,366
1969	13,681	121,700	630.4	n.d.	37,044	42,144
1970	13,705	143,100	685.9	4.9	36,795	42,133
1971	13,804	n.d.	742.8	n.d.	36,416	41,882
1972	13,950	157,600	810.3	n.d.	37,947	44,165
1973	n.d.	203,100	914.5	n.d.	38,713	44,771
1974	13,927	213,400	998.3	n.d.	37,519	43,875
1975	14,657	223,100	1,096.1	n.d.	36,515	42,639
1976	14,698	248,900	1,194.4	n.d.	37,127	43,671
1977	14,738	289,200	1,379.3	n.d.	37,337	44,291
1978	14,741	337,900	1,551.2	n.d.	39,733	46,764
1979	14,738	383,300	1,729.3	n.d.	39,688	47,146
1980	14,704	349,400	1,952.9	7.1	38,453	45,733
1981	14,718	n.d.	2,174.5	7.6	37,859	45,229
1982	14,763	n.d.	2,319.6	9.7	37,800	45,555
1983	14,789	n.d.	2,493.7	9.6	37,816	46,076
1984	n.d.	n.d.	2,759.5	7.5	38,782	47,518
1985	18,033	593,200	2,943.0	7.2	39,545	48,667
1986	n.d.	572,000	3,131.5	7.0	40,939	50,579
1987	n.d.	608,700	3,289.5	6.2	41,442	51,538
1988	n.d.	663,000	3,548.2	5.5	41,771	52,192
1989	15,802	724,400	3,787.0	5.3	42,524	53,725
1990	15,192	789,300	4,050.5	5.6	41,963	52,418
1991	14,488	728,400	4,474.8	6.8	40,746	51,290
1992	13,856	731,100	4,754.6	7.5	40,422	51,246
1993	13,322	794,300	4,911.9	6.9	40,217	53,331
1994	12,641	960,700	5,151.8	6.1	40,677	54,381
1995	12,202	109,600	5,408.2	5.6	41,943	55,313
1996	11,478	118,240	5,688.5	5.4	42,544	56,486
1997	10,923	123,450	5,988.8	4.9	43,430	58,320
1998	10,463	130,100	6,395.9	4.5	45,003	60,014
1999	10,221	139,370	6,695.0	4.2	46,129	62,044

TABLE 1.16
(Continued)

Year	Number of banks	Consumer credit (\$ millions)	Disposable personal income (\$ billions)	Unemployment in labor force (%)	Median household income all races (\$)	Mean household income all races (\$)
2000	9,908	153,150	7,194.0	4.0	46,058	62,671
2001	n.d.	n.d.	7,469.4	4.7	45,062	62,114
2002	n.d.	n.d.	7,857.2	5.8	44,546	60,768
2003	n.d.	n.d.	n.d.	6.0	44,482	60,654
2004	n.d.	n.d.	n.d.	n.d.	44,389	60,528

SOURCE: U.S. Department of Commerce, Bureau of the Census, *The Statistical Abstract of the United States*, various years (1955–2004); U.S. Department of Commerce, Economics and Statistics Administration 2004; *Economic Indicators*, various years (1945–2003).

NOTE: n.d. = no data available.

Population Growth Patterns

The U.S. population stood at 133.4 million in 1945. Hefty growth rates (+11.89 percent) were posted between 1946 and 1949 because of births and immigration from Europe (U.S. Department of Commerce, Bureau of the Census 1959). Between 1950 and 1959 (+16.79 percent) and between 1960 and 1969 (+12.18 percent) increases were on the upswing, triggering the well-documented baby boom. Slower growth rates were evident in the 1970s (+9.76 percent) and 1980s (+8.61 percent) because of a number of socioeconomic factors, although the pace increased in the 1990s (+11.66 percent). The population topped 295,507,000 (+4.65 percent) between 2000 and 2005 (U.S. Department of Commerce, Bureau of the Census 2004). See table 1.15 for additional details.

Banks and Consumer Credit

In 1945 the U.S. banking system was fragmented and the vast majority of banks (14,598 of them) were small, local (e.g., in some states banks were allowed to operate branch offices in only one county), and undercapitalized. By 2000 the total number of banks had declined to 9,908; however, that number is misleading since there was a period of rapid consolidation and sharp increases in the number of branch offices beyond the restriction to a single county or a single state.

In addition, the launch of effective national (and international) credit cards after 1970 allowed consumers the luxury of buying consumer goods and services anywhere without the limitations of a check. The launch of the World Wide Web in the 1980s and the emergence of a vast number of Web-based companies offering a plethora of goods and services (specifically Amazon.com, eBay, etc.) changed the consumer marketing landscape, including the sale of books.

