

This PDF is a selection from an out-of-print volume from the National Bureau of Economic Research

Volume Title: The Economics of Art Museums

Volume Author/Editor: Martin Feldstein, editor

Volume Publisher: University of Chicago Press

Volume ISBN: 0-226-24073-8

Volume URL: http://www.nber.org/books/feld91-1

Conference Date: Nov. 30 - Dec. 2, 1989

Publication Date: January 1991

Chapter Title: General Overview

Chapter Author: J. Carter Brown, Richard E. Oldenburg, Harold M. Williams, Roger G. Kennedy

Chapter URL: http://www.nber.org/chapters/c11640

Chapter pages in book: (p. 107 - 128)

## 5 General Overview

J. Carter Brown, Richard E. Oldenburg, Harold M. Williams, and Roger G. Kennedy

#### J. Carter Brown

In terms of general overview I thought that I would not try to summarize the conference. I shall try to be general and touch on some basic issues that have come up.

I might perhaps start with being very specific about the National Gallery. Oscar Wilde said that "America's youth is the oldest of her traditions," and the National Gallery's differentness has become the oldest of its. Everyone assumes that the Gallery is completely sui generis, but in fact it is just another art museum in most ways, and we face many of the same issues that everyone else does. It is always the balance of envy. (I know when I moved to Washington as a young bachelor I noticed that the singles thought that they would be better off being married, and my married friends tended to wonder nostalgically whether they would not be better off single.) If you are a government museum you sometimes spend a lot of your time and energy envying people in other situations, and perhaps vice versa.

The National Gallery is a hybrid and so we are hard to classify. Both buildings were given from the private sector, as was and is all the art. Whereas, the maintenance, and all the fundamental underlying budget, is provided by the federal government, as was the land that we were built on. The temporary exhibition program, for example, is a complete mixture. The Congress says that they will only fund part; we have to go out and find private-sector funding while getting help from the federal side as well.

By law, we may not charge admission. We do not have certain other economic options open to us. For example, there is no parking to charge for. Our ticketing systems do not include an entrance fee because our interpretation is that that would be a form of admissions. Our ticketing policy is to increase the quality of the visit, as we were talking of earlier, by limiting the number

of people in an exhibition to a manageable number at any given time, and helping, on humanitarian grounds, to keep people from wasting time standing in line.

Apart from pleading with the administration and two houses of Congress for our budget, we have many of the same kinds of private-sector fund-raising problems as everyone, particularly in terms of acquisitions. We envy our sister national institutions in other countries where, even if the grant amount has been frozen for the last couple of years, they do get rather solid chunks of government money to buy art. And, in special cases, the Louvre can go to the French treasury for special grants when they find something really good, or get special deals out of *dation*, a tax break in lieu of inheritance tax, if the object is given to the nation. This is how the Louvre recently got a fabulous Vermeer.

We have certain quirky policies. We do not rent our facilities to any outside groups. We limit the reproductions that we sell only to two-dimensional materials, so we are out of the souvenir business. And we do not deaccession anything other than duplicate prints. I will talk a little more about that in a minute. Another thing we cannot do, by congressional mandate, is go to our friends over at the National Endowment for the Arts for help.

The fundamental issues, though, that I wanted to address in a more general way, are some of what the Harvard Business School called "hidden assumptions" that I think we've been hearing. All of these discussions about semantics go quite deep, because of the fundamental point that the kinds of structure with which an economist is trained to deal are only partially relevant to the art museum.

A basic concept of business is to have a quantifiable goal. Although businesses do tend to have other criteria occasionally, fundamentally there is a bottom line; and the bottom line is calculable and controls the decision-making process, whether in profit centers, or in multiple markets, or in multiple products. However it is put together, it all comes out to one figure which is either expressed in black or in red.

Naturally, these financial questions also obtain in the museum field, but largely as a secondary matter. The financial dimension is a question, yes, of survival. But it is not he point. It is not the be-all and end-all. It is not the purpose of museums or why we are in—if you want to use the word—business.

A recent review in the *New York Times* dealt with the book, *Pricing the Priceless: Art, Artist and Economics*, by William D. Grampp. He is retired, apparently. He seems well named, to judge by his views, which are reactionary. At any rate, he takes the extreme sort of position that the arts ought to be put out to fend for themselves in totally economic terms. The first thing you do is dismantle the Endowments. There is no point of having any government support for the arts and they should just fend for themselves like everything else. However, even Grampp recognizes that "for museums there is not such a

single simple guide. As non-profit organizations they are directed by other purposes, goals, ends, motives, desires, aspirations and the like, which taken together or separately offer no clear guide as to how they should conduct themselves or how well they had done so." I think that sums up what we have been talking about at this conference.

Economics should come into our thinking in museum administration as a means to an end, but not as the end itself. As Sir John put it so well, it is a different ethos. Peter Temin also very sensitively said we operate on a different premise. In the background papers, the reference to this economic concept of the "merit good" keeps cropping up, and it is nice to know there is a bin to put us in because that is, I think, where we belong. Bill Luers has talked about the parish church and I would submit that the most important decisions they make are not what supplier they go to for communion wine or whether there is a price break on wafers that month. The point is that they are in a different business from business. I agree that it is hard sometimes to define exactly all of what business museums are in. What art museums should *not* be in is a market mentality; and I think Neil Rudenstine, characteristically, summed it up in making the differentiation between being market-sensitive and being market-driven (see chap. 3 in this volume).

Now when it comes to the question of collections, we have all kinds of pitfalls. I was delighted that Bill Luers brought it up, so I don't have to, the extraordinary attack we are now undergoing as a field from the Financial Accounting Standards Board (FASB), which would like museums to carry our art collections on our balance sheets. Luckily, support for this position does not come from the accounting profession as a whole, many of whom are persuaded that the museum point of view on this is absolutely correct. Museums, as a matter of fact, have a broad base of support on this issue even from bankers and audit firms.

