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3 Museum Finances

Harry S. Parker, III, Thomas Krens, William H. Luers, and Neil Rudenstine

Harry S. Parker III

Since the late 1970s, the Fine Arts Museums of San Francisco have experienced financial gyrations of surpluses and deficits. Private expenses increased due to expansion on all fronts, while support from the city of San Francisco declined. The bills were paid by relying on blockbuster exhibitions, which were scheduled every two to three years. The result was recurring swings from surplus to deficit and back. By the mid-1980s, these swings masked an underlying structural deficit of about one million dollars (see fig. 3.1).

The risk of continued reliance on blockbuster economics—paying for operating costs with big show windfall profits—was becoming apparent. In addition, the decline of the blockbuster phenomenon in the United States made it clear that reliance upon this economic crutch was soon coming to an end.

In July 1987, the board of trustees charged the new director of the Fine Arts Museums with two, simultaneous tasks. The first task was to balance the budget of the private side of the museum without resorting to blockbuster shows. The second task was to undertake the organizational changes necessary to put the board of trustees clearly in charge of the private funds of the museum, so that they would have comprehensive and direct authority and responsibility for both the public (city) and private sides of the institution. Let me now discuss these two tasks in greater detail.

Budget balancing for the private side of the museum was achieved by three major strategies. First, we substantially increased annual contributions, primarily with the creation of the associates program. This program entailed both higher levels of trustee giving and trustee leadership in reaching out for new and increased support. For example, annual support has increased by 109 percent since fiscal year 1985–86, growing to $1,424,000 in the year ended 30 June 1989 from $680,000 in the year ended 30 June 1986.

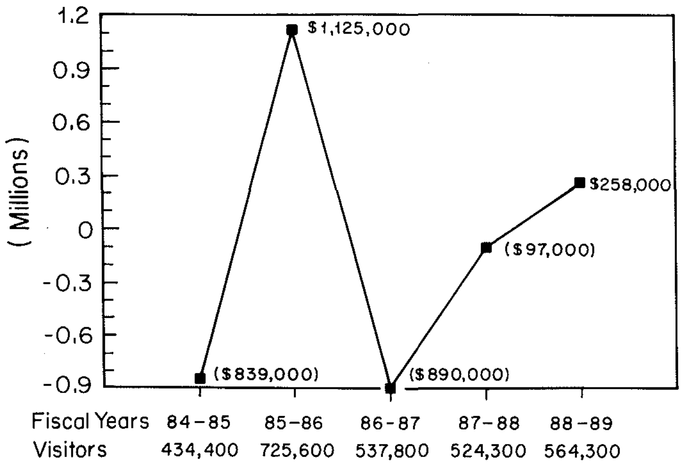

Fig. 3.1 Operating surpluses and deficits

Second, we cut costs by reducing privately paid positions by attrition (15 jobs in the last two fiscal years) and through other cost-containment strategies. With a current average job cost (salary and benefits) of $47,800, the attrition savings are now worth $717,000 annually.

Third, we adopted business plans to boost income from revenue-producing areas, especially general admissions, the stores, food and beverage services, and the sale of private viewings.

The outcome of these efforts was to shrink the operating deficit from $890,000 in fiscal year 1986–87 to $97,000 in fiscal year 1987–88, followed by a $258,000 surplus in fiscal year 1988–89.

The key organizational vehicle for accomplishing these financial changes was the creation of the Corporation of the Fine Arts Museums (COFAM) in the fall of 1987.

The basic organizational structure of The Fine Arts Museums is now as follows. The board of trustees is chartered by the city and county of San Francisco to govern two city-owned art museums: the M. H. deYoung Memorial Museum and the California Palace of the Legion of Honor. The board holds title to the art collection on behalf of the city, sets policies for the management of the museums, hires appropriate staff, expends city funds, and develops financial support from the private sector. COFAM is organized to manage the noncity fiscal affairs of the museums and to operate enterprise activities such as the museum stores.

The public and private sides of the museum were integrated in 1987 by making the COFAM board identical to the elected members of the museum's city board. Similarly, its top officers are the same. For example, the same person is president of both boards, and the city director of museums serves as COFAM's chief executive officer.

A related change in the governance structure was to tie the Fine Arts Museums Foundation more closely to the trustees. The foundation holds the museum's endowment and acquisition funds, and it serves as COFAM's investment committee. The foundation board was changed from being self-perpetuating to having its members elected by the trustees, and the president of the trustees has also become an ex officio member of the foundation board.

In sum, the new organizational structure has paved the way for comprehensive institutional policy making, planning, and management. From policy setting at the board level through implementation down the management line, there is now full accountability for all aspects of museum operations.

Thomas Krens

Discussions about the problems faced by museums today tend to focus on collecting. We are all keenly aware of the new power wielded by private collectors and the auction houses and the myriad problems this power poses for us. Museums have traditionally relied on the generosity of donors in order to strengthen their holdings, and, to a certain extent, have managed their collections through deaccessioning. The new economic climate in the art world is forcing many of us to pursue other strategies. A greater emphasis on operations may provide a way to address our problems.

The Guggenheim Museum is currently in the midst of a substantial capital-expansion program. Dramatic measures, including closing the museum to the public for eighteen months and thereby shutting off significant revenue streams, are forcing us to address long-term concerns about management, operations, and finances. Our starting point during this period is to apply traditional economic principles to the museum.

From an operational standpoint, revenue and expense streams are the key to understanding a museum's economic position. For most museums, operating revenues come largely from the audiences that we assiduously cultivate and develop. Admissions revenue is obviously related directly to the number of museum visitors, but so are membership income, unrestricted giving, annual appeals, and retail sales. The government has been another major revenue source, as have corporations and endowments. But how reliable are these revenue streams?

Unfortunately, audience growth is not going to continue at its former rate. Following World War II, there was a pent-up demand for culture. Museum facilities became larger, and more museums were opened to satisfy that demand. They became sophisticated and increasingly pleasant places for the public, partially through the development of special exhibitions and educational programs. These activities had the effect of stimulating and, conversely, satisfying demand. But we seem to be approaching a saturation level in terms of audience, and demand for our "product" is no longer increasing at rates greater than population growth. That will negatively affect all of the revenues associated with visitor rates.

From 1965 onward, the National Endowment for the Arts (NEA) has been very important for all of us, its matching-grants program a crucial catalyst for outside support. But by now everyone is familiar with many of the complications associated with government participation in cultural institutions. Beyond the issues of censorship and governmental control, the greatest complications have been economic. The NEA budget grew from $5 million in 1965 to $150 million in 1980. The beneficiaries of that support very quickly became dependent on it. In the 1980s, when the absolute levels of government support began to decline—and as museums became more competitive with each other for the same pool of funds—we have had to adjust to the inevitability that governmental support will continue to drop in years to come.

In the early eighties, funding from private corporations tended to replace declining government support. But that situation also became increasingly complicated as the decade progressed. Corporations once supported exhibitions through foundations that awarded grants based on some mysterious assessment of merit, or else there was an enlightened chief executive doling out money based on personal preference or connections. Now there are entire offices within corporations dealing with public image and nonprofit sponsorship. Corporations tell museums which exhibitions they want to see realized, depending on the tastes of their audience. Witness the preponderance of exhibitions devoted to Impressionist painters. In this way, museums have become part of the advertising program of corporations. As such, we are now competing with print media, sports events, television, and all the other ways corporations convey their messages. This diversification suggests that corporate support—like audience levels—is approaching maximum saturation, or may already be declining.

The other major funding source, endowments, seems to be no more promising. Since endowments have tended to be neglected, there has been a precipitous decline in the ability of the endowment to satisfy operating costs. For example, just twenty-five years ago, the income from endowments covered about 75 percent of operating expenses at the Guggenheim; now it covers about 20 percent.

This brief analysis of audience levels, government and corporate sponsorship, and endowment income points to a hostile environment in which museums will be operating during the coming years. As if the leveling off of revenue streams is not enough, we must also face grim realities on the expense side of the ledger.