An expansion in the availability of consumer credit also had a profound impact on consumer marketing trends. Consumer credit stood at \$5.66 billion in 1945 (U.S. Department of Commerce, *Economic Indicators* 1945). By 1949 the nation experienced a 104.59 percent increase in consumer credit because of the expansion of the nation's banks, reaching

\$11.59 billion. This pace continued unabated throughout the 1950s and 1960s and into the 21st century. Table 1.16 lists this growth pattern.

Consumers purchase consumer books with disposable personal income (DPI). In 1945 the total amount of DPI was \$154.1 billion. It grew 23.10 percent between 1945 and 1949, followed by periods of growth in subsequent decades: 1950–1959, up 62.5 percent; 1960–1969, up 80.11 percent; 1970–1979, up 152.12 percent; 1980–1989, up 93.92 percent; 1990–1999, up 65.29 percent; and 2000–2002, up 9.22 percent. Between 1945 and 2002, DPI surged 4,998.77 percent, topping \$7.86 trillion. (See table 1.16 for complete details.)

Summary of U.S. Economic Growth Patterns

Consumer expenditures account for approximately 66 percent of the GDP. However, consumer expenditures accounted for approximately 72 percent of all consumer book purchases in the U.S. between 1985 (the first year of reliable data from BISG's *Book Industry Trends 1985–2005*) and 2005. The U.S. book industry was positioned for growth in the years and decades after the end of World War II.

In retrospect, between 1945 and 2005, the U.S. economy exhibited great strength and resiliency. The strong increase in the GDP (+5,159.97 percent) and GNP (+5,205.99 percent), when coupled with a strong surge in PI (+1,139.66 percent between 1960 and 2002), the growth in median and mean household incomes, a significant increase in the population (+121.46 percent), and the overall growth of consumer credit (+2,603.44 percent) and PI (+4,998.77 percent), provided the nation with positive business conditions and expanding markets that sparked growth in many sectors of the economy, including the book-publishing industry.

These increases, and the growth in the book-publishing industry, took place despite 11 periods of economic contractions (i.e., recessions) during those years. The following list (with quarters in parentheses) outlines the business cycle of contractions as defined by the National Bureau of Economic Research (2005):

- February 1945 (I) to October 1945 (IV): 8 months
- November 1948 (IV) to October 1949 (IV): 11 months
- July 1953 (II) to May 1954 (II): 10 months
- August 1957 (III) to April 1958 (II): 8 months
- April 1960 (II) to February 1961 (I): 10 months
- December 1969 (IV) to November 1970 (IV): 11 months
- November 1973 (IV) to March 1975 (I): 16 months
- January 1980 (I) to July 1980 (III): 6 months
- July 1981 (III) to November 1982 (IV): 16 months
- July 1990 (III) to March 1991 (I): 8 months
- March 2001 (I) to November 2001 (IV): 8 months

CHANGES IN DISTRIBUTION CHANNELS AND BOOK MARKETING

The Channels of Distribution

For most of the 20th century, books were sold as they had been in the 19th century. There was a fall and spring list, dictated originally by the inability to ship titles because of harsh winters and a fragile transportation network. Editors and not publishers held sales conferences describing the new list, and sales personnel traveled throughout the nation talking to bookstore owners about new books. Catalogs circulated, and the mail delivered orders to publishers. It was a world with Dickensian overtones, where accountants worked in cages with green visors, editors were hired all too frequently because of old college connections, and publishers and editors held the hands of aspiring and well-established authors. Maxwell Perkins's ability to craft a novel out of the morass of papers submitted by Hemingway, Fitzgerald, and Wolfe became legendary.

Books were sold at suggested retail prices in 1945 in a limited number of independent retail bookstores and department stores. Book clubs functioned, but their market penetration excluded millions, and used-book and antiquarian bookstores played a small role. It was a marginally functioning distribution system (Tebbel 1987).

This structure was transformed with the emergence of large chain bookstores in the 1970s (e.g., B. Dalton, Brentano's). These chains, located in shopping malls or strip shopping centers, stocked 8,000 to 12,000 titles, many of which were discounted (mainly best sellers) at 10–30 percent off the suggested retail price. As the chains expanded, more books were available to more Americans than ever before at lower prices. Publishers responded enthusiastically. A sale of 25,000 paperback copies of *Jaws* to B. Dalton in 1975 was more cost efficient than calling on 2,500 bookstores, each purchasing 10 copies.

The second major event was the creation in the late 1980s of superstores (Barnes & Noble, Borders, etc.) with approximately 60,000 square feet of space and stocking between 150,000 and 170,000 distinct titles (Greco 2005). Many general titles and best sellers were offered at a discount (generally 10–20 percent), and more books were being purchased than ever before. By 1985, 1.9 billion books were sold in the United States. By 1999 the total reached 2.4 billion, with superstores accounting for about 25 percent of the trade book total.