First of all, how on earth would you ever find any meaningful number to attach to these works of art if you took them at cost? Some of them came into the collections so early on that is meaningless. If you took them at market, it would depend which day you are talking about—with tremendous swings, and very questionable comparability. Individual works of art are very individual. They are not like stocks and bonds which can be measured and quoted hourly on the Big Board.

The ultimate question is usefulness. What good would it serve? On the contrary, there is always the minus that it gives the essential, underlying idea that these are economic goods, these works of art, tangible assets, and that they somehow, therefore, could help us solve our other ills. There is where the most-dangerous-misapprehension-of-the-underlying-assumptions-come-in. Boards of trustees responsible for some of the museums of this country are in fact largely made up from the business community, and they are not used to the idea of certain objects that are under their control not being available fungibly to cross the line into dollars. I was fascinated by Peter Temin's sugges-

tion that now that we have government controls on museums you do not need to keep this line firm anymore because the only reason there ever was one was to keep museum directors from lining their own pockets (see chap. 7 in this volume). I thought that was taking it a little far.

In terms of the question of deaccessioning, I am not going to go into that in detail here. I think that the arguments pro and con have been brought up. The collections are held for posterity as part of our mandate, particularly if you are a national museum. On the other hand, I can sympathize with those who wonder how you are ever going to get art any other way these days.

There were, however, some comments made on this issue that I think need to be rebutted. There was the idea that the responsibility of the museum to the object can continue even if it is sold, by virtue of someone else possibly taking better care of the object than the seller would have. That is great, if you can place the work of art into another museum or even into the right kind of private hands. But if you put it up for auction, as you almost have to do to protect yourself, then you have lost control over who buys it. If it is good enough, chances are it will leave the country. If it is not good enough (which should be the one reason you are selling it), there is not much money in it anyway. If you sell through the private market process, then there are all kinds of other problems; a dealer is going to have to tell its client that the museum was irresponsible in letting it go for such a low price, to justify the new price that has been added on to it. It is a kind of no-win situation.

At the Gallery we have a different approach. We have a National Lending Service, and we put these objects very much to work. I was delighted to hear how many objects the Metropolitan lends. I know that the embassies are always in need. There are responsible institutions around the country that came late into the collecting process. I think collections can be shared.

On the question of exhibitions, we do not have time to go through the long litany of pros and cons. John Walsh's summary I thought was very germane (see chap. 1 in this volume). I would certainly subscribe to the need to try to do everything possible to emphasize the permanent collections. It is not as easy as it sounds. They are there—there is only so much you can do about rubbing people's noses against them.

What exhibitions do provide, however, is another way station along a continuum. If you pull back enough, you can see that really both of these alternatives—permanent installations and special exhibitions—are compromises. At the far end of the spectrum is all the art that is out there everywhere in the world. One can control it to some degree photographically, and put it on some great list, and select from it at will, and write it into texts and lectures, and try to shape it in histories and give it some point. But that is all done in the world of ideas: it is done without originals.

At the other end of the spectrum are individual works of art that just happen to be some place; they happen to have been collected, or they happen to have gone into museums or to be in their original ecclesiastical or secular setting. And there you have the opportunity to come to them first hand. Who has ever had a better opportunity to focus on a work of art, one that is not even in a museum, say, than in little Borgo Sansepolcro, where you come and they open the doors and there is the Piero della Francesca *Resurrection?* It is the only thing there, and they know why you have come, why you have made this pilgrimage. That is the kind of experience, directly, or a single great work of art in the original and in its original context that cannot be reproduced even in an art museum.

Somewhere in the middle are the opportunities to see original works of art grouped together. Permanent collections are often large enough to offer some modicum of context. Temporary exhibitions can go a step further, assembling originals that are not normally together, so that a visitor gets a visual rationale, made wholly of originals, as a once-in-a-lifetime opportunity. Such exhibitions can be, I submit, the best of both worlds, although still a compromise, and only temporary. Never as complete as the treatise, they still make coherent sense, while offering the inestimable advantage of primary, direct experience. If you ever wanted to penetrate the artistic personality and achievement of Gauguin, for example, the overwhelming experience of the recent Gauguin show in Washington and Paris provided, I believe, a better way of doing it than coming upon the few Gauguins that are available normally on the walls of the National Gallery of Art.

It is a question of trade-offs. It is, at the same time, a question of not being taken over by the marketing mentality and trying to make these shows into something they are not.

From the economic standpoint, it is erroneous to assume, as was said here, that these exhibitions take funds away from acquisitions. I certainly know of few corporations from whom we have ever been able to raise money for support of a temporary exhibition that would have been interested in putting the same amount of money instead into some kind of art purchase. One has to be realistic about where the funding sources are.

The fact that temporary exhibitions do occupy the dimension of time should not be considered a minus. People procrastinate. If a show is there only temporarily, it does help, as Harold M. Williams said, get people into the house. It gets people into the habit of seeing works of art, reacting to them, and learning that they can provide an extraordinary experience. If that makes the permanent collection seem a little less urgent, it does not necessarily mean that fewer people see the permanent collection than if there had been no shows. I believe it expands the whole pie. But the subject is endlessly controversial. It is largely made so by the media attention to shows rather than to collections, giving us a false impression of who sees what at a museum; and by the kind of moneymaking atmosphere that surrounds some temporary exhibitions. I am delighted to hear the Metropolitan is deemphasizing that, as I know other museums want to do.