The biggest single allotment in our budget goes for personnel, even though, in terms of salaries, our employees are still undercompensated. To survive in an increasingly hostile environment, we have to compete with the private sector. Not only do we need excellent curators, but we also need top-notch managers and administrators. We find ourselves in competition with banking and law firms for choice people; gone are the days when everyone at the museum could be paid less than $30,000 a year. This pressure on salaries will continue until we establish some sort of equilibrium with other sectors. The people who can be both good curators and good managers will be the ones who make a tremendous difference in the amount of revenue we are able to generate and will be crucial in solving our problems.

Other expense categories, such as technology and insurance, follow closely behind salaries and benefits. Because our industry has become technologically driven, the presentation of exhibitions and the ability to organize institutions professionally and manage them capably require an investment in computer technologies at an ever-increasing rate. The velocity of capital formation—not only in the United States but in Europe and Asia—has steadily increased the value of works of art in our collections, which has in turn increased insurance premiums.

Another major cost adding to financial pressures comes from maintaining capital-expansion projects. The past twenty years has seen the building of whole new museums and major additions, as well as sophisticated renovations. These expansions increase general carrying costs long after the projects are paid for.

All of these very general problems affect most museums today. Having recently taken over the directorship of an institution in New York City, I find myself facing a hostile economic environment head on. The balance between revenues and expenses at museums has always been marginal, but manageable. Breaking even is no longer a sure thing, however. And in the case of the Guggenheim, there is the somewhat anachronistic situation that only now are we aggressively going after a larger membership and trying to increase marketing and museum-shop sales. We are also emphasizing the development of collections and curatorial activities. All of these factors affect the ability of the institution to operate from a solid base.

Unforunately, although there are identifiable general problems affecting museums and cultural institutions, the solutions cannot be described so simply. Art museums do not fall into standardized categories. There are vast differences among them—differences in size, in location, and of course in collections. In spite of these differences, there is a semblance of similarity in that museums operate with similar guidelines and a common code of ethics.

Going back to the first source of revenue—the audience—we have to identify what differentiates one museum's product from another's. Vastly different strategies are required for operating them. The first step, though, is to focus on the nature of demand for the product from an operational standpoint. Is there such a thing as an incipient and expanding demand? Is demand leveling off? Is there an implied level of saturation of that demand? Once we understand the demand curve a bit better, we can begin to develop strategies for future operations management. Then we can begin a careful analysis of the stage of development of the particular institution. The Guggenheim is only fifty years old and is still in the process of developing its identity and operating structure. We are looking very closely at the curve of our own development, and how it interacts with the demand curve here and in the industry as a whole.

We believe that those institutions that are able to take a long, hard look at very difficult economic realities, then carefully and conscientiously develop and implement tailor-made strategies to address them, will be the ones that succeed in the face of the difficulties ahead.

William H. Luers

The finances of a museum are integrally related to the scholarly, educational, and aesthetic purposes of the institution. Philippe de Montebello, the director of The Metropolitan Museum of Art and unquestionably its decision maker on all issues dealing with art, education, and scholarship, and I, as the chief administrator, daily go about the task of integrating these sometimes competing, always essential aspects of museum life. It would be difficult to document just how we do this. Rather than enumerate the practical ways we have made this collaboration work over the past four years, I will formulate five propositions that describe some of the issues we have faced in keeping the museum artistically and financially vital.

Proposition I. Over the past twenty years, the revenue sources of the Metropolitan Museum have expanded and become more diverse. As a result, the Museum has become involved in a larger universe of providers. It has become more difficult for the Museum to define its community. The staff-time needed to provide services to the larger, more diverse community has expanded, and administrative growth can appear to be disproportionate.

Proposition II. As special exhibitions and other activities have resulted in increased attendance and revenues, it has become clear that strategies must be developed to assure that such activities preserve the Museum's scholarly and educational purpose and are not devised primarily as "profit centers" or "revenue raisers."

Proposition III. The larger the Museum becomes physically and programmatically, the more capable administrative and financial managers must be employed and adequately paid. This shift imposes on the Museum ever greater requirements to stimulate creativity and promote scholarship among the professional staff and to seek funds to enhance the salaries and research activities of curators.

Proposition IV. As prices continue to rise in the art market, museums have been less able to afford many desirable works of art. Simultaneously, changes in the tax law since 1986 have discouraged donors from contributing works of art to museums. Special efforts have become necessary to attract donations of art and to improve the tax environment through political lobbying.

Proposition V. As the economic environment of the city becomes more strained, the social environment becomes more impoverished. When caught in this dilemma, the Museum must direct its fund-raising efforts to a wider group—thereby confusing and, perhaps, even alienating its local community, unless special programs are designed to counter this trend.

The first proposition, to recapitulate, is that over the past two decades the revenue sources for the Met expanded and became more diverse, thus engaging the museum more actively in a larger universe of providers, but complicating our role in various ways. To illustrate this proposition: in 1967 the Met's annual operating budget was $6.98 million; 62 percent of the budget was from endowment income, 29 percent from the city, 5 percent from membership, 1 percent from gifts and grants, and 1 percent from other sources. There were no revenues in those years from admissions, from auxiliary activities, or from corporations in support of special exhibitions. The sources of income were largely derived from the New York area, and virtually no staff was dedicated to "development" and other fund-raising or revenue programs. In contrast, our budget in fiscal year 1989 was $68 million. We have increased our budget exactly tenfold in twenty years because of growth in the building, staff, and programs—and, of course, a general inflationary economy. When we look at our 1988–89 budget, we see a whole variety of new income sources, providing an important part of our income. In fiscal year 1989, Museum income was derived from the following sources: 20 percent from the city; 16 percent from gifts and grants; only about 14 percent from endowment; 14 percent from membership; about 13 percent from admissions; about 8 percent from auxiliaries (which include merchandising and restaurants); about 5 percent from special exhibitions; and about 9 percent from other sources. This broad revenue base is healthy in that we are no longer as dependent on one or two sources of income, but it also results in a larger staff serving a much wider body of supporters.

The increased diversity of income sources has brought with it a much greater need for the Museum's management to broaden and step up its activities with this larger universe of donors. Social events, correspondence programs, and the full range of development activities must be accompanied by modern computer systems, advertising, and new promotional techniques. Likewise, as relations with large corporations and tourist institutions grow, and as the merchandising and bookstore business increases, so has the staff—which has over 2000 employees and 600 volunteers. Museum management begins to take on the attributes and behavior patterns of a business. The Museum has an annual operating budget of over $70 million and 4.5 million visitors each year. This means that the Metropolitan offers its extraordinary resources to the public at a cost of about $15 per visitor per year. The key challenge is to manage such an enterprise without eroding its traditional scholarly and aesthetic role.

A concrete way to articulate the complex of issues arising out of this dilemma in the Metropolitan Museum is to examine some of the specific long-range and conceptual traps that can lead to conflict, confusion, and dysfunction within the Museum and its community. For example, the use of words such as marketing to describe the range of the Museum's promotional activities, or assets to describe works of art, or clients to describe visitors to the Museum can result in a breakdown of communications and functionality within the Museum. It sets administrators against curators and develops a "we-versus-they" mentality toward management. The language of marketing, with its lingo about "logos," in an art- and design-conscious institution can be offensive.

Moreover, the language of the advertiser and the market-trained professional can actually lead to flawed and failed efforts to promote a quality exhibition or activity. Note the disastrous campaign mounted in London to market the Victoria and Albert Museum. The language of marketing can and does provoke anger and fear of management's intention and sensibilities among curators. At the Metropolitan Museum, we therefore do *not* have a marketing office, a marketing individual, or a marketing committee. We go to great pains to discuss these issues in a way that encourages the professional staff to participate. We have found that intelligent publicity for scholarly activities to attract visitors works better than "marketing our assets to our clients."

