ONE

# Museum Funding

## WHO SHAPES INSTITUTIONS?

### 1 THE SHIFTING SOURCES OF MUSEUM REVENUE

If you have ever wondered how museums are financed, you are not alone. Every museum director has asked herself that question, and the answers are never the same. Nor should they be. Each institution has its own advantages and its own community, and in order for a public institution to exist, an equilibrium must be struck between a museum and its audience. So the question of financing is finally a question of audience. Who values what your museum does? Who is able to enjoy the benefits of it? Whose interest is served by the museum's activities (both collecting and exhibiting)? Since this book is concerned with art, these questions ought to be addressed to an art museum, and if one examines the history of art museums, it is clear that they have some divided loyalties. Before diving in, let's turn back the clock to 1989.

In order to lay out some basic concepts in museum funding and to flesh out a baseline measure of where American museums stood a generation ago, it will be helpful to turn to a key text on the topic, a National Bureau of Economic Research conference report, *The Economics of Art Museums* (Feldstein [1989] 1991). A chapter titled "Museum Financing" resulted from a conversation between eminences such as Harry Parker (of the Fine Arts Museums of San Francisco), Thomas Krens (of the Guggenheim), and Neil Rudenstine (who would later become president of Harvard University) to discuss museum financing and changes in that area. Discussing the Fine Arts Museums of San Francisco, which, as the name would suggest, were formerly funded principally by the city, Parker discussed the merging of the public and private administrative segments of the museum for more stable financing and "a related change in the government structure... to tie the Fine Arts

Museums Foundation more firmly to the trustees" (63). For a publicly funded museum to have had two separate administrative units might seem odd, but it is not at all exceptional. However, merging them seemed the best way to promote further evolution of the institution, uniting private and public funding and giving the trustees a more prominent role in funding and governance. In this way, the public aspect of the institution yielded to the wealthy patrons who served on the board.

Though he represented an ostensibly private institution originally funded by and devoted to the collections of a single family, Krens addressed public funding for art museums. He pointed out that aggregate public arts funding was declining in the United States and correctly predicted a continuation of this trend, even though museum expenses had increased, meaning that institutional endowments were not able to cover so much of operating expenses as they had before. In the case of the Guggenheim, he noted that the change over twenty-five years was from 75 percent to "about 20" (Feldstein [1989] 1991, 64). Krens was a brilliant strategist, and he had already begun to develop one of the most effective and lasting solutions to this problem, museum branding or franchising. This strategy will be investigated in detail in a later section of this chapter.

William Luers, the chief financial officer of the Metropolitan Museum in New York, reinforced Krens's assertions, noting that between 1967 and 1989, the Met's budget had increased tenfold, from $6.98 million to $68 million, due to the growth of buildings, staff, and programs (in Fiscal Year 2015, it was $361 million). In 1989, 20 percent came from the city and only 14 percent from endowments (Feldstein [1989] 1991, 67). Currently, the city pays less, just under 8 percent (Metropolitan Museum of Art 2015). Rudenstine sized up the trends nicely by demonstrating the shrinking share of municipal and endowment support at the same time that exhibitions, staffs, and physical plant had increased to meet growing demand. He proposed two solutions to this evolving problem. The first suggestion was for museums to solicit more gifts and grants, and this seems to have been followed by all art museums. But his other recommendation—that museums should not take on more fixed costs and tone down special exhibitions—was clearly not embraced at the Met, or anywhere else. All of these institutions, and indeed almost every other art museum in the United States, has expanded considerably since 1989, with the result that museums are larger, fuller, and more in debt than ever before. Further, the number of art museums has increased in the ensuing years. In his 1989 talk, Rudenstine referred to 550 art museums; in 2014, according to the Institute of Museum and Library Sciences, there were 1,581 (Feldstein [1989] 1991, 79; IMLS 2014). Today, moreover, there are a lot more museums overall competing with art museums for visitors and revenues.