There was a downside, however. Independent bookstores were hard-pressed to compete with superstores in terms of title selection, prices, and ambience (e.g., Starbucks coffee, comfortable chairs). They relied, instead, on knowing what their customers liked and superb service, strategies that sometimes failed to stem the growth of superstores. In 1991 the independents accounted for about 33 percent of all book sales; by 2005 this total receded to about 17 percent, thousands of independent bookstores having closed their doors during the 1990s. The American Booksellers Association, which represents the vast majority of independent bookstores, had 5,100 members in 1991; by 2004 that total declined to about 1,900.

The third major development was the emergence of mass-merchandise discount stores (e.g., Wal-Mart, Kmart, Target) and price clubs (or warehouse clubs; e.g., Costco, Sam's Club) as major book-retailing channels. These establishments sold best sellers and reference

books at deep discounts (often for pennies above wholesale prices) to attract customers. Some independent bookstore owners found it more profitable to buy books from price clubs (rather than directly from publishers or distributors) and then resell them to their customers.

The fourth development was the emergence of the Internet as a book-selling channel. In the summer of 1995, Amazon.com was launched. It offered detailed data on millions of books (many at discounted prices), a user-friendly environment, book reviews, used books, and other services that revolutionized bookselling. Amazon.com attracted repeat customers and the attention of Wall Street. Other competing sites were launched, including BN.com, but Amazon.com became the brand name in Internet bookselling. While some industry observers initially questioned whether Amazon.com could survive because of its massive debt, most individuals recognized that the Internet had become a major marketing and distribution channel. Many industry experts insisted that traditional bookstores (the brick-and-mortar variety) would have to offer Internet services (in a brick-and-click environment) to survive in a changing retail environment.

The fifth event was the expansion of book distribution networks. Ingram, Baker & Taylor, etc., operated large regional warehouses (with up to one million books) supplying titles to libraries and retail establishments and handling orders from Internet sites (Greco 2000, 2005). Another major trend was the emergence of handheld electronic reading devices (called "e-books"). While plagued with a small screen, limited batteries, and high prices, these devices had the potential to revolutionize reading and publishing. By 2005 between 30,000 and 50,000 e-book units were in use in the United States, with several million advanced Palm Pilot devices capable of storing book content. This was a new, emerging market waiting for consumers to adopt these devices at the expense of printed books. Yet it appears unlikely that e-books will capture a sizable portion of the conventional book market by 2010; in 2005 total e-book sales were in the \$12 million range. Microsoft predicts it will take until 2017 to attain a 51 percent market share because of technological issues, pricing, title availability, and inertia among consumers.

Another development was the emergence of sophisticated computerized print-on-demand (POD) equipment capable of producing small book runs (as low as one copy) at an economical price. POD technology allowed publishers to keep titles "in print," effectively reaching new audiences for decades. Lastly, as the cost of computers and software declined and with the emergence of viable enterprise software systems capable of tracking everything from book orders to royalty payments, publishing firms adopted modern technologies and created electronic ordering systems, toll-free telephone services, and other telemarketing systems, increasing their operating efficiency and the bottom line.

Marketing Books

Distribution changes affected book marketing. Between 1945 and the late 1970s, publishing houses had large sales forces in the field servicing independent bookstores (with costly field sales managers and corporate staff employees supporting these operations). This was an expensive way to do business since a sales representative could visit only two or three stores each day. This changed in the 1980s. Sales and marketing teams started calling on book

buyers at large chains and eventually superstores (Greco 2005). Now publishers sold more books with smaller staffs at lower costs. In addition, promotion campaigns and marketing budgets (generally cooperative dollars) were targeted to specific clusters of superstores in designated regions and author tours were arranged more efficiently. Better tracking of point-of-purchase sales occurred, especially with the emergence of BookScan, which aggregates and analyzes 70–75 percent of all weekly U.S. book sales. Carefully designed co-op advertisements were placed in newspapers and magazines; radio (especially National Public Radio) and cable television (especially book coverage on C-Span) became useful platforms to target specific demographic groups; and advance reading copies were sent to a large and growing number of newspaper and magazine reviewers and television and radio hosts. These procedures allowed publishers to reduce costly field staffs in the early to mid-1990s.

Consumer Purchasing Trends

Reliable consumer research on trade book purchasing trends was unavailable for 1945–1989. However, data gathered by the market research organization the NPD Group on the 1990s revealed a number of substantive facts (NPD 1991, 1992, 1993). The largest number of book purchases occurred in the fall (October through December). The other three seasons shared almost equally the remaining book sales.