Yet we carry out a wide range of activities that to others may look, sound, and be like the objectives of the dreaded "m-word." For example, we worked with AT&T to develop a series of highly publicized and popular recorded walking tours of the Museum, to try to give our permanent collection the same kind of excitement as our highly publicized special events. We also worked with *Business Week* to put out an advertising supplement on the Metropolitan Museum, which informed the corporate world of our Museum and earned us a substantial revenue in the deal. We also advertise in *The New York Times,* and other locations, and have been working with a creative group outside the Museum to improve our approach to regular promotional activities.

Within the Museum, however, we never refer to works of art as assets—because to do so would suggest that we intend to trade in them as assets—which we most certainly do not. Moreover, our visitors are not our clients. Should we begin to deal with our visitors for a commercial purpose, we would surely lose our mission as a great public museum. Show me a priest who refers to his parishioners as his clients, and I will show you a church in which bingo has become more important than baptism. Words, language, and concepts matter in seeking to preserve the mission of the large and financially stretched art museum.

The second proposition is about special exhibitions. As special exhibitions have been developed to expand museum admissions and attendance, it has become ever more clear that thinking of such exhibitions as revenue raisers, or profit centers must be avoided and that particular efforts must be made to preserve the scholarly and educational purposes of such activities. As we look back over the twenty years of experience with special exhibitions, we have seen our revenues rise and fall, year after year, depending to a large degree on whether or not a given year offered a major Impressionist or other blockbuster exhibition. An impression even arose that we began to become financially dependent on devising special revenue raising exhibitions, and that a bad year at the Metropolitan was a year when such an event had not been planned. Even though these so-called down years might be years with excellent and scholarly exhibitions, if they were not popular from the standpoint of finances, they were not seen as having contributed to the financial health of the Museum. This growing cycle of dependency of the Museum on the revenues from such exhibitions ran the danger of requiring the director and his curators to consistently devise at least one or two exhibitions a year that would enhance our revenues, thereby distorting the direction and approach to the mounting of Museum exhibitions.

Therefore, in 1989, under the guidance of Director Philippe de Montebello, working closely with Vice President of Operations Richard Morsches and Manager of Admissions Kathleen Arffmann, the Museum evolved a more balanced approach to special exhibitions and how they should fit into the pattern of the Museum's activities. For example, in 1989 we made the decision not to have advance ticket sales for our major Velazquez and Canaletto exhibitions for the fall of 1989. Looking back to the prior fiscal year (1988–89), when we had 4.5 million visitors—many of whom came to see the large, ticketed exhibitions of Degas and Georgia O'Keefe—one can see a significant addition to our admissions income from tickets sold through Ticketron. The decision not to ticket the two 1989 exhibitions was taken for a variety of reasons, and it clearly resulted in a drop of income for the Museum—even though attendance during that year did not drop significantly in comparison to the year before. The decision was designed to provide our public the opportunity to consider the special exhibitions as part of the general purpose and function of the Museum. Moreover, the director was concerned that if we used Ticketron, our visitors could too easily associate the special exhibitions with sports events or popular entertainment. He adopted the longer-term view that special exhibitions should make possible the building of a larger body of repeat visitors to the special exhibitions—thereby encouraging the growth of a loyal audience for the Museum. Over the long run this approach would expand our attendance to the Museum's collections, not make us dependent on special exhibitions, and enable us to demonstrate to ourselves and others that our exhibition schedule over the years was designed with a scholarly, educational, and public purpose rather than for its revenue raising potential. We are still examining this policy on ticketing to determine whether we are on the correct course or whether there might be some alternative way to supplement our income from particularly popular exhibitions.

We have surveyed our visitors frequently over the years to determine their likes and dislikes. One of our findings is that people who have good experiences in special exhibitions can be encouraged to become part of the larger Museum community that spends time in our permanent collections. Moreover, since we have a policy of asking for voluntary contributions and do not charge a fixed admission fee, the size of our admissions revenue is dependent upon the willingness of our visitors to pay suggested $5 admission. We want our visitors to feel good about their experience, to return, and even eventually to become members. Admissions has become, in recent years, a smaller percentage of our gross revenues. We have concluded that we will look on exhibitions as largely one of the multiple ways to develop a broader-based and more appreciative public. Admissions income will not and cannot be seen as a central factor in the mounting of special exhibitions.

In addition to this evolving attitude toward special exhibitions for our public, we have adopted in 1989–90 other programmatic ways to appeal to a broader and more diverse audience. In the fall of 1989, we began to keep the Museum open on Friday and Saturday evenings until 9:00 P.M., thus making the Museum accessible to the public longer during their traditional periods of leisure time. We have also provided special programing during these extended evening hours. The Museum has been greatly encouraged by the response to these weekend hours, and we have noticed that our visitors during these hours tend to be younger, ethnically more diverse, and in many cases new to the Museum.

The third proposition is that the larger the museum becomes physically, the greater the tendency toward enlarged management and financial staffs and the more these structures encroach on the work of the professionals. Therefore, ever greater efforts are required to find creative ways to stimulate the professional staff of the museum. In a trailblazing study written by Neil Rudenstine for the Mellon Foundation, a wide range of art museum directors in the United States were interviewed to find the most appropriate way in which private funds could assist museums today. One of the conclusions of this study was that the greatest benefit to an art museum would be to provide special sabbatical-like assistance to the key museum scholars to relieve them temporarily of the daily pressures of special exhibitions, the promotion of the collections, the management of departments, and the necessary negotiations with donors. The assistance would encourage them to conduct their scholarly work, revive their intellectual and creative talents, and free them of the stress of mundane museum activity.

When I first came to the Metropolitan Museum in 1986, I sensed that the Museum was undermanaged. The personnel office was given low priority, hidden in the back room of the Museum. The finance department was not adequately staffed, and our systems and computers were not sufficient to track our $70 million–plus budget, our $400 million endowment, our merchandising business, our $30 million capital budget, and the range of personnel issues that needed to be attended to. My focus was to work in those areas and try to improve them in order to cope with the large challenges of this expanding Museum. The cost of greatly improved management is increased by the fact that much of the staff required to work in the areas of finance, administration, and systems can only be hired from the competitive market. The competition, and therefore cost implication, for top curators and scholars is not as great as for senior financial managers and computer specialists. That is a fact of life. The growth of management and the high salaries of financial managers who are brought into the Museum have created structural tensions within the staff. As a result, the Museum, with the help of the Mellon Foundation and other supporters, has sought increasingly to provide special benefits to its creative professional people to enhance their role and their sense of vitality in the Museum. We must find ways to provide moments of peace and creative opportunity for the professional staff who function in an environment of "an active institution which works at a fevered pitch," to quote our director. We have also mounted a major fund-raising effort, strongly supported by our trustees, to enhance the salaries of our professional staff and make them somewhat comparable to the higher salaries we necessarily have to pay to attract the top-quality management.

The fourth proposition concerns the art market and the fact that museums are ill-equipped to deal with the radically different environment that has been created by the explosive prices of art. This environment has affected our ability to acquire new works and to exhibit collections, in part because of the cost of insurance, shipping, and travel. The Metropolitan, which was a regular and major participant in the acquisition of major works of art only seven or eight years ago, can now rarely compete or even think about the acquisition of major works of art that come on the market. Our endowment for acquisitions provides a cash flow of less than $3 million a year for the acquisition of art for our entire Museum, which has 19 curatorial departments. Therefore, our curators are too often frustrated because it seems futile even to think about major additions to our collections. In the past, 90 percent of our collection has come from gifts and bequests, but the tax law passed in 1986, which discourages donations of works of art to museums, has seriously restricted this vital source. There are only a few great donors who are prepared to provide funds for acquisitions. Fortunately, there are several in our Museum. Jayne Wrightsman, the head of our acquisitions committee, and Douglas Dillon, our former chairman, are two of several who recognize this major weakness in our financial structure in today's environment. They have dedicated large private resources to enhancing our capacity to make wise acquisitions. Moreover, Ambassador Walter Annenberg in his recent, generous gift to the Metropolitan Museum, provided us with $15 million for acquisitions, demonstrating once again his own wisdom and understanding of the plight of the large museum today.