That leaves me finally with the future, which is where everybody conve-

niently runs out of time. The concept of expansion is one that I believe we must challenge. It is not an inexorable conveyor belt, you do not have to go on adding wings and growing for the sake of growth, acting on that hidden assumption, the American expansionist mentality, which I think needs rethinking. We are paying for the expansions. Meanwhile, the curators are sometimes now an increasingly small percentage of the overall staff. This does not mean that there is necessarily less curatorial activity going on, on an absolute scale. It does mean that we have got to have more maintenance people and guards and so forth to take care of more space.

The encouraging thing is that people are going to art museums. I would call your attention to a survey that was made this year in our area, in which they found that museum-going was the most popular leisure activity in the region—with 55.3 percent of the area adults having visited a museum in the previous year; as against, for example, live theatre, 32.1 percent; Kennedy Center, 28 percent; any professional sport, 36 percent, and so forth.

The reasons that I am bullish about the long-range hold that art museums are going to have on people are fundamentally the reasons that Marilyn Perry has put forward (see chap. 2 in this volume). I think people do fall in love with works of art, and as Francis Henry Taylor once said, "it is like love; it takes." It has a lot to do with exposure. Temporary exhibitions are among the strategies that foster that exposure. They can offer an opportunity of providing one of those moments when people get hooked. Robert Frost talked about the "immortal wound." If you can just provide that one experience, then people are going to want to come back and back.

To do that, I think the future really depends on education and not necessarily education inside the museum. To me where the battle should be waged is on school boards and out in the communities of America in changing the value system, in getting citizens to appreciate the relevance of our cultural heritage in general and our visual heritage in particular. Then when people visit museums, they come with their own "furniture of the mind," and they will have something to which to attach these new experiences.

There are specific things we can do to try to help. Tax laws are very high on our agenda. We have not discussed them that much, but there is a brilliant background paper by Don Fullerton on their history. Unfortunately, you cannot do much about the cost of works of art.

But rather than curse the darkness, I would like to see us light some candles. I believe that education and political action are probably the flames to which our fuel might best be directed.

## Richard E. Oldenburg

It is really very daunting to be asked to give an overview, when almost everything has been said and said very well. Nothing has been too cheerful as we look ahead to our future. But I think it is inevitable that a conference on the economics of art museums would be reasonably gloomy. It is said that when artists get together, they discuss the high price of paint, and I can assure you that museum directors do too.

There are, unfortunately, as many of us have pointed out, a lot of trends that are distressing. In hearing them discussed here or at other places, you often find them being described in tones of fin de siecle, ends of eras, and so on. While this may not have been too odd an idea in a year like 1989, it all sounds rather too dire. I like to think that there are also a few bright spots in terms of challenges, and opportunities, and above all in terms of what we continue miraculously to accomplish and offer. As we look around us, if indeed support is falling off, I think that it is certainly not because we have not been valiantly doing what we are supposed to do.

We have talked about so many of our problems. Forgive me for touching on some of them once again. We have talked about the rising cost of art, and I just thought that I might add in passing, that it is not simply the many-million-dollar paintings that have gone up; it is also lesser works and works in other media. For example, we did a study of acquisition costs at The Museum of Modern Art over the years. It was a lot easier to take chances with new paintings and sculptures in 1958, when we could acquire 66 at an average cost of \$730. In 1988, we acquired 16 works at an average cost of \$46,000. We can also turn to another medium for an outstanding example. In 1979, which is after all only 10 years ago, a print of Edward Weston's famous photograph, *Shell* (1927), sold at auction for \$9500, which seemed very high at the time. In the spring of last year, a comparable print from the same negative sold at auction for \$115,000 plus commission. In the field of modern and contemporary art particularly, costs have been rising across the board.

We discussed in this context the decline of private philanthropy and the new breed of consumer collectors. We also discussed many other problems, such as the evidence that museum attendance seems to have reached a plateau and that support from other areas was leveling off as well. At the risk of being repetitive, I would like to take a longer view of these problems. I have some claim to perspective, because I am surprised to realize that next week it will be 20 years since I first came to the Museum in the publications department. When I look back to see what I think are the major changes in that period, I view some of these problems in a larger context that I find useful for analysis.

I would say that the primary change, in the largest sense, is the change in the variety and the breadth of the sources of support on which museums rely. The major transformation, particularly in large museums, seems to be the transformation from institutions with an essentially private character, even when publicly supported to very public institutions, even though largely privately supported. By public, I mean in terms of responsibilities, expectations, accountability, their own self-image, and of course dealing with a much larger and diverse audience. There are many new masters, new people paying the pipers and calling the tunes. This makes life in the museum a lot more com-

plex, and it makes museums more vulnerable. As Mr. DiMaggio pointed out, we have come a long way from the time when a few trustees and patrons made up modest deficits, when museums were not all that eager for large audiences, or at least were not prepared to make major efforts to lure them in (see chap. 2 in this volume). They certainly did not feel particularly accountable to the public in the running of museums.

Those changes were anticipated in the sixties and seventies, when a lot of the established institutions came under attack, and there were demands to be more responsive to community needs. Museums came out pretty well. I think we have a record of credibility and purpose, and we are generally recognized to have high standards. But the questions could not be ignored, and I think museums got the point.