By 2005 mass-market paperbacks accounted for an impressive share of all book sales, with an average suggested retail price of \$7.99.

The NPD data (released by the BISG) revealed that consumers purchased books for a number of disparate reasons, including (in ranked order) the book's cover art, its price, a review they had read or seen, a recommendation by someone they knew, advertisements, the book's being prominently displayed in the store, endorsements of the book, an interview of the book's author they saw or heard on television or radio, the book's inclusion on a best-seller list, they had seen a motion picture or television show based on the book, the book was recommended by a salesperson, they had seen or heard the author in person, the book was recommended by a media personality, or another reason. Around 55 percent of all purchased books were planned (and not impulse) purchases (NPD 1994, 1995, 1996). Fifty-eight percent of all books were bought by people older than age 45; and 21 percent of these people had annual incomes between \$50,000 and \$74,999, with an additional 28 percent above \$75,000. Twenty percent of book buyers graduated from college, and 18 percent had some graduate studies. The largest number of book buyers who bought more than the average lived in the Pacific region (NPD 1997, 1998, 1999).

Most books (about 70 percent) were purchased in person. By 2005 Internet bookselling sites accounted for about 10 percent of all sales. Almost one out of every four books was purchased at a superstore; book clubs were a distant second at 17 percent; and small chains and independents held a 15 percent share. The rest of the market was shared by price and warehouse clubs (6.5 percent), mass merchandisers (6 percent), mail order (4 percent and declining), food and drug stores (3 percent), discount stores (3 percent), and used-book stores (3 percent); small retail operations accounted for the remaining balance. More than one out of every two books purchased in the United States was a fiction title. Cooking-craft books, at a 10 percent share, were the second-most-purchased group. The other major

categories included religion (9 percent); nonfiction (8 percent); technical, science, and educational titles (almost 6 percent); psychology and recovery books (5 percent); art, literature, and poetry (3 percent); reference (2 percent); and travel and regional (about 1 percent; NPD 2000, 2001, 2002).

The Price Sensitivity of Consumer Books

Did suggested retail prices keep pace with the CPI? Are consumers sensitive to book price changes?

Average suggested retail prices are available for books, but not for every year or for every category. Hardcover prices are of primary importance since mass-market paperback prices increased in small increments, remaining at 25¢ between 1945 and 1950, and then slowly inching up to 35¢ and then 50¢. Accordingly, we used the average prices for hardcover history and fiction books and the average price for all categories of hardcover books to gauge increases since these are major trade book categories (U.S. Department of Commerce, Bureau of the Census 2004).

Average hardcover prices in 1947 (the first year totals were available) were history, \$4.76; fiction, \$2.66; and all hardcover books, \$3.59. In 1956 the averages stood at history, \$5.88 (+23.53 percent since 1947); fiction, \$3.49 (+31.20 percent since 1947); and all hardcover books, \$4.61 (+28.41 percent since 1947). The increase in the CPI between 1947 and 1956 was 16.06 percent; books in these three categories exceeded the CPI by healthy margins (Bowker Annual 1963, 1968, 1969, 1971, 1979–1981, 1983, 1989, 1991, 1993, 1995, 1996, 2000, 2005).

As of 1960, averages are available for the entire decade. During those 10 years, the price for history titles jumped 80.03 percent; fiction, 51.18 percent; and all hardcover books, 78.82 percent. All three categories surpassed the CPI's 10-year increase of 23.89 percent. A different pattern was evident in the 1970s, a period of tremendous CPI changes (+86.93 percent). History was up 34.17 percent, fiction posted a 126.13 percent gain, and all hardcover titles were up 105.49 percent. More realistic book price increases were posted for the 1980s. While the CPI increased 50.49 percent, history's increase stood at 66.59 percent, making up for lost ground in the 1970s. Fiction's 50 percent increase matched the CPI, while all hardcover books generated a rate of 64.81 percent.

As for the 1990s (CPI +27.47 percent), history inched up 21.51 percent, fiction's 47.65 percent exceeded the CPI, and all hardcover books increased 18.71 percent. Ironically, while the CPI increased 19.54 percent between 2000 and 2005, history prices fell 2 percent, as did fiction (-7.51 percent; Bowker Annual 1997–2005).

Overall, between 1945 and 2005, book prices exceeded the CPI. However, are books price sensitive? Did price increases act as a disincentive to book purchases? Reliable data on unit prices and sales are available only for 1985–2005 in the following trade book categories: total trade, adult trade, juvenile, mass market, book clubs, mail order, and religion (BISG 2005).

