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7 An Economic History of American Art Museums

Peter Temin

American art museums present a somewhat contradictory face to the world. Considered as private enterprises, which most of them are in this country, they own a remarkable and remarkably valuable stock of physical assets: their art. Yet they are in a continual state of financial crisis. The primary task of this historical essay is to understand this paradox.

Even a perfunctory look at the history of art museums, however, reveals a further problem. The operations so in need of funds today seem to have had financing problems since the start of American art museums. In fact, museum histories claim that museums ran perpetually in deficit. This, as most of us know, is not possible, although the United States as a whole is trying to prove the contrary. The second paradox, therefore, is how art museums could appear to be in a state of perpetual deficit.

A more detailed look at the history reveals yet a third conundrum. Old museums do not seem to possess advantages from their age in attracting viewers. They are indistinguishable from new museums in attendance. Even though art typically cannot be sold, older museums do not seem to have cornered all the good art. This is the paradox. If art is so valuable, why didn't the older museums' head start have a greater effect on museum activities?

This economic history of American art museums will attempt to resolve these three paradoxes. I will show how they are the product of the particular way in which museums have grown in the United States. And I will suggest that some of the burdens of this history would be better abandoned.

The first paradox of American art museums is that they are both rich and poor. In any comparison of assets, art museums show themselves to be, not only the richest of museums, but substantial collections of assets by any stan-

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dard. "It is something of a paradox, then, that the anguished cries of financial distress issue for the most part from art museums—and from the largest among them at that" (Meyer 1979, 59). Or, in the phrasing of the deputy director of the Hirschhorn Museum, "In terms of operating funds," American museums "are—for the most part—broke" (quoted in Thompson 1986).

This has always been true, as far as I can tell. The secretary of the Boston Museum of Fine Arts, Benjamin Gilman, stated in 1920 that the annual expenses of the museum were $200,000, while the income was only $160,000. The $40,000 deficit, he said, had "to be made up annually from principal" (Gilman 1921, 31). Were that true, the Museum of Fine Arts could not possibly be the thriving institution it is today. The "principal" would have long since vanished. This picture of museum finances must be seriously incomplete.

The key to this paradox is the distinction between the two budgets used by all museums. The art budget is used exclusively to purchase or maintain works of art. The operating budget is used for all the other expenses of the museum. An annual report typically reports the condition of the operating budget, with quite separate—and often casual—treatment of the art budget (Museum of Fine Arts 1988).

The most outstanding feature of these two budgets is their separation. It is impossible to transfer funds out of the art budget into the operating budget, even though the former typically has a surplus and the latter a deficit. This can be thought of as a wall around the art budget. We need to ask both about the cause and the effect of such a strict division.

This wall has its origin in what economists call "market failure." Art is bought and sold like any other good, and there is no reason to think that the art market works very badly. But art museums are not in the business of selling art. They are in the business of preserving it and using it for entertainment and education (Gilman 1921; Howe 1913–1946; Whitehill 1970). It is these markets that cannot work in textbook fashion.

The preservation of art is a process performed on behalf of future generations. They obviously cannot pay for or affect what we collect for them today. In addition, the exhibition of art has the some of the aspect of a "public good." Once established, the cost of showing an art collection to an additional person is exceedingly low. Even though it is possible to exclude people from museums—distinguishing museums from suppliers of pure public goods—the resource cost of admitting additional people to the museum is virtually zero. It follows that a competitive market price for museum attendance would be low also, too low to support the museum (Hansmann 1980).

Education is an activity with "externalities," that is, education has effects both on those being educated and on other members of society. Education in the arts not only uplifts the spirit, so we are told, but sets a tone for and affects the standards of taste of the community. It is to this externality that American art museums owe their special character.

America had no royalty, no ancient aristocracy to collect art. American art museums could not be started by opening up these existing collections. If art museums were to exist, they had to be started anew. And there had to be reasons for individuals to band together to form them. Prosperous private citizens began to do this in the flush of Victorian prosperity after the Civil War.

Industrialization began well before the Civil War, but the internal conflict was a watershed in the public awareness of it. Industry grew rapidly after the war, and the size of industrial plants and firms grew as well. Cities burgeoned, populated in part by immigrants drawn to work in the new factories and mills.