These directors and others were addressing major changes in art museum culture that had taken place in a very short span of time (from the 1960s to 1989). Museums and their financing have changed even more in the ensuing years. Dwindling public financial support is only part of the story. Museums everywhere have expanded their buildings to accommodate increased visitor demand, more popular exhibitions, and exceptional growth in collections.

The presentations cited above, outdated though they now may be, all touch on the essentials of managing collections of art. Sources of revenue were the topic of preeminent concern during these conversations, and these needs ought to be explicated at greater length. Another central issue is the physical plant of the institution, the museum's building, and the management of its facilities. While most thinking on museum buildings centers around the appeal of the architecture, another set of issues is at the core of museum planning and sustainability: how large are the galleries and storage facilities to be, and how do these numbers relate to the size of the current collection, as well as to how it will expand in the future (Merriman 2008)? Collection expansion raises questions about acquisitions. Where do new objects come from, how are they paid for, and who determines whether gifts will be accepted and what works of art will be purchased? Presumably, there is some plan in place, or at least a strategy for collections management (Fahy 1994; Evans and Saponardo 2012; AAM 2012). Collections management, which includes storage, conservation, and display of the collection, is one of the most expensive line items in any art museum's budget, and museums have continued to build apace without considering the concerns raised by Rudenstine in 1989, especially how to find funding in a rapidly shifting economic climate.

In 2016, the funding climate remains volatile, but we need to look at the big picture. Every national gallery exists to serve the state, and much the same could be said of cities and their museums. The goal is to serve the entire public, so entry to such institutions is often free to all or some the population (e.g., children and students). Although they derive some revenue from their restaurants, cafeterias, and shops, public museums get the bulk of their incomes from line items in the annual budget of a national, state or municipal government (or some combination of these). This is an implicit guarantee the museum will be supported from year to year. Fiscal accountability is more or less required, but government has made a commitment to supporting the institution as part of its responsibility to its citizens. Of course, this depends on government solvency, and public museums, particularly in some European countries, have consequently faced new funding challenges. Significant individuals, whether trustees, collectors, or representatives of the government, do have unique relationships with public arts institutions, whether in terms of collection building or governance and planning, but the role of private citizens is much greater in nonprofit institutions.

Fundamentally, there are two groups that are served by an institutional art collection. On the one hand, it is the public who benefits from a public institution that collects and exhibits visual art. Through museums, countless individuals have the opportunity to see treasures that were paid for and hoarded by the upper classes for centuries before public art museums came into existence. Yet the museum serves another group that could be called an "internal public" far more graciously.

This group of trustees, patrons, artists, and scholars has unique access to both the building and the works in the collection beyond what the general public enjoys. It could well be argued that every institution has its insiders, but museums thrive by virtue of the generosity of key figures who literally create the meaning and mode of public address within an institution. Unless the institution is entirely funded by the government or a private entity, someone has to pay the bills. So donors must be cultivated and, once they become active, they are coddled. The reason is not merely to ensure their consistent commitment to the institution, but also to encourage them to represent the museum to their friends and acquaintances as worthy of support, because donations are the result of social networks (Becker [1982] 2008). The social network of any single institution may overlap with many others, but art museums are unique because they are focused upon collecting and most serious donors to them are themselves major collectors of art.

In simple terms, museums are built upon hierarchies: hierarchies of art and hierarchies of public. Just as museums do not put up just any art in their galleries, they cannot rely on just any public to keep the doors open. So those that can afford to pay more than the price of admission have greater access to the opportunities that an art museum can offer. Donors have come to serve not just a symbolic role but a structural one within the emergent business model of art museums. They are not merely the prominent individuals who know how best to appreciate the cultural treasures on view, their contributions fill out the spreadsheet that determines the institution's budget. And this introduces the most essential aspect to note about art museum financing in the nonprofit model: it is paid for and supervised by the same individuals, namely, the trustees.