Between 1985 and 2005, adult trade books posted a 108.46 percent increase in prices with a 32.41 percent increase in units sold. Mass market's track record was more depressing, an increase of 73.26 percent in price and 0.86 percent in units, a pattern followed by

book clubs and mail order. Negative calculations were recorded for mail order; religious titles were up (price +204 percent; units +22.76 percent). These data indicated that consumer book unit sales, with the exception of juvenile titles (price +77.73 percent, quantity +103.55 percent), lagged behind price, indicative that consumer books exhibited some pronounced price sensitivity characteristics.

Book Exports

U.S. book exports grew in the last half of the 20th century; *exports* refers to exported books (i.e., titles) and not foreign rights revenues. By 1945 U.S. book exports totaled \$12.5 million, reaching \$36.4 million in 1955 (Grannis 1952; Bowker Annual 1961, 1971). Exports continued to grow during the rest of the 1950s because U.S. publishers developed new lines in the professional and textbook fields (especially in the burgeoning scientific, technical, medical, and business areas) and issued a sizable number of fiction titles, categories with strong export appeal. By the late 1950s and early 1960s, exports garnered a larger share of total net publisher revenues. As English became the lingua franca of business and commerce, the U.S. export market matured; many major publishers established subsidiaries or sales offices in Canada, Europe, the Pacific Rim, etc., to solidify their presence in these markets. International sales representatives based in the United States called on customers abroad semiannually as air travel became more manageable in the early 1960s.

By 1970 exports reached \$174.9 million, easily outpacing imports (\$92 million), for an impressive export-to-import ratio of 1.90:1. This trend continued into 1975 (exports \$269.3 million, imports \$147.6 million, a ratio of 1.82) and on into 1990 (exports topped \$1.41 billion, imports stood at \$855.1 million, a ratio of 1.65:1).

However, currency conversion issues, inflationary pressures, and political uncertainty plagued exports from the 1960s into the mid-1980s and well into the 1990s (Greco 1999, 2000b; Bowker Annual 2005). However, the constant outpouring of titles, a more aggressive international sales operation, and the use of new communications technologies generated stunning export results for U.S. firms in the 1990s, reaching \$1.87 billion in exports by 1999. Yet these econometric trends stimulated book imports, which topped \$1.44 billion in 1999; and the important export-to-import ratio fell annually in the 1990s, reaching 1.30:1 by 1999.

Export totals vacillated after 2000, dropping from an industry high of \$1.88 billion in 2000 to \$1.74 billion in 2004. Imports continued to grow, reaching \$1.93 billion in 2004; and the export-to-import ratio fell annually, reaching an all-time low of 0.90 in 2004. Table 1.17 outlines these trends.

In terms of the relative importance of exports to total net publisher revenues, the industry experienced steady growth between 1970 and 1980, accounting for 8.5 percent of all revenues in 1980. After a sharp drop in 1985, exports surged in 1990, with strong results posted for 1995 (9.1 percent), 1996 (8.8 percent), and 1997 (9.0 percent).

However, exports experienced a period of decline starting in 1998 (8.2 percent), eventually reaching a 6.6 percent market share in 2004. Table 1.18 outlines this downward spiral.

Canada was the United States' primary market for books from the late 1940s through 2004, followed by the United Kingdom and Australia.

TABLE 1.17
U.S. book exports and imports, 1970–2004 (millions of dollars)

Year	Book exports	Book imports	Ratio of exports to imports
1970	174.9	92.0	1.90
1975	269.3	147.6	1.82
1980	518.9	306.5	1.69
1985	591.2	564.2	1.05
1990	1,415.1	855.1	1.65
1995	1,779.5	1,184.5	1.50
1996	1,775.6	1,240.1	1.43
1997	1,896.6	1,297.5	1.46
1998	1,841.8	1,383.7	1.33
1999	1,871.1	1,441.4	1.30
2000	1,877.0	1,590.5	1.18
2001	1,712.3	1,627.8	1.05
2002	1,681.2	1,661.2	1.01
2003	1,693.6	1,755.9	0.96
2004	1,740.5	1,934.4	0.90

SOURCE: U.S. Department of Commerce, International Trade Administration (various issues).

TABLE 1.18
U.S. book industry shipments compared to U.S. book exports, 1970–2004 (millions of dollars)

Year	Total publisher net publishing revenues	Total book exports	Exports as a percentage of publisher net publishing revenues
1970	2,434.2	174.9	7.2
1975	3,536.5	269.3	7.6
1980	6,114.4	518.9	8.5
1985	10,165.7	591.2	5.8
1990	14,982.6	1,415.1	9.4
1995	19,471.0	1,779.5	9.1
1996	20,285.7	1,775.6	8.8
1997	21,131.9	1,896.6	9.0
1998	22,507.0	1,841.8	8.2
1999	23,926.9	1,871.1	7.8
2000	24,749.0	1,877.0	7.6
2001	24,742.6	1,712.3	6.9
2002	25,270.2	1,681.2	6.7
2003	25,998.5	1,693.6	6.5
2004	26,450.9	1,740.5	6.6

SOURCE: U.S. Department of Commerce, International Trade Administration; Book Industry Study Group, Book Industry Trends 2005.