Our hope in meeting this challenge is to encourage the Congress of the United States to amend the tax law so that donors will again be encouraged to give works of art to museums. But museums, like all cultural institutions, are not equipped psychologically or financially to mount major political lobbying efforts. The very scholarly and aesthetic environment we so hope to preserve in the Museum is the antithesis of the tough posture necessary to redress a tax and political environment now even more negative toward the arts.

Finally, the fifth and last proposition addresses the inner city. As the economic and social environment of the city becomes more strained and impoverished, the Museum must direct its efforts to raising financial support from outside the city by attracting foreign and American tourists, cultivating the European and Asian donors, and expanding the concept of the museum community. In trying to reach a broader community, the Museum could lose touch with, confuse, or even become alienated from its immediate surrounding community.

There are multiple responses to this particular challenge. The Metropolitan Museum, located in New York—one of the most generous cities in the world to its arts—has found it impossible to depend exclusively on the community of New York. Increasingly we find it necessary to look beyond this community for support. Other museums, such as the Guggenheim, are planning a response that creates a global museum, with museum networks around the world, serving communities on several continents with a range of curatorial staff and collections. Indeed, the Guggenheim represents probably the most radical museum response to the support limits of the local community. On the other side, a museum such as the National Museum of American History in the Smithsonian Institution in Washington, D.C., has undertaken an even more intense effort to relate that museum to its specific ethnic environment and to the ethnic environment of the United States—by shifting its exhibitions and displays to be responsive to the ethnic and national sensibilities of the diverse American community. While this latter museum's approach is to improve the capacity to relate more directly to the immediate community, the former is to expand enormously the community to a global scale.

The Metropolitan Museum does not intend to expand physically beyond its existing building and The Cloisters (its branch for medieval art at Fort Tryon Park) but indeed our horizons must expand to incorporate the world community, which is interested in our museum. We have increased our efforts with foreign visitors substantially by providing foreign-language services. We now offer brochures, maps, and recorded walking tours in six different languages at a tourist desk, where receptionists can welcome visitors at all times in at least six foreign languages. We are mounting efforts to increase our corporate support from Europe and Japan. Yet at the same time our relationship with immediate community in the city of New York—a city to which we make a financial contribution and from which we derive both a significant part of our identity and substantial support—requires special effort. The Museum is constantly seeking new ways to expand support from the city and our private donors, as well as ways to expand the participation of minorities in the work of the Museum. Our community outreach program is actively expanding. We are not satisfied that we are yet achieving our objectives and must do more through our educational program. These are dual responsibilities that must be met, both for the financial well-being and the public purpose of our museum.

The experiences of The Metropolitan Museum of Art, with regard to these various tensions that are at play between the financial needs and the scholarly purpose, are not unique. Simply put, the Metropolitan is such a large institution that we probably confront the problems on a scale that is more evident than with other museums. Our objective is to achieve appropriate balance in retaining the creativity and the financial soundness of the institution.

Neil Rudenstine

I will begin by assuming we are all reasonably familiar with the factors that are now creating difficult financial conditions for many American art museums. These include (among many things) an actual decline or at least "flattening" of important revenue streams; recent changes in federal tax laws; and a less robust national economy. In this talk, I want to focus on two rather different (but related) questions. First, is the current situation similar to those of several earlier eras, when museums were also financially hard pressed? Or, if the present moment is unusual in certain fundamental ways, can we define the most important differences and offer at least a tentative explanation of them? Second, if we assume that the current financial problems are not likely to disappear or change significantly in the near future, can we say anything useful about the realistic alternatives open to art museums as they try to deal with this more stringent set of economic circumstances?

I will concentrate primarily on those museums that are located in quite large cities; that are privately (rather than publicly) funded; that have existed for the better part of a century or more; and that are engaged in a wide range of activities, including major special exhibition programs. There are perhaps 8 to 10 institutions of this kind in the nation, and I will—especially when using statistics—normally refer to five representative examples. Clearly, by concentrating on this particular sector, one fails to address the considerable variety of situations faced by many small and mid-sized institutions throughout the century. At the same time, the major urban art museums do play a significant role in establishing a tone and defining a range of programs that inevitably have an effect upon large numbers of other museums.

Let me return to my first question: is the current economic situation similar to, or different in some fundamental ways, from earlier difficult periods? My own view is that the present predicament is in fact different. Let me suggest why.

Figure 3.2 consists of a bar chart which shows, for 1969, the *percentage of spendable income from endowment,* plus the *percentage of income for general operating expenses from city or municipal contributions,* for three major, urban art museums. As the chart indicates, the income provided in 1969 by only these two sources of revenue ranged from nearly half (46 percent) of one museum's entire budget to nearly four-fifths (79 percent) of another's.

Figure 3.3 shows the 1969 percentages for two similar urban museums—with one important difference. These institutions received no annual municipal contributions, and they made up for this lack by relying on admissions and memberships as an alternative. Endowment, plus admissions and memberships, accounted for 66 percent and 72 percent of all operating revenues at these two museums.

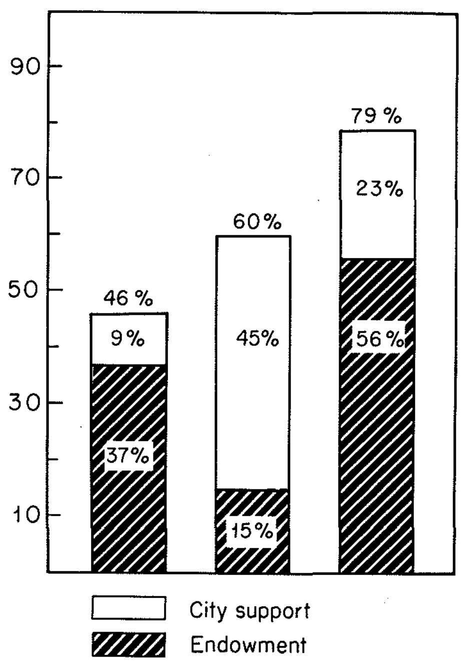

Fig. 3.2 Three major (private) urban museums, 1969: spending yield on endowment plus city/municipal operating support (as a percentage of total income)

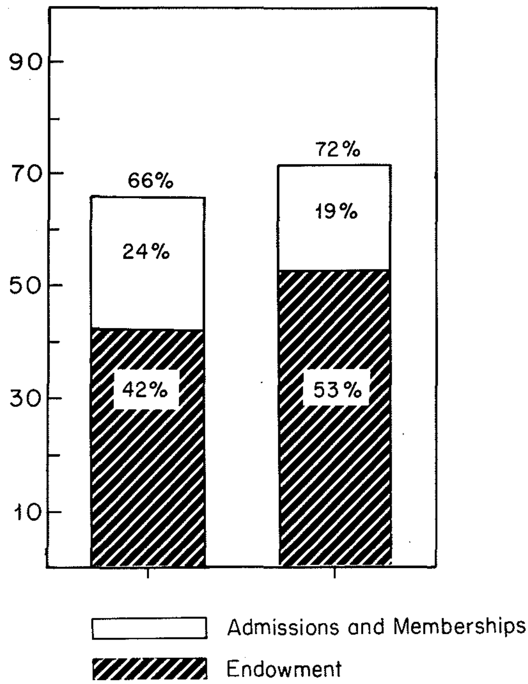

Fig. 3.3 Two major (private) urban museums, 1969: spending yield on endowment plus admissions/membership receipts (as a percentage of total income)

If we take the five institutions just examined, we can see that in 1969, the spendable yield on endowment, plus *either* municipal funds *or* admissions and memberships, supplied an average of 64.6 percent of all their operating revenues. This degree of quite steady support provided a considerable budgetary cushion, and left only a moderate revenue gap to be filled from other sources. Those other sources, moreover, were few in number and not very large: they consisted primarily of annual gifts (often from a limited number of highly committed patrons); exhibition revenues, which were then extremely small; and revenues from sales or auxiliaries, where the net income was also very small.