The bourgeoisie regarded these developments with mixed emotions. They were, of course, enriched by industrialization, and they were champions of it. They consumed their new income and they enjoyed their economic privileges. But there was a dark side of industrialization as well. The professional and managerial elite looked with suspicion on the growing industrial labor force. They were frightened by the new immigrants with new socialist ideologies. They feared—at least a little—for the stability of their social and economic position.

Public policies instituted to deal with this apprehension had their positive and negative faces. The less attractive part included the strike breaking and union busting that is such a prominent part of early American labor-union history. More hopeful was the effort put into public education and social reform to include the workers and immigrants within the American dream.

These two aspects of policy are shown graphically by two characteristic late nineteenth-century public buildings. Armories were built to house local militias and to provide indoor parade grounds for their drills. The enemy against which these militias defended can be inferred from the style and location of the armories. The buildings were imposing castellated fortresses. Although not fortified against artillery, they were defensible against handguns. And they were located in the midst of cities. The enemy was within, not without. The fear was of urban rioters, not foreign invasion. The militia was in theory—as it was often as well in practice in the late nineteenth century—a bulwark against civil unrest (Fogelson 1989).

The other building type, examples of which were less numerous before the First World War, presented a more benign face to the masses. Art museums were founded to educate the people's taste, to help them identify with the values of the successful industrialists. There was a powerful faith in education of all sorts at the time; knowledge alone was enough to cure many ills of society. Public education was supported. Information on social conditions and ailments was collected. Art was presented to the urban population by "cultural capitalists" (DiMaggio 1986).

Art and education were part of the same civilizing campaign. The Boston Museum of Fine Arts, for example, began its collection with plaster casts of classical sculpture (Whitehill 1970). The aim was not the preservation or stimulation of current art, but the encouragement of a classical education. The

calm demeanor of classical statuary would communicate a multidimensional message to the urban public. It might also improve the design of American products.

But museums were not schools. The collection of pedagogic artifacts was quickly superseded by original works of art. The public benefactors who established museums were collectors of art as well as missionaries for artistic ideals. They began to donate parts of their collections and even to acquire works for the purpose of donating them to museums.

These newly rich individuals were responding to the Protestant ethic in general and to the Puritan creed in particular by amassing rather than consuming wealth. Calvinism had made a sharp distinction between earning money—which indicated that you were among the elect in the next life—and spending it—which tended to suggest the opposite. This contrast placed the potential elect on the horns of a dilemma, resolved for many by reinvesting profits in their firms. Providing a public monument was an alternative solution to this dilemma. It was an activity that both expressed wealth and preserved the ethical purity of the donor.

Providing for the public display of art did more than just express wealth. It also validated it. Patrons of art museums were creating a framework in which their possessions would be admired. They were shaping a popular culture in which art, particularly the art they had collected, had an integral place. They were shaping the design of American-made products to correspond more closely to their cosmopolitan tastes. DiMaggio (1986) has characterized this effort the "sacralization of art." The attempt to influence the taste of society clearly was not an activity in which the market worked well.

From the start, in contrast with European museums, American museums depended on private support. Since the market for exhibiting and preserving art could not work, an alternative form of support needed to be found. Philanthropy was the answer. Initial donors banded together to found a museum which then relied on continuing gifts for its continued well-being. The founders needed guarantees that their gifts would be used for the stated purposes. To attract additional gifts, they also needed to assure future donors that their funds would in fact be used for art and not for other activities.

The method of enforcement was the bequest. Resources were given to the museum subject to explicit constraints on their use. In practice, this meant that gifts of art had to be preserved as art, whether in the objects actually transferred or others bought from the revenues from their sale. And it meant also that funds donated had to be used exclusively for the acquisition and preservation of art.

The wall between the museum's two budgets served as this guarantee. It served the same function as a tax exemption in other philanthropic organizations. To qualify for tax exemption, an organization has to adopt strict accounting to show that donated funds have not been siphoned off for the benefit of the administrators. The rules for tax exemption enforce this condition

(Hansmann 1981). Art museums are tax exempt institutions, but the wall between the two budgets antedates their tax exempt status. It served as a guarantee, in the years before taxes were high enough to make tax exemption an issue.