So we started building larger publics for our programs and designing programs to attract them. And this was possible, as Neil Rudenstine pointed out, because of many factors—growth in sophistication, media attention to artists as celebrities and to new movements like Pop Art, and the right timing in many other areas (see chap. 3 in this volume). These programs needed more support than the old operations could provide without new sources of income. And so we turned first to the government. And as we know the National Endowment for the Arts (NEA) came into being in 1965, and was supplemented by the National Endowment for the Humanities and the Institute of Museum Services. Most of these grants were small amounts in relation to museum budgets. However, they were tremendously important, because so much of our budgets are allocated to the base expenses of keeping the doors open. It is that final small dollar share that allows you to realize the special project, the special exhibition—that means far more than its apparent impact on the budget. Now government support seems to have leveled off or to be eroding, and we even fear that it might disappear. Of course, the most significant government support is not grants from these agencies, but the support that has been given through tax incentives and exemptions. These have helped build our great collections and have made our museums what they are, the envy of museums all over the world. And it is, therefore, particularly ironic when we meet colleagues from abroad looking for advice on how to adapt the American system and apply it in other countries just as we seem to be dismantling it here, whether Congress is doing so consciously or unconsciously. Ahead of us we can see Congress exploring further steps in that dismantling in areas like the unrelated business income tax and in possible taxation of income from endowments. In the meantime, museums have had to assume new obligations to meet government regulations attached to the modest support we do receive.

When government support proved disappointing, we turned to corporate support, and to a remarkable degree this new savior came through. Until the late sixties and the seventies, the support from corporations for cultural activities was pretty modest. The large part was mostly in education or medicine. But when you look at the increase in arts support, the figures are amazing,

particularly in terms of the kind of investment capital that we talked about yesterday that has made growth possible.

The Business Committee for the Arts was founded in 1967, and began to record the growth in corporate interest and contributions. In 1967, \$22 million went from corporations to the arts in general. In 1985, \$700 million went to the arts, of which about a quarter went to museums. And they calculate that over the past two decades, the decades I am talking about, about \$1.35 billion has gone to museums in various forms. From a time when we did not even solicit corporations for annual support, corporations have now in many cases—like the Museum of Modern Art—become the largest single category giving support through the annual fund. They also give capital gifts and have helped to fund many of the new museums and museum additions in recent years. Above all, they sponsored the special exhibitions which have been the most prominent phenomena in building museum attendance. Now, unfortunately, here again we are in trouble. Corporations are pulling back. There are many reasons: mergers and acquisitions, retrenchments of major sponsors like oil companies, and, of course, tax changes here too. Most evident, and I guess most disturbing, is a change in attitude; the old rhetoric about community citizenship and quality of life is a lot less heard now. We get very frank bottom-line arguments, perhaps because of intense corporate competition and belt tightening. Corporations want to prove a direct impact of arts funding to justify its effects in terms of markets, demographics, and impressing government leaders. We hear phrases like "patronage that pays," "cause-related giving," and "affinity of purpose." This trend is underscored by the fact that we are getting more and more of our funds not from the philanthropic arm of the corporation but from the advertising, promotion, and other marketing budgets. And these agencies, in turn, are asking for major quid pro quos which, as we give in to some of them, threaten to debase our own currency.

During the past two decades, even more important to museums than the growth of corporate support is the extension that we have talked about to the much larger public, on which we are now increasingly dependent for earned income—from admissions, memberships, auxiliary activities, bookstores, and restaurants—and for fund-raising, as well. We have gotten a lot more sophisticated in wooing visitors, and one nice effect of that, I think, is reflected in the architecture of the museums we have built, which are certainly designed to be much more welcoming, less forbidding temples than they used to be.

We have discussed the phenomenon of special exhibitions, which has been one of our major tools. We all know we are too reliant on them. We want to build-up-new-means of promoting-our-permanent-collections; but we also know there is no substitute for the popular exhibition, whether we like it or not. They continue to affect the patterns we see in our finances and the work we do. We try to balance our programs to include exhibitions, of the highest quality hopefully, that will, at least for part of the year, draw in sizeable

crowds. We know that attendance is not a good gauge, but it is a very seductive one because it can be easily quantified, unlike a lot of the other things we do.

All of these changes, and others, have made museums much more complex. We have had to create new departments to manage new services and respond to new obligations. Many people have observed that, as a result, museums have become much more like corporations—the corporations they are looking to for support. And others have observed that corporations have become more like museums, with collections, curators, and private museums, and no one knows where all that will end.

It's interesting to note that, except for Paul DiMaggio's comments, (see chap. 2 in this volume) the only issue I can think of that has not been very well covered at this meeting, although it is so central, is the whole issue of governance and what are the new demands made on people running museums. A director now is expected not simply to be a scholar and curator; he or she is to have business and marketing skills, to be an entrepreneur and negotiator, to handle union contracts, to lobby for legislation and government appropriations, to be a real estate developer—almost everything that you can think of, including social director. One of my museum colleagues recently said that the best training for a museum director now is to go to Cornell School of Hotel and Restaurant Management.

Needless to say, there are few of these omnicompetent paragons around. Since most of us are eventually liable to fail one or another of these tests, the turnover in directors is great. This is distressing to all of us, and I am quite convinced, very bad for our institutions.

Comparably, on the trustee side, museums have new trustees from the business world who can be very helpful but who have different expectations from trustees in the past. They may be very knowledgeable and committed to art, but their training is oriented to business concerns and the bottom line. As our nonart activities involving earned income and marketing increase, these trustees feel much more qualified to advise and direct museums because the business talents that they have can be applied very effectively. They can also exert their control more widely than before, since artistic and financial choices in museums today are not so clear. We ask ourselves every day what is an economic decision and what is an aesthetic, intellectual decision. A primary example is a special exhibition. An exhibition, of course, is a decision—a curatorial decision—of what you want to present and prove, and what you want to put together. But these days, it is often an immense financial gamble, and without the assurance of corporate support, or government support, how much can you ask of your trustees? If the support does not come in, or heaven help you, if the show is not a great success, you can have something that can skew 20 percent or more of your budget and result in a huge deficit.