Overall, exports jumped 13,824 percent between 1945 and 2004. However, U.S. exports did not keep pace with imports during 2002–2004, a harbinger of potential balance-of-trade problems.

Uncertainty in the Consumer Marketplace

Uncertainty in the consumer marketplace was the one theme consistently evident in the U.S. book-publishing industry between 1945 and 2005. To combat uncertainty and to

minimize risk, executives in some industries employed mathematical models to understand the vagaries of the business cycle and predict sales on the basis of prices, advertising, promotions, placements, seasonality, weather conditions, brands, competition, new entries into the marketplace, changes in regulatory agency guidelines, discounts, coupons, foreign currency problems, etc.

Two economists, De Vany and Walls (1996, 1999) studied the motion picture industry, and they remarked that book publishing exhibited many of the same characteristics, an observation supported by our research on the book-publishing industry. In the following section, we apply the theories developed by De Vany and Walls to books.

Selling books is not the same as selling cornflakes. Each book is unique, a new product in the marketplace of ideas, and supply and demand in book publishing operates in a profoundly different manner than in other industries. As De Vany and Walls explained, readers select or reject a new book not by revealing preferences they already have but by discovering what they like or dislike about a new book. They do not know in advance whether they will enjoy a book before it is published (De Vany and Walls 1996). Of course, publishers do not know if readers will like a book, a phenomenon economists call the “dual-sided uncertainty factor.” This means consumers constantly search for and update information about new books from reviews, advertisements, word of mouth, cover art, displays in bookstores, television (the Oprah factor), author speaking engagements, the Internet, reading groups, etc. They use this informational model, called the “information cascade” by economists and “buzz” by marketers, to decide which book to purchase. A positive information cascade makes a book a hit; a negative information cascade almost certainly triggers failure and removal from bookstore shelves in a matter of weeks.

This informational search and updating process has always been random. Although publishers have been trying since 1945 to manage this exchange of information through a variety of extensive (and often costly) marketing and promotion techniques (especially in the 1950s and 1960s when advertising costs became more reasonable), in reality they could not control it. So publishing executives realized in the late 1940s that their business was inherently a complex and semichaotic enterprise because of the intricate nature of their distributional dynamics (De Vany and Walls 1996). The way readers responded determined the fate of a single book as well as the success or failure of other books not chosen. Even a small difference in what readers preferred grew into larger differences at the cash register. A review of bestsellers between 1945 and 2005 revealed that a small proportion of authors accounted for a high percentage of all sales. See table 1.4 for a list of best-selling books and authors.

So if book publishing was a semichaotic industry, does that mean that editors and publishers were hopelessly adrift, unable to do anything to help spark purchases? By the 1980s, sophisticated computer systems generated sales data on a daily and weekly basis, providing publishers with information on how a specific title sold in certain stores, in specific geographical regions, and nationally. However, every new book (called a “frontlist” book) was in a survival, or tournament in De Vany and Walls’s terminology, mode, battling for sales against other frontlist and backlist books; generally a frontlist book becomes a backlist book about nine months after its initial publication date (De Vany and Walls 1996). Weekly sales revenues were viewed as a random variable, often depending on the number and quality of

competing frontlist and backlist books (which changed daily). Traditionally, total revenues fell as a book exhausted its audience.

By the mid-1980s, because of the emergence of mall bookstores, editors and publishers started to rely on sales tallies and information to make adaptive decisions on which book became a survivor (i.e., received additional attention, advertisements, and marketing-promotional push) and which book did not. This adaptive process, depending on flexible responses, captured success and cast out failure (De Vany and Walls 1996).

Could editors and publishers predict what a new book by a star would do in the marketplace? Star authors (e.g., John Grisham, Mary Higgins Clark) generated attention, the sought-after buzz that sparked the interest of potential readers, large advertisement and promotional campaigns, Web sites, television appearances, and articles in newspapers and the popular press. These events generated large initial orders by bookstores. However, stars represented only an exceptionally small portion of all new titles published annually in the United States since 1945. De Vany and Walls insisted that “the strong evidence . . . points to the stark uncertainty . . . [that] neither genre nor stars can guarantee success” (De Vany and Walls 1996).