Either individually or in small groups, these industrialists could dictate their terms to the museums they were creating. They typically insisted that their gifts be preserved. A 1920 bequest reveals the pattern. Katherine Bullard willed one-third of her estate to the Museum of Fine Arts (after two life interests expired) "for the purchase of prints valuable for their beauty, or for aiding the Curator of Prints in studying the subject of prints elsewhere than in the United States, or for both purposes, the same to be and remain a memorial to my late brother Francis." (Miss Bullard died in 1920, but the bequest only reached the museum in 1959 [Whitehill 1970, 726].) More generally, Laurence Coleman lamented in his 1939 survey of museums that, "although some of the leading benefactions are without restriction, there is on the whole too much tying down of permanent funds to the purchase of objects for collections" (Coleman 1939, I:191)

The Bullard bequest allowed for more than the purchase of art, but it precluded other expenditures at the museum itself. It therefore created the problem that lies behind the paradox at hand. As Mr. Dooley said in a famous parody of a Carnegie speech: "All I aks iv a city in raytum f'r a fifty-thousan'-dollar libry is that it shall raise wan million dollars to maintain th' buildin' and keep me name shiny. . . . I stake ye to this libry, which ye will have as soon ye raise the money to keep it goin' " (quoted in Meyer 1979, 86).

It must be admitted that these restrictions were not totally inviolable. Museums, like many other economic institutions, fell on hard times during the Depression. They were dependent on private funds, and these funds were not forthcoming when profits were low. Under these conditions, uncommon flexibility appeared. Coleman reported in 1939 that, "the freedom of some institutions to fall back for running expenses during recent years upon the incomes of funds devoted normally to purchasing for collections was instrumental in saving both museums and the museum profession from something like wreckage" (Coleman 1939, I:191). Coleman talks only of spending the interest, not the principal, of dedicated funds. He talks also of the "normal" use of funds without specifying whether the restrictions were embodied in the terms of bequests or not. The flexibility therefore may have been limited.

The strength of fund restrictions in more prosperous times can be seen in the public firestorm that greeted the sale of paintings by the Metropolitan Museum of Art in the early 1970s. They were sold to finance the purchase of other paintings and sculpture by Velasquez, David Smith, and Diebenkorn. Even though the resources stayed within the art budget, the decision to sell was scrutinized closely by the *New York Times* and the attorney general of New York. New procedures were adopted in 1973 explicitly restricting the Metropolitan's freedom in transferring resources within the art budget (Rich

1975, in Lee 1975). One can only imagine the havoc that would have been wreaked by a decision to sell a Van Gogh to pay a curator or to pay for a roof repair.

Every museum deaccessions art. But it has been done secretly and only for the purpose of buying more art. Sold works of art are not recorded as sold, but rather expunged from museum records as if they never had been owned (Meyer 1979, 208–10). By this procedure, museum directors implicitly acknowledge the impropriety of their sales. The strength of these restrictions means that although museum directors can quietly evade the rules against selling art, they cannot in ordinary times violate the even stronger rule separating the art and operating budgets.

This raises, as directors noted in the 1970s, the question of who owns the museum. In their discussion of business firms, Hart and Moore (1988) identify ownership with discretionary power over the firm's physical assets. They test their definition on firms that are largely collections of human skills (like a software developer) and find that even there it best describes the limits of a firm. The art museum is at the opposite end of the spectrum. It is virtually a collection of physical assets *tout court*. The trustees exerted full control over these assets initially. But dead donors can only influence current actions through the medium of the state, and partial public ownership—whatever the source of funding—has been the result.

Meyer (1979, 211) argues that museums, that is, their trustees, do not own the art, but rather are its stewards. The trustees are in the position of corporate managers, not corporate shareholders. The owners are the public. Ownership rights are enforced, when need be, by state attorneys general. But, as Meyer acknowledges, the rights of ownership have only seldom—as in the case of the Metropolitan's deaccessioning—been employed. The directors normally exercise the rights of ownership with little interference from the public.

Museum directors use this freedom in part to attract gifts that will enlarge their collections. Perry Rathbone (in Lowry 1984) commented ruefully that many of these gifts were not dependent on the tax laws. The Museum of Fine Arts in Boston and the Metropolitan Museum of Art in New York were chartered in 1870. The Philadelphia and Chicago art museums followed in 1876 and 1879. They were started well before income or estate taxes had become a factor in the plans of their donors.

Economists thinking about a consumer's purchase of a good will think of two influences on his or her actions. The "income effect" describes the effect of the potential purchaser's income on the purchase of a good. For most goods, higher income promotes larger purchases. The "substitution effect" describes the effect of prices on purchases, that is, of the price of the good in question relative to other prices. A lower relative price also encourages purchases.