These questions, I think, have become more difficult, and have made museums much more vulnerable. We expanded our programs, and if the support

for them falls off, we have to worry about what will happen. In the good times we have enjoyed recently, we have been breaking even and feeling proud of it. What will happen in bad times? If we get lower endowment returns from lower market values? If there are declines in donations, memberships, attendance? All these things could perfectly well happen in even a modest down market. This is what worries us: we have to wonder what would be cut to reduce expenses. Probably not the empire of income-producing departments we have created, because those are the ones that will be needed or seem to be needed more than ever. Unless vigorously defended, what will go will be in curatorial areas, the backroom areas that are perhaps the more sensitive because least visible. I would say that if we are now going to stop building new museums and new wings, the primary goals for museums would be to shore up, to fund-raise for and endow those basic curatorial functions so that they will not be threatened in a storm. Then we can deal with the rest of our problems. whether they are exhibition costs or our auxiliary activities which may be churning large amounts of money more than making them.

So this overview offers many problems to be faced. Perhaps we are at an end of an era, although that sounds pretty cataclysmic. It is nicer to think we are at the end of a period of major growth, maybe approaching middle age, as Marilyn Perry suggested (see chap. 2 in this volume). Whatever it is, we find ourselves in a new phase. We have to adapt to new realities, and different institutions will respond differently. I think perhaps Neil Rudenstine is right that after prolonged growth we may have to batten down the hatches for a while (see chap. 3 in this volume). That needn't be bad. I think we all know that sometimes passion for growth and equating it with progress mask confusion, or at least allow you to not pay too much attention to analyzing your goals and missions. This can be a time to reconsider our future very carefully, to reassess the kinds of issues we have been discussing today.

I think one thing is obvious. Whether we are talking about the government or corporations or collectors or donors or the general public, we have got to learn to be more clear and eloquent about what we do and why, and what we uniquely offer. As Bill Luers has said, we have also got to become a lot more effective as lobbyists. I think we grew complacent. We assumed that everyone knew what we were talking about, since it was truth and beauty and quality of life. People like Mr. Voke and Mr. Helms are rude but not totally undeserved reminders that our arguments are not self-evident. I think we also have to recognize that some of these criticisms have touched nerves that may be more sensitive than we realized. There seems to be a large number of people who feel left out, hostile to being told what to like without much attempt at being persuaded. If we are better at presenting our case, we might do better at retaining and increasing the support we see falling away, and even find new support.

There are many other challenges that we have to meet. We have mentioned some of them here. We have to learn to serve our public better, which certainly will encourage them to come back more often. Any survey that we do at our

Museum, and I am sure at other museums represented here, indicates that the public that visits us knows less about art than we would like to think they do. And I know that is particularly true in a museum concerned with modern and contemporary art. We have to help our visitors more, if we want them to come back to us, to understand and enjoy what we are offering.

Despite the signs of attendance leveling off, there is a lot of room for further growth. We can greatly expand our public. We certainly have an obligation to try to do that not only with visitors from abroad but above all among the multicultural constituencies in our own cities. What are we doing wrong? If we really believe that love of art is not some elitist peculiarity and that we can offer pleasure and understanding to all, if they are properly introduced to it, then we are not bringing them in for that experience. There is much to be done, and I am still optimistic that museums can cope with these problems as they have with others in the past. Museums will not go away, because they serve art well and art is not going to go away. In the contemporary field, there is very exciting work appearing, even if it is not the new movement every minute that markets wish there were. Art reflects our times better than anything else I know, and museums are essential transmitters of its lessons and joys.

I am even guardedly optimistic about the new generation of collectors. After all, who knows who will be in the last chair when the music stops, holding the Jasper Johns?

### Harold M. Williams

In introducing my presentation, Martin Feldstein has reminded me of Peter Drucker's comments on his 65th birthday when he said, "I still don't know what I want to be when I grow up." His introduction also illustrates a dilemma I sometimes face. Over the years, I have been very critical of the ineffectiveness of corporate boards of directors. I have also addressed the disastrous consequences of the takeover junk bond rage. When I do so, I am accused by the corporate community of being an academic or a bureaucrat or an unrealistic not-for-profit type. On the other hand, when I am critical of the museum world, some of my colleagues from the nonprofit world accuse me of having a corporate mentality. Another example. Some years ago we were in the process of acquiring a painting in England. The painting had been offered to a British museum for £4 million which they turned down. We negotiated the price down about a third, bought it, and applied for an export permit. At that point, the same British museum raised the funds and bought it. I happened to be in England shortly thereafter on a visit to observe the state of art conservation, visited conservators and training facilities, and saw the desperate condition of paintings from some of the country houses and the conservation needs

of the museums. I was interviewed by the press and I made the observation that £2.7 million would have gone a long way toward urgently needed restoration of paintings. Of course, I was accused of self-interest. So, since I intend to try to be provocative today, you may find justification to discount what I am about to say.

I would like to begin, though, with a statement that is not provocative or controversial and thank Marty Feldstein and the Bureau for bringing this meeting into being. It has been an important one for all of us. It begins to appear that economics of art museums may not be oxymoron. But it is not clear to me to what extent our discussions reflect semantic differences, philosophical differences, or psychological phenomena. I suspect it is a combination of all three, but I would hope, at least semantically, that the discussion of the last day and one-half will bring us somewhat closer together. Many of the concepts and much of the terminology from economics or the business world apply, even if we call them by other names. For us to make like we don't market is totally unrealistic. We do market. And we do concern ourselves with marketing in many, many different ways. We may want to call it something different. If that makes us more comfortable, God bless. But on the other hand, if it makes communication among ourselves more difficult, then it is dysfunctional.

I do not know what there is about the psychology of the museum field. Are we threatened by the economic calipers of outsiders who do not reassure us by expressing an adequate level of love and affection for museums and art? Are we concerned that we are not understood and do not have a strong constituency that we can count on to protect us and to help us address our needs? As Dick Oldenburg has observed, we do feel vulnerable. We lack a large, committed, political constituency. We behave at times like a beleaguered, musunderstood minority.