If we shift from 1969 to 1987, examining the same financial indicators at these same institutions, we can gauge the extent to which the economy of many of the most important American art museums has been transformed during the past two decades. The graph in figure 3.4 indicates what has happened to spendable endowment income as a percentage of total annual income—not including the figures for "auxiliary" or sales activities, since these numbers have varied considerably and can therefore distort the underlying budgetary picture. Altogether, the endowment share of total income dropped quite markedly, from an average of 40.4 percent in 1969 to 21.8 percent in 1987. At only one of the five institutions did the endowment percentage rise.

Figure 3.5 displays what has happened to municipal support at the three museums receiving such revenue. In two cases, the percentage dropped steadily; in the third instance, there was a modest rise, although the initial base of 9 percent was obviously very slim indeed.

Finally, in figure 3.6, we can see what changes occurred in the combination of endowment and municipal revenues from 1969 to 1987. Essentially, the three museums that in 1969 received about 62 percent of their total operating income from these two revenue streams alone, had by 1987 reached the point where they obtained only 37 percent of their income from the same sources. In short, during this relatively brief eighteen-year period, several factors combined to shift a number of major museums from only modest dependence upon earned income (from a very restricted number of sources) to a predominant dependence upon such earnings (from a considerably larger and more diversified number of sources). How this change occurred, and why, are extremely interesting questions which I would now like to explore, although there is not space to permit more than a brief discussion.

First, it seems clear that the change just described was almost certainly due to a number of causes. Some museums may not have attempted to raise significant new endowment funds between the late 1960s and 1987, they may not

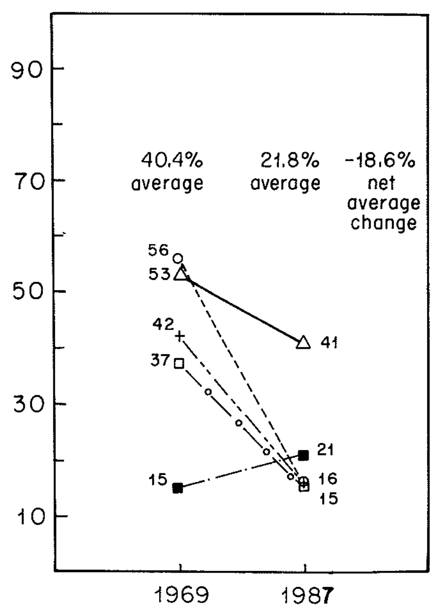

Fig. 3.4 Unrestricted endowment contribution (five museums)

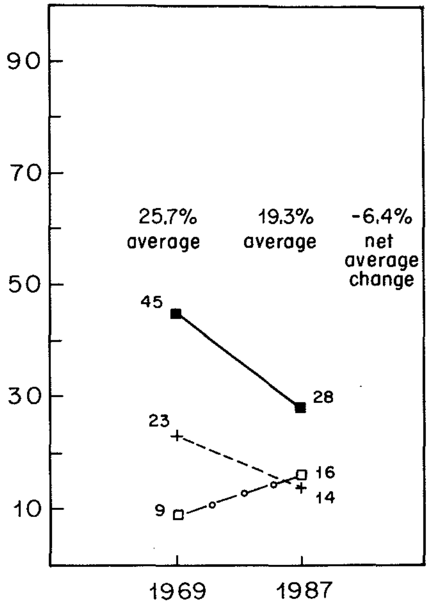

Fig. 3.5 Municipal contribution (three museums)

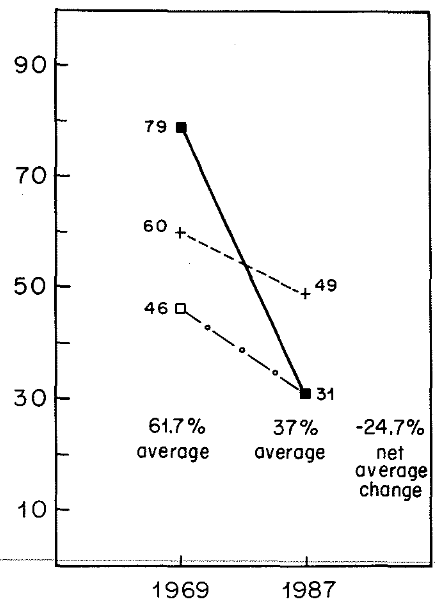

Fig. 3.6 Endowment plus municipal funds (three museums)

Table 3.1 **Operating Budget Expenditures (Averaged)**

	1980	1987	Percent Increase
5 Museums (excluding auxiliaries)	$ 13.6 million	$ 32.1 million	136%
4 Private universities	$132.6 million	$269.0 million	103%
4 Symphony orchestras	$ 11.6 million	$ 21.3 million	83%

have managed their endowments well, or their endowment spending rates may have been too high. Municipalities may have consistently cut their allocations to museums. While these and other factors undoubtedly played some role in certain situations, I am inclined to think that they were overshadowed by at least one other development: the extraordinary expansion of museum facilities, staffs, and programs that took place during this period. That expansion led in turn to an equally striking growth in the size of museum operating budgets. The rise was rapid and steep—so much so, that it would have been extremely difficult, even under the best of circumstances, for the growth of either endowment funds or municipal contributions to keep pace. As always, there were exceptions, but the figures are, on average, quite dramatic and revealing.

For instance, table 3.1 focuses on the time period from 1980 to 1987. It compares the average growth in operating expenditures—*excluding auxiliaries*—for our five museums, with that of four high-cost private universities and four large-city symphony orchestras. The museums obviously outdistanced the other types of institutions by a wide margin; in fact, the average rate of growth for the museums was about 13 percent per year.[1] Clearly, it would have required massive endowment campaigns, plus extraordinary rises in annual contributions from municipalities, to have enabled these two sources of income to keep pace with such overall budgetary growth-rates. And this simply did not happen.

Let us now examine more closely some of the specific budgetary items that played a role in driving up museum operating budgets so quickly. Figure 3.7 provides general background information. It shows the number of new Amer-

1. An analysis of expenditure-growth, for the same time period, of an additional 7 (only slightly smaller) museums indicates an average cumulative increase of about 130%, a figure that is only marginally less than that of the major museums, and still well above that of the universities and symphonies.

It would be misleading, however, to suggest that all museums experienced rates of growth such as those just cited. For example, a set of yet smaller (but well-known) institutions—including the Worcester Art Museum, the Carnegie, the Wadsworth Atheneum, the Albright-Knox, Columbus, and others—had an average growth-rate of almost exactly 100 percent between 1980 and 1987. These museum budgets, however, are very modest ($6 million average in 1987, compared with approximately $35–$65 million—excluding auxiliaries—for the largest urban museums), and these institutions are of course not generally located in major cities with large bases of potential support. Even a 100 percent growth-rate for museums of this scale, given their respective locations, is certainly non-trivial.

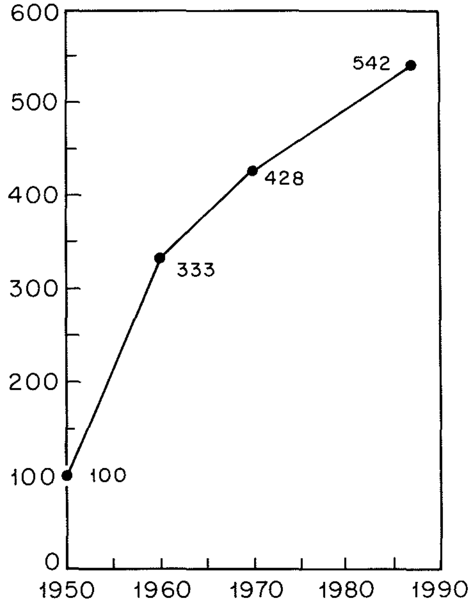

Fig. 3.7 Number of new art museums established in America, 1948–87
Source: Official museum directory.
Note: Figures include college and university art museums.

ican art museums created between 1950 and 1987: a leap from about 100 institutions just forty years ago, to nearly 550 at the present time. Even more important, during the thirty-year period from 1950 to 1979, more than 100 *existing* museums in America added a total of over 10 million square feet of new space to their physical plants. This amount of new construction is equal to about 14 times the total space of the Louvre Museum.[2] Moreover, since 1980, the pace of building has not slowed appreciably: the number and size of recently constructed or planned space additions to existing institutions is substantial by any standard.