Think now of a gift to an art museum as the purchase of some service. As suggested above, the service may be a stake in the life hereafter. It does not

matter. We do not have to specify the donor's underlying motivation any more than we have to explore the base motivations for buying a Mercedes rather than a Ford. As a result of the income effect, rich people will be inclined to contribute to art museums. And for a given income, the growth of tax deductions encourages gifts as well. Rathbone argued in many forums that the growth of taxes reduced gifts to museums by lowering disposable income. The negative income effect, however, has been offset by a positive substitution effect. There is no reason to think that the net effect of income taxes has been negative.

This is not to say that taxes have no effects, only that they often have offsetting effects. Even this does not seem to have been true of the 1986 tax changes. The reduction in marginal income tax rates has increased the cost of giving to museums. The resulting substitution effect seems to have reduced museum donations sharply. A first-page headline in *The New York Times* last May announced: "Donations of Art Fall Sharply after Changes in the Tax Code." The story reported that the American Association of Museums had found a one-third fall in objects donated to a sample of various types of museums between 1986 and 1987. The Association of Art Museum Directors found a two-thirds decrease in donations to art museums (*New York Times,* 7 May 1989, 1). While the income effect will offset at least part of these reductions in time, there is no doubt that the immediate impact of the tax change was deleterious.

Given the restriction on nonart expenditures, museums had to think of ways to raise money to finance the operation of the museum. They typically were able to attract donations for new buildings. A defined objective was a good substitute for art itself. Day-to-day activities were more of a problem.

Museums established in the nineteenth century began their lives with almost no professional staff. The trustees administered as well as supported the museum, assisted by a handful of paid assistants. The transfer of operating responsibility to a managerial staff was a gradual process, marked by trustee reluctance to sacrifice power or to admit the legitimacy of professional points of view. Only in the interwar period did trained art historians begin to dominate museum staffs (Rich 1975, in Lee 1975; Zolberg 1981).

Paying for these staffs was a continuing problem. Unable to solve it by themselves, many museums turned to the city government for help. The Metropolitan Museum of New York received land and a building from the city in Central Park and an annual operating grant for maintenance from the city (Meyer 1979, 26). To provide additional operating funds, the museum began soliciting memberships in 1873 at $10 a year. They had 600 members in their first year (Coleman 1939, I:183).

Boston's Museum of Fine Arts received only land from the city and found, in the 1880s, that the "annual deficits from operating expenses . . . were slowly but surely melting away the museum's modest unrestricted funds." The trustees therefore followed the example of the Metropolitan and initiated an-

nual subscriptions of $10 to provide operating funds, giving free admission to the museum in return. "The subscriptions provided a helpful source of income, but deficits continued" (Whitehill 1970, 69, 83).

This, of course, is the second paradox. Museums continued to run deficits, but they continued to exist, even to prosper. As noted already, reports of deficits have been a constant of museum description for many years. How could museums exist if their activities were continually eating away at their capital?

The resolution is simple. The key is that the reports of deficits refer only to operating budgets. Museums had outflows: operating expenses. There must have been offsetting inflows, not every year, but on average, for museums to continue their activities. These inflows could not have come from the art budget, due to the restrictions on bequests. They must have been attracted by other means.

One such technique appears to have centered on museum construction. Museums solicited funds for new buildings or extensions of existing ones. They collected enough money and built sufficiently cheaply to provide unrestricted funds for the operation of the museums. Periodic moves or expansions were needed, therefore, not only to provide added space for new works of art, but also to provide new infusions of operating income. Many museums abandoned their central locations around the turn of the century for more elegant surroundings, providing a focus for fund-raising while turning somewhat away from the urban workers.

A better solution came in the years after World War II with the expansion of museum membership. As incomes grew in the postwar economic expansion, museums used this device to tap the market of consumers who were far less rich than the donors of art. In addition to appealing to the income effect, they relied on the substitution effect, soliciting tax-deductible memberships. Instead of a few large gifts, the museums pursued many smaller ones. These unrestricted funds then went into the operating budget that could be used for operating operations.

Museums also solicited unrestricted donations from patrons of the arts. Among such unrestricted gifts, the historian of Boston's Museum of Fine Arts singled out one from Martha Mercer in 1960 that provided the museum with over $200,000 in unrestricted funds throughout the 1960s (Whitehill 1970, 803).