Are we facing a midlife crisis? I think that is what we have been talking about. As we look at our future in the nineties, it is different—we cannot acquire art at these prices. Our operating costs are projected to outstrip our revenue streams limiting our ability to undertake essential new initiatives—a totally unacceptable condition. What do we do under these circumstances? How do we remake ourselves? To begin with, we need to reassess the need to acquire, and what drives it. The situation is not unlike that which seems to drive the corporate world—the bigger you are, the more prestigious, perhaps the better compensated. If you are not growing, you are dying. And therefore you have got to acquire because you have got to keep growing. Why? What are the alternatives?

We need to begin by defining our mission. The term "mission" has been used here five times in discussion, but not in the context of a prepared paper. The Getty sponsors the Museum Management Institute, a summer residential program for museum managers. Typically, participants have come up the curatorial route and now have managerial responsibilities. When they are asked

to talk about the mission of their institutions, most of them cannot do it. Now either it has not been defined, or at least it has not been communicated. I suspect it is more the former. The definition of "collect, conserve, and exhibit" does not go far enough. As we look ahead, we must go further in defining what our individual missions are. They are not all the same for all museums. If we define the mission clearly enough, it will help us set direction and priorities and make operational decisions that follow from it in terms of audience, constituencies, collection, acquisition, activities to emphasize, and so on.

The process of defining mission will require us to address a fundamental question. And that is, how can a museum be great without growing? We have to learn from the Europeans and from the Wallace and the Frick and the Gardner about how to succeed without acquisitions and blockbusters. And we have to focus on other purposes that may be less obvious, less tangible, but increasingly important and desirable, in the next decade, whether it is scholarship, or more effective education, or long-term loans and exchanges of works of art with other institutions, or more imagination and creativity in the exhibition of the permanent collection (including bringing objects out of the basement). These are all issues that need to be addressed. I have seen very little truly creative use of permanent material in many of our collections. I share the concern raised earlier about trying to value art collections. I think it is an exercise in futility. And yet I am intrigued by one aspect. What if we privately were to value what is in the basement? Would we consider it differently if we realized the real value of what is in the basement? In a sense, if it is not on view, it does not exist. I know there are other values to what is in the basement, but are they equivalent to the real value of what many of us have squirreled away? In addition, if we looked at the cost of maintaining what is in largely dead storage—including space, utilities, insurance, staff, and so on, we might take a somewhat different view. Finally, consider the cost of new and expensive space we are building for storage.

I need to identify one important issue we have largely ignored. We have focused on the revenue side because it is easier to do and because it controls the level of expenditure. But we have not looked at how well we are spending money—or the unmet needs. What is the condition of maintenance in our museums? What is the adequacy of conservation? I can take some of the numbers in Dick Rosett's paper and work them differently to examine the relationship between the value of the collections and what we spend on conservation (see chap. 7 in this volume). When I do so I can at least express some concern about them. Perhaps they are adequate; perhaps they are not. But we have not looked at them systematically. What about the adequacy and effectiveness of resources dedicated to educational programs? And consider the lack of creativity in designing them compared to what goes on in history and science and technology museums. There are ways of gaining perspective on how well we are doing what we think we are doing. Focus group interviews, for example, can be very valuable. The focus group interviews that have been referred to

have been very informative. There are all kinds of unexpected insights that fall out, such as that of the probation officer that has been referred to (see chap. 2 in this volume). For example, one of the things that we at the Getty found startling is that some people did not know the Getty Museum was a museum of art. There are some obvious things that can really help you.

One of the points that comes out of the focus group interviews of museum attendees and nonattendees that we have been sponsoring around the country is the comment, stated in various ways: "Nothing is happening at the museum. I have seen the permanent collection." Do we need "happenings" to get large numbers of people to attend? If blockbusters are too expensive and or dysfunctional, and it becomes increasingly difficult, if not impossible to finance the kinds of acquisitions that generate interest—what do you do? There have to be more interesting ways to make happenings, albeit not blockbusters, out of the permanent collection—including ways to use what is in storage. We also have to face the desirability of deaccessioning to be able to acquire and create happenings.

We have heard a number of very interesting comments about the subject of deaccessioning which reflect that some oppose it as an article of faith, while others are not certain how to decide what is appropriate. I appreciate the sensitivity relating to deaccessioning—much of it is very legitimate and appropriate—but much of it is clouded by emotion and dogma and consequently "straw men" or "straw people." Some of us might say there is no such thing as a justifiable deaccession. But once you assume there is, let us consider some of the comments we have heard here. The responsibility of the Walker to the populace of Minnesota is an example of a straw man. It is important, or is it even relevant, whether the Walker considered the interests of the citizens of the state of Minnesota when it decided to deaccession art of a period outside its range of collecting? I do not believe it is. Is it relevant that the art object would have been welcomed by another museum in the city? I do not believe it is. If you use the proceeds to acquire an object for the museum, why is it characterized as "wholesale" to deaccession at auction, but "retail" to acquire at auction? We are going to see more deaccessioning. If we want to acquire, we will need to deaccession. Directors need guidelines so they can have the comfort of knowing that they will not be scorned or criticized by their peers or trustees, and that their image and prestige in the field will not be tarnished. The Association of Art Museum Directors could certainly help clarify the issues and provide guidance on what will be an increasingly significant issue.

Now let us talk about marketing. We are doing it every day. We are going to continue doing it. We are going to do it better over time because we need to. One of the first things Martin Feldstein asked us was, "who are your markets?" Are we going to engage minorities? Are we going to try to attract new groups to our museums? How do you do it? It is marketing. Call it something else if you will, call it seduction. Call it whatever you want, but it is marketing. The differences are only a matter of semantics.