The first part of table 3.2 indicates what happened to the number and type of exhibitions at our sample of five museums from 1980 to 1987. The number of exhibitions of any consequence grew by about 37 percent in just seven years, and the number of major, large-scale exhibitions doubled. Such exhibitions are, of course, an important source of revenue for museums, but they are also extremely expensive to mount. More exhibitions, by definition, require larger outlays of money, more space, and more staff time—all of which drive up operating expenses.

Table 3.2 also illustrates developments with respect to museum staffs during this same time period: they increased about 25 percent at the five mu-

2. Karl E. Meyer, *The art museum* (New York: William Morrow, 1979), 271–84.

Table 3.2

	1980	1987	Percent Increase
Growth in Number of Museum Exhibitions at Five Large-Scale Urban Museums			
Total "advertised" exhibitions	105	144	37%
Large-scale national or international exhibitions with major catalogue	16	32	100%
Total Museum Staff Growth, 1980–87, at Five Major Museums			
Total staff	2,201	2,759	25%
Curators	150	159	6%

Source: Annual reports.

Note: Excludes small, short-term shows drawn entirely from permanent collections, without catalogues, etc.

seums, with the largest expansion occurring in areas such as merchandising, security, fund-raising, financial planning, and data processing. At the same time, the curatorial ranks (e.g., curators, associate curators, and assistant curators) at these same museums increased only 6 percent.[3]

There is no simple way to discuss the interrelated factors behind the statistics cited above. We can see, however, that many museums consistently took on greater and greater fixed costs during the time period under consideration, and these costs in turn created greater pressure for additional earned income. At the same time, in spite of these formidable pressures, it is also obvious that museums somehow managed to produce that new income at an enviable rate, and it is extremely important to try to determine how they were able to do this.

At one level, their success can be attributed to actions that the museums themselves undertook: these included the introduction of large-scale, special exhibition programs; a considerable increase in merchandizing activities; and a greater number of special events. But if such initiatives were to prosper, they required a large and responsive audience—much larger and more responsive than most, if not all, previous generations of American museum audiences.

3. An analysis of a larger sample (approximately 20 art museums) indicates a considerable variation in curatorial increases or decreases. Some smaller museums, for example, increased their curatorial numbers from 3 or 4 to 5, 6, or 7, and these changes produce quite large percentages. Since curators constitute, on average, only about 4 to 7 percent of most museum staffs, even quite modest shifts can lead to apparently significant changes when the absolute numbers are converted into percentage figures.

It is also true, of course, that the addition of custodians and security guards have accounted for a good proportion of the staff expansion at several museums, and one might well conclude that there is no reason why curators should keep pace with the growth-rates of those particular staffs. Nevertheless, many increases have also come in core administrative areas (often in financial or technology-related areas), and these additions do tend to diminish both the actual and the psychological strength or role of the curatorial ranks relative to others—especially when new administrative staff are not infrequently hired at greater salaries than senior curators are receiving.

The fact that this audience was actually, or potentially, in being, and that it could be drawn to museums with such consistency over a sustained period of time, was due, I believe, to several important tendencies that had been developing gradually in American society for a number of years and that finally converged to produce highly visible effects in the 1960s.

First, there was the deep and widespread transformation of American attitudes toward all of the arts during the postwar period—a transformation that began to take place around 1950 and that constituted a major watershed in the history of American culture. The visual arts seem to me to have emerged from this period of intense activity as the dominant set of aesthetic forms in our society. And insofar as art can be given an institutional structure, the museum has become the predominant American arts institution of our time. Let me stress that this development seems to me to be a peculiarly American phenomenon: one can find approximate analogues in a few other countries, but there are also many obvious exceptions.

A great many factors—several of them quite familiar to us—played a part in creating this new situation. These include, for example, the clear emergence of America (especially New York) as a major creative center for work in painting, sculpture, and other visual arts, beginning in the late 1940s; the increasing presence of photography, film, and video as pervasive presences in the everyday life of America; the postwar growth of art history as a fully mature academic field of study in this country, with the result that far more university graduates began to show a greater interest in and knowledge of the visual arts; the realization on the part of the publishing industry that handsome art books—with good illustrations—could command an unexpectedly large market; the proliferation of reproductions of works of art (whether as photographs, postcards, posters, or media images); the enormous postwar growth of tourism, made possible by air travel, permitting hundreds of thousands of Americans to visit the cities and museums of Europe in a totally unprecedented way; and finally, the spectacular and heavily publicized boom in the art market, beginning as early as the 1960s. Museums, sensing this powerful and widespread interest in the visual arts, began to respond actively and imaginatively to meet it. Yet these institutions could not possibly have capitalized on the new situation so successfully had it not been for one additional, rather subtle, but I believe extremely important factor. This concerns the very nature of visual arts experience, and the way in which that experience relates to the structure of the museum as a physical environment.

As we know, virtually all institutional presentations of art (such as concerts or plays) require a spectator to be present at a specific place for a well-defined period of time. Silence and immobility are imposed upon spectators, and high ticket prices usually restrict the number of events that most individuals are likely to attend.

But the process of looking at works of visual art is obviously different and varies greatly among individuals. The experience can be private, silent, and meditative; but it can also be much more social—involving such simple but important activities as walking through the galleries, talking with friends, taking time out for lunch, stopping by the museum book shop, or going to the auditorium to hear a lecture. Indeed, the very flexibility or malleability of visual arts experience—including the fact that museum environments are large and unrestrictive, and that museum visitors have essential autonomy to control and alter the nature, rhythm, and duration of their visit—has enabled the museum as an institution to accomplish in economic terms what no other high-culture arts institution has been able to manage. That accomplishment can be described as a striking increase in "productivity," based chiefly upon the fact that museums learned to take much fuller advantage of their attractive and highly fluid interior spaces, as well as their ability to create a quite wide range of revenue-producing activities capable of appealing to a larger and more diverse set of audiences.

From an economic point of view, this advantage sets museums decisively apart from other arts institutions, including not only theaters and symphony orchestras, but also opera, dance companies, and even the cinema. The number of museum "seats" or places is very flexible; the tickets are relatively inexpensive; the visitor controls the length and the itinerary of the "show," which can go on all day; indeed, several different kinds of shows can take place simultaneously.[4]

In other words, as museums created new programs and activities (and new kinds of physical spaces), they inevitably also changed the actual nature of the museum experience. Some individuals would continue to come in order to look intensively and quite privately at particular works of art. But many visitors would now come because they had begun (perhaps unconsciously) to think of the museum as a kind of large indoor culture park: an architecturally elegant, congenial, open, variegated, thoroughly animated, inviting, climate-controlled environment. The museum, meanwhile, found itself in the quite complicated but still fortunate position of not having to make clear-cut choices that were unduly limiting: up to a point, at least, the institution could remain magnetically elitist in its fundamental commitment to high culture and great art, while also becoming more accessible, more popular, and more democratic. This general development created, of course, a number of internal (and sometimes externally visible) stresses, and it led to some quite serious debates—as well as some confusion—concerning the fundamental identity and basic purposes of art museums. These matters are far from being resolved, and they require continued analysis and clarification. Nonetheless, in spite of all the attendant problems, it was this complex transmutation of the

4. Although other arts institutions (theaters, etc.) have the advantage of drawing audiences in the evening, after work hours, museums have, of course, also begun to take advantage of evening hours—either to keep their galleries open, or to hold openings, previews, and other special events. In addition, museums have the great advantage of being open all day on both Saturday and Sunday.

museum environment and the museum experience that permitted the "economic miracle" of the last two decades to take place.