Museum trustees, boards of directors, and the like are not, and perhaps never were, disinterested third parties. As donors, whether of art or money, they have the role of overseeing the governance of the institution. It is possible to reverse this equation and to argue that because they are responsible for governance, they see the need to contribute support, but either way this is a clear conflict of interest. The result is that those who possess the greatest resources have the most power to direct the activities of the institution, though this influence is usually wielded as "soft power." Strong-minded board members have been known to handpick directors and other key staff members of art museums, but it is by no means the norm for board members to involve themselves directly in day-to-day governance. To be fair, there are a variety of nonprofit cultures and differences among boards, and their responsibilities are legion. But given their key role as funders, board members have a major negotiating tool at their disposal, and the defection of a major donor can be disastrous for an art museum. As a result, donors are kept happy, and the bigger the donor, the happier they are kept. This is the role of development departments that cultivate donors and raise funds for the museum, and it should come as no surprise that these departments have expanded considerably in recent years. In effect, art museum governance revolves around patrons who provide a structural and even a moral role for the institution. While it would be incorrect to assert that art museums exist for the benefit of their donors, it is nevertheless true that their concerns are the central preoccupation of a large portion of the staff of each art museum. Furthermore, while knowing and maintaining boundaries is part of the trustee's role, they nevertheless dominate the institution's energy and their preeminent concern is not only the museum's greatness, but its solvency.

Since few if any art museums exist solely as a result of their trustees' contributions, the central questions are increasing the revenue stream and limiting expenses. Nonprofit museums are thus not only responsible for eliciting charitable contributions, they are also yoked to the logic of the market, despite the appearance of offering an alternative. Yet art museums do not actually operate like corporations, since most of the employees come up with ways to spend revenue rather than to generate it. This explains a lot about why so may college graduates are interested in working in art museums, and indeed why so many young hopefuls labor without pay as interns there. Anecdotes aside, it is crucial to figure out how such an institution has been transformed into a workable business model and, more important, how fundraising has changed in the past generation to accommodate the demands for transparency and balanced budgets increasingly voiced by those who run nonprofit art museums.

Revenue comes primarily either from public or private sources, but museums also derive income from shops and restaurants, as well as from reproduction services and private rentals for special events. These are the most obvious forms of museum financing, but some sources of income are not so evident at first glance. For example, any institution that has an endowment is generating income from its investments, and to maximize returns on these without jeopardizing core funds, nonprofit museums have investment committees made up of members of the governing board members whose specialty is finance. However, such investments are as volatile as the financial world is today, and the size of an endowment is highly flexible. Since 2000, there have been two major shocks to endowments at American nonprofit museums, the first after the Enron crash in early 2002 and the more considerable one with the stock market decline in 2008. Both of these changed the financial dynamic for art institutions. The Getty Center in Los Angeles, for example, is reported to have lost around $1.5 billion from its endowment in 2008 (Kaufman 2009). Though the value of the endowment has since increased, the loss of around 25 percent meant that the amount that could be drawn from the endowment in the next few years was considerably lower, resulting in a tremendous loss to the annual budget and layoffs at the foundation and the museum. The lesson here is that income can go up or down, and that nonprofits, like businesses, are vulnerable to broader economic trends, even if they are prudent in their economic planning (Ojama 2013).

## 2 MUSEUM EXPANSION AND ACQUISITIONS

All art museums occupy buildings that provide not only the frame but the best visual advertisement for the museum's collection. The commissioning of a showpiece building to house the collection is one of the major developments of the past generation in the art museum domain (Newhouse 1998; Davidts 2006; Smith 2009). So many articles and even books have been written on Frank Gehry's Guggenheim building at Bilbao that it seems hardly necessary to repeat the refrain but art institutions everywhere have sought out major architects to make statements with their buildings, in a rhetorical strategy to put art museums at the core of an emergent urban fabric, whether the city is Paris or Cincinnati. When Robert Lynch employed the term "placemaking" in his summary of the Americans for the Arts economic impact report (see Introduction), he was making reference to the role that art institutions of all kinds can make in creating an active and visible civic culture, and art museums, for better and for worse, are at the forefront of this trend in urban planning.