How about entertainment versus education? I had occasion just recently to

talk about a television series on the arts to Joan Ganz Cooney who developed Sesame Street and other successful children's educational TV programs. She talked about how to get the kids to tune in the first time; then to listen to it, to stay with it, and not flip the dial; and finally to come back the next day. The objective is to learn, not to entertain. But you have got to entertain to attract and hold the children and for them to learn. You have got to get your audience. You have got to hold your audience. So if your objective is education, it is not indecent to entertain.

In the same vein, I agree fully with Marilyn Perry and her concept of love of paintings. But if you have not met her, you cannot fall in love with her. We have got to get people into the museum. And that is going to require marketing in all kinds of ways. Carter Brown addressed the need for more and better art education. That certainly would stimulate museum attendance. We at the Getty are devoting a fair amount of resources to supporting the development of more substantive art education programs in the public schools—not just in individual schools, but systematically through school districts. The program incorporates production, history, criticism, and aesthetics and is taught sequentially at least in kindergarten through sixth grade. And it is taking hold. Some people say our approach is wrong. Others say it is right. Frankly I do not care who is right. It has raised the level of appreciation for the importance of substantive art education in the curriculum. It is producing results within the schools. If others want to do it differently, let them do it their way.

I underscore Neil Rudenstine's assessment that the ability of museums to increase revenues year after year through the nineties will be increasingly difficult. We have pretty well exploited our previously untapped source, even without the threat of the unrelated business income tax. Given competing demands for public funds and the fragility of our own political clout, we cannot assume a favorable environment. The needs of health, welfare, and education are enormous. Museum attendance growth will probably slow. Perhaps we can raise the price of admission somewhat to offset it. Competition for private giving will increase.

The corporate sector is pretty well saturated, running into increasingly numerous, diverse, and conflicting demands and anticipating a decline in growth of corporate profits over the next period of time.

Finally, the outlook for endowment returns, given the quality of the markets today and the uncertain outlook, is not likely to be very robust. Certainly it will not replicate the bull market of the eighties.

At the same time, demographics are changing. And our museums are not responding adequately. What they are doing is, in many instances, uninteresting and irrelevant to an increasingly large percentage of the population of many of our urban communities, who do not identify with the culture of the Western Civilization—whether they are black, Hispanic, Asian, or Anglo who are not receiving the kind of education, either in history or art today, that would lead to identification or appreciation. How will public agencies respond

to the funding needs of your museum if their constituents are not patrons and, at the same time, they have unmet medical, educational, welfare, and other needs? This is an increasingly urgent problem. And it is a problem not only for those who look to public-sector support. It is a problem for all of us who should be committed to attracting the public and interesting and educating them in the works of art that are part of our collection.

Reference has been made on several occasions to endowments and the portion that is drawn down for current purposes. Obviously, practice varies. Let me suggest one way of addressing it. If one begins with the assumption, which I accept, that the purchasing power of the endowment should not be eroded, then the endowment needs to earn enough to offset the impact of inflation and what is drawn down. On that basis, it may well be that what ought to be drawn down today is not more than 3 or 4 percent. Certainly any drawdown in excess of 5 to 5.5 percent is eroding the value of the endowment and invading principal.

Two last thoughts. Dick Oldenburg mentioned the trustees and governance. That is an area that we need to take a look at, defensively, if nothing else. Because if we go into the kind of economic crunch period that I expect, the behavior and response of our trustees can be pretty serious. How informed they are, and what their attitude is toward some of the issues we have been talking about are important. And I think we will find some of the same dichotomy there as that we have experienced here between economists and museum types. And so it is important that you appreciate that dichotomy and not reject it but try to understand it and be able to deal with it constructively—and now, before it becomes an issue or source of friction.

Finally, Carter Brown referred to William D. Grampp's *Pricing the Priceless: Art, Artists and Economics*. I have read it. It is polemic. But it poses some very interesting questions. I would recommend you read it. You will not like it. You will not agree with much of it. But do not dismiss it. Try to understand where Grampp is coming from. There are a lot of people who think that way. Perhaps even some on your boards. Certainly some of your supporters. The chapter on art museums particularly raises some very interesting questions, which we should all consider.

## Roger G. Kennedy

I want to offer you some congratulations, then to offer you a two-part hypothesis, and finally to offer you a gift—in that order. It is always a pleasure to come to a gathering in which two distinct sets of people see two distinct sets of things as self-evident.

I want to begin with the congratulations because I think it is very important to underline what Neil Rudenstine has already talked about. Your achievement

over the last couple of decades is absolutely extraordinary. What the art museum community has done for this country is unparalleled in its life and probably in the life of any western country—I don't know about the East! Let's observe the achievement of expanding the audiences and the depth of perception of those audiences; of widening those audiences and placing the visual arts at the center of American life—as it must be admitted—its performing arts are not. This is an achievement especially because it runs against the American grain. The disparagement of the past is inherent in our doctrine of progress.

Furthermore, while we are all looking for fresh audiences, I was struck by Neil Rudenstine's reference to Duke Ellington. We are the custodians of the Duke's legacy, including compositions that, of course, belong in the repertory of the Boston Symphony Orchestra—his late works for orchestra and chorus. Discovering materials you did not understand until you interpreted them, with the new audiences which many of you are reaching, means that you can learn, too. It is not just that we are instructing those audiences. As all of you know, they are instructing us. They are telling us things about ourselves we did not know before, about our ways of perception. So—congratulations, you have been doing a remarkable thing.