If we step back for a moment in order to summarize, we can see that there was a profound change in the value that America accorded to the visual arts during the postwar period, and this change stimulated museums to alter their environment in such a way as to increase productivity dramatically. This unique combination of circumstances and capacities enabled museums to respond rapidly, ambitiously, and successfully to the changed cultural circumstances of the 1960s, 1970s, and 1980s. A recognition of this unique combination also helps account for the fact that museum budgets grew so significantly in so short a period of time; that the endowment and municipal proportion of total income declined steadily; and that so many museums shifted from being only modestly dependent upon earned income to being critically dependent upon it.

Let me return for a moment to the second question I posed at the beginning of this paper. Given the more difficult economic conditions that art museums are now facing, what realistic alternatives are available to them as they confront this new set of circumstances?

It does not seem to me, for example, that many museums could return to the far more "subsidized" economic situation they enjoyed in the 1960s. If we calculate the amount of additional unrestricted endowment necessary to enable our group of representative museums to recover their 1969 endowment position, we discover that it would require about $40 million and $60 million for the two institutions at the low end of the scale, and $150 million and $400 million for the two museums at the high end of the scale. Municipal contributions would also have to rise at a very steep rate (for several successive years) to recoup what has been lost. In short, any full-scale return to the "old economy" seems to me highly unlikely, although a more limited effort in this direction may well be plausible.

I also doubt that the extraordinarily successful earned-income formula of the past twenty years can be replicated in the next ten to twenty years, even if that were a desirable goal. If our earlier analysis is correct, the enormous and sustained surge in museum revenues was made possible because the visual arts were rather suddenly blessed with much larger potential audiences than before, and because museums had not significantly exploited their potential for earned income. But the effort to exploit sources of earned income has of course been vigorously pursued with great success for the past two decades, and it is far from clear that there is any comparable amount of elasticity remaining in the system. One cannot, for instance, continue to double the number of large special exhibitions every seven years—in fact, it is far from obvious that the number per year can grow very much at all, or that even the present pace (given recent rises in insurance costs, plus other factors) can be easily sustained. Nor can one expect admissions and membership figures, or merchandizing revenue, to continue to rise steeply for an indefinite period of time: the most recent figures have already begun to show some tapering off of these revenue-streams at several institutions, and long-term demographic trends—which are almost bound to affect the nature and size of future museum audiences—offer even less cause for optimism.

Given these limiting conditions, what strategies do seem to make sense for museums? Clearly, no one set of policies will work for every institution: the diversity of American museums is such that individual institutions will inevitably have to evolve their own, particular solutions in the light of quite specific circumstances. But I would hazard a few suggestions that may have at least some degree of general applicability. None of them is novel, but they are perhaps worth emphasizing, even if only to underscore the obvious. All of them also have much more to do with addressing long-term budgetary issues than with solving immediate problems. Essentially, they invite us to think about the kind of economy museums might create for themselves over the course of the next two decades, assuming that such structural shifts require a substantial amount of lead-time and conscious long-term planning.

First, a continuing effort to obtain gifts and grants (as well as reasonable returns from appropriate forms of earned income) will obviously be required. Concerted attempts to alter the tax laws—in order to increase incentives for giving—are also critical. What needs to be recognized as one undertakes these initiatives, however, is that the future annual yield (as suggested earlier) is simply not likely to equal that of the recent past.

Second, it does, therefore, seem important for museums to do everything reasonable to avoid taking on significant new fixed costs in the next decade or so. New construction and new staff increases obviously add substantially to expenses: such fixed costs are essentially impossible to "shed"—the new wing cannot easily be dismantled—and they consequently magnify the pressure for more earned income. When such income was easier to identify, the case for growth was often a credible one. But that case, except in very unusual situations, is now far weaker. Sustained long-term control over the expenditure budget (with annual rises in the 6 to 7 percent range rather than several points higher) is consequently another goal to which museums should give considerable weight.

Next, as part of the effort to control expenditures (and to help carry out other fundamental museum purposes that relate to the permanent collection), it does seem an opportune moment to review the number, pacing, and scale of special exhibitions. Too often this issue is framed in terms of whether one is in favor of such exhibitions (or, to use the more nebulous term, blockbusters) or whether one is not. That seems an unhelpful way of formulating the question. Exhibitions clearly constitute visual, intellectual, and scholarly events that cannot be replicated through other means, and the loss of the best shows would be profoundly felt. At the same time, the current pace of the exhibition schedule at many (certainly not all) museums is such that curators, conservators, registrars, and other staff are often left with little time to do much more than manage the flow of such events; in addition, the quality of some shows inevitably suffers as a result of this highly pressured regimen.

Equally important, the amount of risk-capital required for large international shows has certainly grown dramatically in the past few years, and this makes their economic returns (quite apart from other factors) increasingly difficult to calculate. Rising insurance costs (which are beginning to outstrip the level of guaranteed government indemnities), sophisticated packing and shipping methods (attuned to higher standards in the field of conservation), and greater expectations concerning the quality and even bulk of catalogues have all combined with other factors to drive up the expense of major shows. As the logistical complexities and the total costs of special exhibitions become more daunting, museums will inevitably be compelled to weigh yet more carefully both the economic and other investments required to undertake at least the most ambitious ventures. A conscious policy of reducing somewhat the number of shows, therefore, might well yield several benefits. The extent of total financial risk could be lessened, and additional staff time might then be redeployed to attend to important needs related to the permanent collection. A more measured but nonetheless stimulating series of carefully chosen exhibitions would still infuse museums with the particular kind of vitality and the significant intellectual as well as visual experiences that such events obviously create. Whether such a shift in policy is economically feasible—and what its precise consequences would be—are difficult matters to judge. But the time seems ripe for a thoughtful consideration and systematic analysis of this issue.

Finally, I believe that similar consideration should be given—on a *continuing* basis, not only during campaigns—to the rebuilding of museum endowments. As already suggested, I doubt that the proportionate endowment levels of the 1960s can be achieved again. But if one takes the long view, then I suspect a great deal could be accomplished over a twenty or twenty-five year period, especially if this matter were to become a high priority for trustees and administrative officers.

Assuming that endowment funds will continue to be a primary means of helping nonprofit institutions maintain their independence and financial stability, then there is much to be said for developing an aggressive long-range approach to endowment formation—just as there is much to be said for maintaining endowment spending rates in the 4 to 5 percent range, rather than the current prevailing 5 to 8 percent range, since these latter rates are almost certain to erode steadily (perhaps quite rapidly) the purchasing power of endowments.[5]

5. There is of course no way to determine with great confidence a prudent endowment spending rate, particularly since the rate will naturally change over time, as economic circumstances change. If one assumes, however, that the internal inflation rates of most nonprofit, labor-intensive organizations are on average (over the long run) likely to be 2 to 3 percent above the Consumer Price Index (i.e., currently in the range of 6 to 8 percent per year), then one must necessarily

Today's immediate financial problems may well have to be dealt with rather pragmatically. But the current moment seems an excellent time to plan and to lay the groundwork for a future museum economy that might strike an interesting balance between the regimen of the present and that of the past. The new model, if achievable, would have a somewhat greater endowment cushion (with a more prudent endowment spending rate) than is now the case, plus a reduced dependence on earned income, with all of its associated pressures and problems. Special exhibition programs might be somewhat leaner, but not necessarily less stimulating or profitable. More time might then be devoted to permanent collections—which could themselves become the focal point for interesting exhibitions, as well as for thoughtful education programs. In short, museums would seek to sustain the essential vitality that has characterized them during the past two decades, but they would simultaneously attempt to create a somewhat different equilibrium for themselves, adapting to a new set of economic and other compelling circumstances.