While the immediate result is greater visibility for art museums worldwide, it also means that institutions are investing heavily in buildings designed as showpieces by the most famous "starchitects" available. Many questions have been raised about whether unique art museum spaces in such landmark structures are suitable for the art they are ostensibly designed to highlight. Yoshio Taniguchi's redesign of the Museum of Modern Art in New York that opened in 2004 at a price of $858 million was considered a success in providing a suitable environment for the variety of art works in its collection (Baker 2004; Goldberger 2004; Ouroussoff 2004). Conversely, Daniel Liebeskind's expansion of the Denver Art Museum was flogged for designing an architectural gem that did not stoop to providing vertical walls useful for hanging pictures (Ourossoff 2006).

Whether a building design suits a collection well or generates continual marketing for the institution, there are two other fundamental issues to consider in this context. First, the money that pays for the expansion is distinct from the budget of the institution and is raised through a capital campaign. That means that art museums struggling to raise enough income to stay afloat have to redouble their efforts and raise enough income—in many cases ten times their annual budgets—to finance a new building. Of course, once completed, the institution must then service this new space, so its fixed costs will increase substantially. These costs range from higher utility bills and increased security staff to more visitor services staff to handle the rise in visitor numbers that results from an expansion. The highest costs may well be keeping the galleries full, which requires increased programming and all of the other staff, from curators to educators to art handlers, necessary to manage and interpret the collection in this new space.

The second point to make about buildings is that the showpiece architecture is, at bottom, only a container for the collection and its staff. As physical plant, it has natural limitations and it is a liability in logistical terms as much as it is an asset in terms of marketing. While any museum would want the newest and best building technology, there is an inherent conflict between the transitory nature of such innovative systems and the ideal permanence of the art museum as such. Simply put, museums are supposed to last forever, and most buildings do not. This was highlighted in 2013 when the Museum of Modern Art proposed demolishing the landmark building designed by Tod Williams and Billie Tsien for the Folk Art Museum that opened in 2001. The Folk Art Museum decided to sell the building in 2011 because of financial troubles, and two years later, MoMA decided to remove the building to make way for the expansion of its campus. The Folk Art Museum building proved too expensive for the institution that commissioned it. Furthermore, it interfered with MoMA's plans for an 82-story tower designed by Jean Nouvel, 53W53, which will be partially occupied by MoMA (Pogrebin 2013; Kimmelman 2013). Avant-garde designs can go out of fashion quickly, and, more important, it can be quite impossible to determine how a brand-new building will age and how that will relate to the collection's growth and its institutional stability. This may not be the first thing on the director's mind when she needs to raise half a billion dollars.

Space issues related to art museum buildings are intimately connected to the continuous acquisition of new works by the museums. There are a handful of ways that art museums extend their collections, but pretty much every art museum, no matter how well or poorly endowed, is seeking to expand its collection. Art museums have differing views on collecting, and there can be little generalization in this regard, since some museums collect only to display (this is the model of the National Gallery in London), while others, particularly modern and contemporary institutions, are constantly building their collections as new works become available (Altshuler 2005). Drawing, photography, print, and new media departments pursue specific agendas, operating more like libraries, because it is assumed that only a handful of works will be put on view at any given time. Given the limited supply of historical works of art, it is no surprise that the largest area of growth has been in contemporary art, as well as adding non-Western art to public collections that did not previously house it. There are three basic ways in which collections expand.

Major gifts are the first and most desirable way. These come from significant private collections that, rather than being dispersed following the death of the collector, are transferred to a single institution. Needless to say, such collections are rare, and those who possess them are courted by multiple suitors. Such collections—for example, Steve Cohen's has been in news often—possess art that could not easily be acquired today because of the cost and the rarity of the works, and they can potentially transform an institution's ability to generate interest and draw an audience. Such was the case with the Arensberg and Gallatin collections, which around 1950 endowed the Philadelphia Museum of Art with a tremendous trove of modern art that lures visitors to this day. In other cases, as with the Annenberg collection of Impressionist art given to the Metropolitan Museum in 1992, the gift shores up an already strong presentation and helps to cement its prominence. Such largesse is becoming rare these days, as many donors prefer to offload their collections in segments, sometimes to multiple institutions over a number of years. In some recent cases, such as those of the Donald and Doris Fisher Collection and that of Eli Broad, strategies are emerging in which the donors do not give their collections to any institution but instead set up a trust to loan them out. Whereas the Fishers have loaned their collection to a single institution, the San Francisco Museum of Modern Art, Broad originally thought about loaning his to multiple collections, but finally opted to build his own museum in downtown Los Angeles (Kino 2010; Ng 2013; Stromberg 2015; Knight 2015; Whiting 2015). Of course, an alternative to providing a major gift to an existing institution is to start one of your own. The tradition of doing so goes back to the American Robber Barons, consider the Frick Museum, and extends, through the Barnes Collection, right up to the present day. But it has become considerably more visible internationally, a trend explored below.