Clearly, the knowledge needed to predict in advance which new book will or will not be successful is unknown and unknowable; and anything can happen once a book is placed on sale, and something often did. This is a prime example of what economists call “infinite variance.” The bottom line is stark: there are no formulas for success, and most books since 1945 failed to generate substantial profits for publishers and authors. Our research indicates that 7 out of every 10 frontlist hardbound books fail financially (i.e., they do not earn enough to cover the author’s advance and other editorial, marketing, and overhead costs), 2 books break even, and 1 is a hit. Coincidentally, this is precisely the same ratio found in the motion picture industry. Consequently, even a carefully managed and expensive marketing promotion campaign cannot control the information cascade. It has always been a stochastic (i.e., random), complex process that can go anywhere.

Publishers understood the unnerving uncertainty of the marketplace, and they tried to minimize risks. Yet this cautious approach, while understandable, triggered the blockbuster and hit mentality that permeated, and in many ways undermined, much of trade publishing in the years after 1980.

CONCLUSION

In spite of this uncertainty, as well as a series of recessions, the U.S. book industry grew. A number of factors directly influenced this growth. The U.S. population increased sharply between 1945 and 2004, as did GDP, GNP, PI, median and mean household incomes, and the amount and availability of consumer credit. The number of children registered in elementary and secondary schools shot up, as did registration in junior colleges, four-year colleges, and graduate and professional schools (U.S. Department of Commerce, Bureau of the Census 2004).

Because of constitutional protections, no licenses were needed to enter this business. In addition, market entry barriers, as defined by Porter, were negligible in this industry since

capital requirements were low, all services could be subcontracted out, and there was a constant source of new publishable manuscripts (Porter 1979).

The intrinsic value of many publishing firms increased with fluctuations in the value of the dollar, the emergence of English as an international language in business and trade, and the rising economic importance of the backlist. Some media corporations viewed publishing as supplying valuable content (and synergy) for their diverse media and entertainment operations.

There were also intangible reasons to own a publishing house. Ownership allowed some individuals access to what had been a rather exclusive club. Having lunch with Mary Higgins Clark at the tony Four Seasons restaurant or taking John Grisham to Wimbledon seemed more exciting than opening a new department store. Lastly, book-publishing revenues were on the upswing, growing from \$435.1 million in 1947 to \$26.45 billion in 2005. Because of major demographic changes, trade and professional books and college textbooks were the market drivers through the 1990s and into 2004.

Robert Solow's neoclassical growth model is an exceptionally useful tool to evaluate growth in advanced economies. Solow, who won the Noble Prize in 1990 for his work on growth theories, maintained that the size of the economy is determined by inputs and technology; and growth was due specifically to capital accumulation, a process economists term "capital deepening" (i.e., the availability of adequate sources of capital and the concomitant belief that the supply of capital grows more rapidly than the labor force; Solow 1997, 1956, 1994; Solow, Tobin, von Weizacker, and Yaari 1966; Solow, Dertouzos, and Lester 1989). Consequently, firms with access to capital have a distinct competitive advantage over undercapitalized corporations.

This pattern was evident in book publishing after 1945. Firms able to acquire capital, by the capital-deepening process, had the ability to acquire, publish, and market the best authors, establish efficient domestic and foreign sales and marketing procedures, and adopt new technologies. So the emergence of large, diversified firms as owners of the major houses (including Bertelsmann AG, Pearson PLC, News Corporation, Viacom, Time Warner) with large pools of capital or the ability to acquire capital should not be viewed as an unusual event. It was in keeping with trends found throughout the business community, both domestically and globally. It was to Solow the *sine qua non* of growth and survival.

With capital accumulation and the ability to grow the company, managers had fiduciary responsibilities to maximize revenues for stockholders. This meant executives had to make prudent investment decisions to ascertain which projects were supported. While not commenting directly on the tournament theory developed by De Vany and Walls, Solow's theory supports their notion; and the merger and acquisition phenomenon in publishing offers data showing that acquisitions were a major obligation and requirement for growth.

Clearly, mergers, capital deepening, technological advancements, etc., improved book-publishing operating efficiencies. Some individuals heavily criticized this process. However, this growth provided publishers with scarce resources that allowed them (1) to find and develop editors and authors; (2) to expand title output and channels of distribution; (3) to bring to the market intriguing and conflicting ideas and opinions; (4) to ensure that the critically important marketplace of ideas remained a vital component of this nation; (5) to

publish genres formerly excluded during the golden age of publishing (e.g., books on feminism or African American, Hispanic American, and Asian American issues and themes); and (6) to pay dividends to stockholders, wages to hundreds of thousands of employees, and taxes to myriad governmental agencies.