Summary of Discussion

William H. Luers opened the discussion by describing the Metropolitan Museum of Art's recent decision led by museum director Philippe de Montebello to stop selling tickets for special exhibitions. He noted the three main benefits to ticketing—the museum's visitors know when they will be able to see the exhibit, attendance tends to be higher, and the museum receives the extra money. For this year's shows, however, visitors will pay just the usual voluntary contribution, a change that will probably cost the museum over $1 million and probably result in a somewhat lower attendance. Luers explained three reasons for the costly change in policy. First, selling tickets through Ticketron puts the museum in the entertainment business suggesting Broadway theater and football games. Second, selling tickets suggests to some that the exhibition was created to make money, even when the real intention is artistic. Third, the museum felt that encouraging repeated visits to great ex-

reinvest a similar portion of one's total return simply to maintain the purchasing power of endowment funds against inflationary encroachment. Estimates of long-term average total return on endowment investments will obviously differ, but few analysts are currently predicting figures greater than something in the 10 to 12 percent range. Hence, if the internal inflation rates of nonprofits can be held to about 6 to 8 percent, and if total returns are 10 to 12 percent (both *averaged* over a presumably long period of time), then the minimum "remainder" left to spend is about 2 percent (10 percent minus 8 percent) and the maximum is about 6 percent (12 percent minus 6 percent), with the "mean" being 4 percent. A mildly optimistic course, therefore, might be a spending rate of 4.5 percent, or at most 5 percent.

These calculations are meant to be essentially illustrative—not prescriptive—and they pertain to endowments related to the range of goods and services reflected in annual operating budgets. *Acquisitions* endowments (for the purchase of works of art) are rather different, mainly because the task of defining "inflation" is much more complicated (given the nature of the art market).

hibitions is the best way to build both audiences and a commitment to the institution and the collection. For example, people who come repeatedly spend somewhere between three and four hours in the museum; they are going to the exhibition plus seeing something else.

Ross W. Farrar followed by discussing the Boston Museum of Fine Arts' decision to sell tickets to an upcoming show through Ticketron. He played no role in this decision but would have if he still worked at the museum. He argued that, first, the price charged followed a precedent set by other museums in the city, and second, museums that are doing blockbuster shows should admit it and maximize their return. He felt it was important to implement the ticketing procedure in a way that does not "penalize a museum's current constituency." At the Museum of Fine Arts, for example, each member received a certain number of free tickets and could purchase others at a discounted rate. He admitted that the museum received a few complaints about not being able to go back into an exhibition after going through once, a restriction that is contrary to the usual museum experience.

Harry S. Parker III stated that The Fine Arts Museums of San Francisco were moving away from blockbuster exhibits for a while because of the financial turmoil they create.

Marilyn Perry suggested that the Metropolitan create an advertising campaign to emphasize the museum's recognition of its real purpose as a museum of art, not as alternative entertainment. She felt that there would be a positive response from the public, which would recoup some of the lost funds. She noted a new advertising campaign for the museum which is "sedate and handsome," and which *Luers* then described as the result of extensive interaction between the advertising people and the museum staff which resulted in the toned down, "handsome" advertising.

Martin Feldstein said that one rationale for blockbusters, quite apart from fund-raising, was that they brought in a larger public which would come back to see the permanent collection on some other occasion. He asked if that would be lost if museums shifted not just to a different pricing structure for exhibits but toward exhibits which have less market appeal per se.

Luers responded that future exhibits might turn out to be very popular, but they will not be designed or driven by the market. He mentioned the recent, very popular Siena exhibition as an example of this idea. *Bruce H. Evans* added that the Metropolitan's staff had conducted exit interviews which found that 90 percent of the people coming to the Siena exhibition had been to Siena, a situation he did not think would hold in Dayton.

James N. Wood emphasized that museums should not rule out popular exhibitions. He was concerned, however, that if museums make too much money using art loaned by other museums, those museums will demand that top-quality art be loaned in return.

Geoffrey Carliner raised several questions about blockbusters "as a member of the public." First, why is it not a good thing for all museums to have art loaned between cities so that people in Chicago can see New York paintings even if they cannot afford a plane ticket, and vice versa for the New Yorkers who cannot afford to go to Chicago? Second, why does there seem to be disdain for blockbusters which bring in people who almost never go to museums? Third, why were there huge increases in curatorial expenses and administrative costs in the year after the big blockbuster in San Francisco? Fourth, does not ticketing exhibitions reduce the personal inconvenience of waiting? Museums' sacrificing money in order to impose an inconvenience on patrons seems quite strange to him.

Luers answered that one alternative to selling tickets or having long lines is being used by the National Gallery of Art: tickets are given away marked with particular time slots. He continued that the Metropolitan Museum of Art is not in the least against very popular exhibitions, but it is concerned that the blockbuster name and the idea of moneymaking connected with it has tended to degrade the purpose of the exhibition for many directors. Creating an exhibition to make money and creating one to enlarge the body of people who understand an exhibition and an artist are two different things. *Harold M. Williams* thought that the Metropolitan's blockbusters did not look like just moneymaking ideas, and that there is nothing wrong with museums being viewed as entertainment. *Perry* said that the Ticketron-Museum differs substantially from the Ticketron–Metropolitan Opera because there is a lot to do in a museum besides going to see Degas. She hopes that museums would try to interest the public in a different way from other forms of entertainment.

Luers said that the Metropolitan makes two-year and five-year projections of costs and revenues, and they adhere strictly to a rule of spending less than 5.3 percent of the endowment. He said that not ticketing the special exhibitions this year would contribute to their largest deficit ever, but that it was important enough to return to the perceived purpose of the museum that over the next two or three years they will find other ways to raise revenue or cut costs. Conservative budgeting and aggressive pursuit of revenue have been key to the museum's management style.

Thomas Krens argued that solutions to financial problems are often specific to institutions, and he discussed several that apply to the Guggenheim Museum. The Guggenheim has the advantages of being relatively small (so it can change policies fairly quickly) and of having a great collection, two excellent locations (Fifth Avenue in New York and the Grand Canal in Venice), and a recognized name and building. He felt that the development field is nearly saturated in the United States but not in Europe.

Alberta Arthurs said the crucial question facing museums was how to reconcile the financial realities described by Rudenstine with the ongoing and expensive mission of reaching the public and bringing new people into the world of art.

Peter Temin wondered whether, as an alternative way to increase revenue, museums had considered renting "middling quality" works of art to individuals instead of deaccessioning them? *John Walsh* said that the Boston Museum of Fine Arts used to rent works of art to law offices, banks, and other businesses, but the program was dropped owing to the wear and tear on the art and the resulting conservation costs. *Farrar* added that one purpose of this corporate loan program had been to cultivate corporations as donors. However, the rising costs of conservation and insurance reduced the quality of the paintings the museum was willing to lend at the same time that corporations wanted to borrow higher quality works.

Richard E. Oldenburg felt that it was inappropriate to view expensive advance ticketing as the only alternative to free exhibitions. The old principle was that the admission fee covered the costs of a museum's basic operations, but that if a museum was unable to cover the costs of an unusually important exhibition that involved works of art from all over the world, then a modest additional charge was appropriate. When this principle had been followed, people understood that they were paying a little extra for a very special thing.

Feldstein responded that an "every tub on its own bottom" philosophy is not necessarily a very good way of running an institution. A museum could charge another dollar for a particularly attractive exhibit and then be able to do other things, or it could make the exhibit a break-even proposition, that tub exactly taking care of itself, but then it would be unable to do the other things. Is the special exhibit not a legitimate revenue source for supporting other activities of the museum?

Richard N. Rosett argued that it was a mistake simply to rope into the notion of a museum's mission the question of whether it should ever charge for a very popular exhibition. Rather, museum directors must realize that whatever their mission is, it cannot be achieved unless the stream of revenues and the stream of expenditures have a set relationship to each other. When thinking about whether to charge for blockbusters, or to charge admission at all, or to have annual fund raising campaigns, or to search for endowment, these two streams should be viewed as the tail of a dog, where the dog is the mission. The tail should not wag the dog, but neither should museum directors needlessly deprive the dog of the wagging tail. For blockbuster exhibitions, for example, the mission of a museum should determine what the exhibition is going to be, but the need to make revenues and expenditures match should lead to a decision about what to charge based on how popular the exhibition is likely to be.