These devices helped, but new needs for unrestricted funds have arisen in the past few decades. The government has increasingly overseen the operations of art museums. As tax-exempt institutions, art museums are subject to a variety of accounting and reporting requirements to assure the government of their compliance with the rules. As partly public institutions, art museums have had to justify their actions in other governmental forums as well.

The result has been a growing professional museum staff. Full-time, paid workers have replaced part-time volunteers. Trained people commanding professional salaries have replaced family members of donors and their peers.

The growth of personnel has led to the articulation of museums' internal structure, the formation of departments dealing with separate museum activities. The operating costs of museums have grown rapidly as a consequence. In the perpetual race between inflows and outflows, the outflow appears to be winning at the moment.

This problem contains the seeds of its solution. Professional staffs have grown because museums are subject to a great many more controls than a century ago, or even a generation ago. In fact, the pervasiveness of government support and supervision has given rise to a new kind of museum director. The amateur or donor was replaced in the interwar period by the art historian. In the last 20 years there has been another transformation. Many museum directors now have managerial training or an administrative background, rather than an education in art history. They are experts in dealing with the problems of large, modern institutions rather than old paintings or sculpture. As the problems faced by museums have changed, so have their staffs (Zolberg 1981).

The safeguards used a century ago therefore have become redundant. Museums are no longer run by amateurs who cannot be trusted to implement the wishes of donors. Instead, they are run by professionals who understand how museums must be structured to achieve their aims. No longer is it necessary to specify exactly how a bequest will be used to assure that it will be used to further the museum's ends. The law and the pervasive governmental supervision of museums will prevent the diversion of a bequest to the aid of a museum employee's lifestyle. Tax-exempt gifts are controlled and regulated precisely to avoid this.

It follows that the strict separation of the two museum budgets no longer is necessary. To the extent that it binds, it prevents the most efficient decision making; directors need to maximize subject to a constraint that could be removed. Government oversight will make sure that the director does not maximize his or her own income by selling off priceless works of art.

This leads naturally into the third paradox. Art museums have been given extraordinary paintings, sculptures, and art objects. These works of art have been protected against alienation, so that they have remained in the museum to which they were given. Those museums first in the queue to get works of art should have received the cream of the crop. Newer museums should have been playing catch-up, prevented from acquiring comparable treasures. Furthermore, art museums show their collection, particularly their prize elements. They use the collection to perform their missions of entertainment and education, in short, to attract visitors. It follows that older museums should have an advantage over newer ones in the competition for visitors.

I tested this proposition by looking at the correlation between various measures of art museum activity. The data were kindly supplied by Bruce Evans from the Association of Art Museum Directors. The association solicited answers to a questionnaire from about 200 art museums in the United States and

Canada. Roughly half of them (110) provided information on all the variables used here.

The museums are grouped by age in table 7.1. The data in the table suggest that there has been a gradually increasing rate of art museum formation. This accords with casual observation, even though the table may not contain enough information to confirm it. The problem is that the Association of Art Museums Directors's study does not include all museums. Table 7.1 contains data on 172 museums, but another survey listed 387 art museums existing in 1938. There were 224 public art museums, 115 college and university museums, and 59 others (Coleman 1939, III:663).

There may be several reasons why there are so few museums reported in table 7.1. One of them is that the data are retrospective, reporting the age only of museums that have stayed in existence through 1988. If some of the early museums had ceased to exist through merger, acquisition, or disbanding, then the number of museums formed in the early years would be undercounted. The appearance of an accelerating rate of art museum formation may be illusory.

Table 7.2 shows the data I have used, a small selection of the variables available from the Association of Art Museum Directors. Attendance shows the yearly attendance at the museums. It ranged from 10,000 to 7,099,600, with a mean of 315,000. Building size is the size of museum buildings in square feet. Full-time employees indicates the number of people employed full-time at the museum. The mean is less than 100 people. Considering the value of the physical plant, this is a small number of full-time employees, as

Table 7.1 **AAMD Museums by Date of Founding**

Date	Number of Museums
Before 1875	14
1876–1900	31
1901–1925	39
1926–1950	44
1951–1988	44

Source: Association of Art Museum Directors.