These were laudable achievements for an enterprise caught inextricably between its cultural and commercial orientation.

CASE STUDY: CHANGES IN TITLE OUTPUT AND EMERGENCE OF MASS-MARKET PAPERBACK BOOKS

Title Output

Between 1945 and 2005, slightly more than 3.05 million new hardbound and paperback books were published in the United States.

In 1945 total new book output reached 6,548 titles. In the next four years, totals increased rapidly, generating 44,254 new titles (Bowker Annual 1963, 1968). During the 1950s, publishers released 124,675 new titles; and the 1960s experienced an even larger surge, with 256,584 new books. This velocity continued unabated in the 1970s (402,911 titles), the 1980s (510,206 titles), and the 1990s (634,412 titles; Bowker Annual 1981, 1988, 1995, 1999, 2005).

By 2005 Bowker reported there were approximately 3,200,000 titles in print and more than 5,000,000 out-of-print titles available from used-book and antiquarian bookstores and Internet “bookstores.” These totals excluded imported books.

Data on title output by book category revealed the diversity of U.S. publishing. Totals are listed for decades (starting with 1940; 1945 data were unavailable); annual totals were available for 1991–2005. These tallies include hardcover and paperback books. Fiction was the traditional leader in title output. In 1940 it accounted for 1,736 titles and 14.59 percent of all new output. Juvenile literature was a distant second, followed closely by history and religion. This pattern was also evident in the 1950s and 1960s, with fiction again number one and juvenile books in second place (Bowker Annual 1981). Changes took place in the ranking of other categories, indicative of shifts in interests, taste, and the impact of political and economic trends. Biographies posted impressive market share numbers in the 1950s and 1960s, with the number of religion titles increasing and history lagging. Overall, nonfiction titles dominated title output, although fiction remained the largest-selling category (statistical data on these categories can be found in chapter 2).

In 1970 Bowker revised its book cataloging system and created more subcategories, making comparisons with prior years difficult. The most notable change centered on the sociology and economics category, which emerged as the largest category in 1970 (Bowker Annual 1983). After 1970, fiction settled into its secure second-place ranking, although juvenile titles occasionally displaced it. Biographies, history, and religion posted impressive tallies, as did business, medical, art, and technology books.

While there was an ebb and flow to title output, adult fiction remained exceptionally popular (Bowker Annual 2005). So when Americans read books, they tended to read fiction, the vast majority written by U.S. authors. Imported and translated fiction generally failed to make best-seller lists.

The Paperbacking of America

One of the most dramatic events in publishing history was the emergence of the paperback book (Davis 1984). During the summer of 1945, Ian and Betty Ballantine launched Bantam Books, publishing 25¢ mass-market paperback books. Capitalizing on a market eager for inexpensive books, Bantam published Westerns, mysteries, and books by Mark Twain, F. Scott Fitzgerald (putting Fitzgerald back into print after a five-year hiatus), and other authors (Davis 1984; Tebbel 1987). Ballantine developed an innovative network of distributors (who also handled newspapers and magazines). Motion picture and eventually television tie-ins aided paperback sales. These marketing procedures allowed paperbacks to reach nontraditional retail establishments (e.g., transportation terminals, newsstands, candy stores). A new book market was created and sales flourished, with Bantam's print runs often tipping the 200,000 mark (Davis 1984).

Other publishers entered this niche, including Dell, Fawcett, New American Library, Popular Library, Signet, Avon, and Berkley. Unfortunately, business and legal problems surfaced by the early 1950s. The market was glutted with too many titles, warehouses were flooded with returns, and massive write-offs occurred. Concerns were expressed about both the editorial content and cover art of many paperbacks (Davis 1984).

As economic conditions worsened, some of the houses, including Bantam Books, replaced top managers, including Ballantine. Publishers responded with innovative strategies in the mid-1950s and 1960s. They launched paperback books in new categories at attractive prices and with sturdier bindings. Distribution channels were expanded, and sales were spurred by school and college adoptions of paperbacks as required readings (Davis 1984; Tebbel 1987). By the late 1960s and 1970s, paperbacks were an entrenched part of the publishing scene, with many titles selling more than one million copies, a pattern that continued into the 1980s. In 1985 publishers had net revenues of \$10.08 billion. Paperbacks accounted for \$3.39 billion of that total. By 1999 publishers' total net revenues stood at \$23.26 billion and paperbacks generated \$7.33 billion. In 2005 paperbacks accounted for 39.75 percent of all books sold (\$27.74 billion) in the United States.

Paperbacks changed the reading habits of millions of Americans because of the availability of inexpensive titles, the accessibility of first-rate literary works (classics, contemporary works, poetry), attractive popular genres (especially romance novels), and the portability of these books.