I want now to offer in hypothesis, an extension of a couple of economic themes that Harold Williams touched upon. The expansion of the last decade or two has produced a set of total returns that it seems to me are not likely to recur in the next decade or two. Sixteen or 17 percent annual average rates of total return in many endowments are not going to happen anymore, for, I think, the following reasons: those returns arrived in the presence of decreasing volatility, which is something to which trustees might pay a little attention, not increasing, despite a crash. I think they are unsustainable because price-to-asset values are still way out of whack, because price-to-dividend values are still out of whack, because the decline of liquidity in the collapse of the junk bond market seems to me to be almost as important as some of the sphincter motions of the Federal Reserve at the end of the twenties.

I also think that Mr. Gorbachev's removal of the IV-tube—defense production—that has sustained a deliberate Keynesian stimulus during the Reagan years is a very important factor. We are just not going to be having the Russians (as Mr. Nixon might have put it) to beat up on, and thereby stimulate our economies artificially. Under those circumstances, I think we can get used to the notion (as Harold Williams suggested) that it is not going to be easy for the endowments to bail out our improvidences any more.

Middle age is striking the arts community at the same time that perhaps something like those kinds of recurring middle ages that occur in economies is occurring more generally. Probably for some of the same reasons. We are at the end of a long cycle in modes of learning. The ways in which we have been learning and looking since the invention of print are now under assault. Their consequences, societal and economic, are under assault simultaneously. The

epoch dominated by print carried with it very sharp emphases upon individuality on the part of the reader, upon individual exertion in capitalism, and upon religious self-determination. These print-dominated modes of learning are now under very significant assault—with an abyss of unknowable consequences lying out there before all of us. Television and the computer present to us a set of unknown and unknowable ways of relearning what we think we know. These are going to have profound effects on the way we "do business," you'll excuse the expression, all the time.

Let me suggest some things that may ensue: (1) the impoverishment of symbolic life; (2) an inhospitality to ambiguity; (3) a simulated reality that is out of scale but that replaces the reality of organic life (another child is perceived by some children as less alive than the box); and (4) the trivialization of all life into entertainment. Those phenomena are formed by one other, central to what we do in the museums, rooted in the real object, as distinguished from Disney: the major job of all of us is to set up a powerful opposition to (5) the decline of authenticity that arises from these new ways of learning.

Now, I want to get on to another tiny subject. At the same time these things are occurring in the United States, there are radical changes in the demographics. The obvious absence of any face of color here is illustrative of our problem. It is certainly interesting. Those demographics have certain characteristics that I think need underlining.

First, there will be, I believe, an increasing emphasis in this country upon class, and a declining emphasis upon race. One of the reasons for that is that the black community is not a homogeneous community. In the city of Washington, the majority of the blacks now do not live in the city. They live in the suburbs, and it is very likely (though the data are uncomfortable) that the average income of the black suburbanites is larger than the average income of the white suburbanites. Furthermore, second- and third-generation black suburbanites with substantial educations are now a fact of life. Not all blacks are poor (though they are the poorest of the poor—70 percent of the poorest of the poor are black). But blacks are not all identical, God help us. Nor, as a matter of fact, are people with Hispanic surnames. Young Hispanics now outnumber young blacks in this country, and of the 24 million people that came into our lives in the last decade, three or four million came into that life illegally from places to the south of us. Those people have two things in common. First of all, they have many reasons to regard the place from which they came as accessible to them, they continue to interact with that place, and regard it as significant in their cultural lives in a way that Europeans do not. Europeans do not keep going back and forth across the border and bringing relatives to reinforce their patterns of behavior. At least most of them do not. Hispanics are not all alike either. A rich Miamian from Cuba is not the same as a barrio resident in Los Angeles. We are going to have to get used, therefore, to the Hispanics as being the largest minority and the most rapidly growing one. Blacks are becoming divided between those who have made it, substantial in numbers, and those who are unlikely ever to make it, unless we alter fundamentally how we are coping with poverty. This is not a city/country discussion or distinction, nor is it a conservative/radical one. It seems to me the most significant single political event of 1989 to us in this country, aside from those in Eastern Europe, is the election of Douglas Wilder—a conservative black leader essentially representing suburban blacks. We are going to be seeing more of that interesting phenomenon.

Of course we are going to be in the lobbying business. But we had better know who we are lobbying and how they differ from each other. We had better be a little more respectful toward them. We are not very respectful. We are rather patronizing in the way we address ourselves to those audiencies. We do not know very much about them.

This leads me finally to the gift—after one final note. We are not likely to grow very much more in our place. It is a small museum, but there are those who love it. We are running at about a \$30 million annual expenditure now, roughly speaking, and we are running about 7 million people through the place with about a third of the galleries being shut down for reconstruction. We do not want any more people. We want to do better by the ones we have got. God help us, we will do it by learning more about our visitors and learning from them about us. We have got, in our kind of place, as you may not, a very difficult job of re-staffing, so that we are in a position to continue to learn from them. So that they can help us give them what they deserve.

Now for the gift. Everybody is here because we would rather be doing the kind of work we do than other kinds of work we might do. Almost everybody in a room like this got here on purpose, one way or another. Even the economists here, who have got other kinds of work to do than the papers they did for this group. That is true because all of us have, one way or another, shared the experience that I want to share with you, thanks to a friend (John Julius Norwich). Here are the words of Pablo Casals, at the age of 93: "For the past 80 years, I've started each day in the same manner. It's not a mechanical routine, but something essential to my daily life. I go to the piano, and I play two preludes and fugues of Bach. I cannot think of doing otherwise. It is a sort of benediction on the house, but that is not its only meaning for me. It is a rediscovery of the world of which I have the joy of being a part. It fills me with an awareness of the wonder of life, with a feeling of the incredible marvel of being human."

I suspect that is why we are all sitting around here, because we believe in that experience.

# II Papers