Table 7.2 **Characteristics of the Data**

Variable	Number of Observations	Mean	Standard Deviation	Minimum	Maximum
Attendance	128	314,595.7	722,545	10,000	7,099,600
Building size	128	138,784.3	201,312.2	6,000	1,515,120
Full-time employees	128	95.04688	182.4578	0	1,500
Total revenue	128	5,806,251	1.26×10^7	89,485	1.19×10^8

Source: Association of Art Museum Directors.

Table 7.3 **Correlations**

	Attendance	Building Size	Full-time Employees	Total Revenue	Last Year's Attendance	Age
Attendance	1.0000					
Building size	0.8060	1.0000				
Full-time employees	0.7739	0.9381	1.0000			
Total revenue	0.7102	0.8988	0.9668	1.0000		
Last year's attendance	0.9913	0.7636	0.7253	0.6516	1.0000	
Age	−0.0988	−0.2853	−0.2455	−0.2280	−0.0809	1.0000
Number of observations	110					

Source: Association of Art Museum Directors.

noted above. Total revenue is the total annual revenue of the museums, ranging from less than $100,000 to over $100 million.

Correlations between these variables are shown in the first four rows of table 7.3. It can be seen that they are all highly correlated. In other words, large museums are characterized by large budgets, staffs, buildings, and attendance. These variables interact with each other, and it is not possible or necessary here to disentangle them. Large attendance generates large budgets, and large budgets encourage large attendance. There is not need to decide which effect is larger, or whether both variables are large as a result of the effects of another index. It is enough to demonstrate that there is a statistical profile of large and small museums.

The fifth row of table 7.3 reveals that museums have a short-run history. Last year's attendance is virtually the same as this year's attendance and only slightly less highly correlated with the other variables than this year's attendance.

But museums have no long-run history that helps to explain why some museums have larger attendance than others. The bottom row of table 7.3 shows the correlation between the age of museums and the other variables. Age is an index derived from the categories of table 7.1 with an additional break introduced in 1960. Lower numbers indicate older museums. The correlation between age and attendance is far, far lower than between any other pair. In fact, the correlation is low enough to be indistinguishable from zero. More precisely, it is likely that a correlation of this size would be produced by chance alone from independent variables. There is no evidence that age and attendance are correlated at all.

This finding is all the more puzzling because the correlations between age and the other variables, while still relatively small, are significantly different from zero. In other words, newer museums are smaller in terms of their buildings, full-time employees, and revenues. But they are not thereby penalized in the contest for patrons.

The details are shown in table 7.4. The top row shows the lack of a trend in attendance by the age of museums. In particular, those museums started in the second quarter of the twentieth century (age category 3) have been very suc-

Table 7.4 **Means of Variables by Age**

	Age					
	0	1	2	3	4	5
Attendance	466	220	238	403	146	163
Building size	194	119	81	81	54	38
Full-time employees	223	188	130	114	92	92
Total revenue	13	7	5	5	3	2
Number of observations 145						

Source: Association of Art Museum Directors.
Note: Attendance and building size are in thousands. Total revenue is in millions.

cessful in attracting visitors. The other rows of the table exhibit declining trends over time. The older museums have used their age to accumulate floor space, staff, and revenues, even if not visitors.

Multivariate regressions (not reported here) show the same picture. It is hard to defend a functional form for regressions because the causal interaction of the variables is not clear. Museums with many employees use some of them to attract large attendance. But museums with large attendance can afford large staffs. When attendance is taken to be the dependent variable, whatever is taken to be the relevant independent variables, age is not a benefit. In other words, the results in table 7.4 appear also in more complex presentations of the data.

Tables 7.5 and 7.6 reproduce the earlier tables omitting the three largest museums: The Metropolitan Museum of Art, the Chicago Art Institute, and the National Gallery of Art. They are the only three museums with more than 500 full-time employees. Table 7.5 shows that omitting the upper tail reduces the means and the standard deviations of the variables. It can be seen in table 7.6, however, that the correlations between the variables are virtually unaffected. They were not a phenomenon of the largest museums.

How are we to understand this result? The histories of the older museums are replete with their conquests of donors and sources, their acquisitions of now priceless works (Burt 1977; Howe 1913–1946). And, as we have seen, museums cannot—with rare exceptions—sell their art. Why have these museums not been able to leverage their earlier start and their putatively superior collections into larger attendance?

I can suggest two possible hypotheses. The first possibility is that there is simply so much art in the world that it is impossible to corner the market. In the language of economics, the supply of art is very elastic. Museums then have a small percentage of the world's art, and new museums—suitably endowed—can acquire their share of it. It does not matter very much for new museums that old museums cannot sell their collections. Newcomers can simply add onto the stock of museum holdings.

The Getty Museum is surely an illustration of this point. Starting in 1982 with an endowment of $1.2 billion, it now has an acquisition budget estimated at 25 times the size of the Metropolitan's. More important for the point of view of this paper, it has an unrestricted budget large enough to provide all sorts of ancillary services to support its art collection and attract notice and visitors (Kimmelman 1988).

The projected Massachusetts Museum of Contemporary Art in North Adams suggests an alternative path. This new museum will be part of what will be a museum holding company centered on the Guggenheim. The plan is to collect art that is too large for other museums to exhibit, illustrating the variety of art that is available. It will also collect art that is being created today, underscoring the expanding size of the world's art collection (Weisgall 1989).

The second possibility is subtly different. Admitting that the supply of art is limited at any time, one could hypothesize that art is basically interchangeable. It does not matter which works of art a museum has, only that it has art. Although any particular work of art might be irreplaceable, its appeal to the public is easily replaced. Any museum, therefore, can find some work of art of which it can be proud and which it can use to attract visitors. People will visit the Louvre to see the Venus de Milo, and they will visit their local museum to see works by local artists.

Table 7.5 Data Characteristics without the Three Largest Museums

Variable	Number of Observations	Mean	Standard Deviation	Minimum	Maximum
Attendance	125	227,839.4	2362,298.2	10,000	1,594,070
Building size	125	116,094.1	126,671.2	6,000	750,000
Full-time employees	125	72.016	94.22417	0	474
Total revenue	125	4,299,609	5,864,698	89,485	3.6×10^7

Source: Association of Art Museum Directors.

Table 7.6 Correlations without the Three Largest Museums

	Attendance	Building Size	Full-time Employees	Total Revenue	Last Year's Attendance	Age
Attendance	1.000					
Building size	0.7659	1.0000				
Full-time employees	0.8254	0.8699	1.0000			
Total revenue	0.8690	0.8105	0.9293	1.0000		
Last year's attendance	0.9605	0.7584	0.8470	0.8434	1.0000	
Age	−0.1478	−0.3016	−0.2320	−0.1895	−0.1543	1.0000
Number of observations	107					

Source: Association of Art Museum Directors.

Whichever variant is correct, the implication is that history matters little for the success of museums. Either there is a lot of good art to acquire or it does not matter much which art you show. New museums suffer no handicap from their late arrival on the scene. They can establish themselves and attract visitors as well as their older peers. In fact, the downward trend in employment, building size, and revenue suggests that new museums may be more efficient than old in generating attendance from a given set of resources.

It is true that attendance is not the be-all and end-all of art museums. As noted at the start of this essay, museums were founded with multiple aims. Attendance does, however, provide an index of the museums's effectiveness. The building and the staff presumably are means to an end. The value of the collection is perhaps an end, but it is hard to observe. Attendance is as good a proxy for the success of museums in their multitudinous activities as we can get.

This conclusion reinforces the argument for the recommendation made earlier that constraints on museum directors should be loosened. There does not seem to be evidence of a great scarcity of good art. We consequently can relax a bit in our quest to preserve it. We should allow directors more latitude to run their museums in support of their objectives, only making sure that they are dedicating their resources to the museum's and not their own ends.

In today's buoyant art market, museum directors might decide to be on the selling rather than the buying side of art. They might even engage in what could be called an "art preservation project," selling art from their basements into private collections to raise revenue to care for the remaining objects. Some objects currently inadequately preserved and accessible would be placed in the care of private individuals and firms who would have fewer works of art and the resources to preserve and exhibit all of them. And such art works would be likely to reappear on the market again at some time in the future when museums would have the opportunity to reacquire them.

If possession of the classic artistic achievements that are the hallmark of our museums does not bestow on these museums a commanding lead in furnishing museum services, then the principle of inalienable art collections may not deserve the force it has acquired. The issue should be the museum staff's fidelity to the purposes of the tax-exempt, quasi-public institution, not to the wishes of benefactors who can see only the most visible aspect of museum operations.

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