The other ways for museums to increase their collections are more incremental, through gift or purchase, and in both of these cases it is donors, often trustees, that provide opportunities for both public and nonprofit institutions, while directors and curators direct traffic. Art museum trustees are often collectors themselves, and they amass private collections that they can make available to the public by giving them to an institution on whose board they serve. In this case, the identity of the collector will be permanently preserved in the annals of the museum and displayed in perpetuity to all who read the labels next to works of art. Donors to art museums receive tax credits in the United States, and other countries are attempting to replicate this system on some level (at the very least, one can pay estate taxes by donating works of art), so there are both altruistic and financial incentives to give art works to an institution. Any individual can offer a work of art to an institution, but, since artists can write off only the costs of materials, not the actual value of the work of art, U.S. tax laws since 1969 have discouraged artists from donating their own works to museums. Legislation has been introduced to change this law but at time of publication, nothing has changed (Americans for the Arts 2012).

The main question is whether the museum is interested in acquiring the work of art, and there is generally a multi-step process for determining its acceptability as a gift. The first step usually involves a curator responsible for that type of art work (painting, print, video, etc.) examining the potential gift and determining if this it will enhance the institutional collection. In many cases the answer is no, even if the collector is a donor to the institution, because it is plain that there is far more art in the world than needs to be preserved forever, as museums intend to do. If the work is desirable, the curator refers the matter to the administration, which, considering her advice, determines whether to promote the work for accession to the museum through an accessions or acquisitions committee (Storr 2005). Such a collections committee serves a key governance function in the institution, because it determines what objects an institution ought to have, and to preserve as part of its collection. It considers many questions, from the condition of the work to the reputation of the artist to whether the museum has any related work and how often this piece might be shown. In brief, this committee is charged with determining whether a potential donation is in keeping with the institution's mission, and whether the museum ought to take responsibility for this object. Such committees, as will be shown below, can also fund acquisitions.

When it comes to buying works of art, differences emerge. The European model generally assumes that funds will be provided by the government, usually as a fixed amount in the annual budget for new works, so curators and administration can make regular decisions about how to expand the collection. But in recent years, the price of all manner of art works has skyrocketed, so that museum accession funds can no longer be counted on to secure important works that come to market. Therefore all art museums, public or private, have begun to seek out donors to fund acquisitions that the institution feels it cannot live without. Whether these works are sold privately or at auction, an institution will line up some generous soul to pay the bill and give the work to the museum. Sometimes multiple donors are lined up to finance such acquisitions, and this generates a new dynamic between the curators, directors, and donors, while making it possible for more and more significant works to enter public collections (and thus concomitantly raising the demand for, and the price of, key art works that remain in private hands).

The other way that museums buy art works is with funds earmarked by the donor for a specific purpose. This is termed a restricted gift. Sometimes these are provided as a one-time opportunity (a donor gives the museum a fixed sum of money to be spent on acquisitions), but more often a donor will set up a fund (a mini-endowment) that will generate a regular income for acquisitions through investment, leaving the initial fund intact. In either case, the donor is acknowledged in the credit line (e.g., "purchased through the John Zarobell fund") on the label mounted next to the work, as well as published along with any reproduction of the work either in print or online. As to budget-line-item acquisitions, these are generally limited to smaller sums, fixed by the annual budget and usually are discretionary, determined by the director. In such a case, a curator who wants to purchase a print by Whistler, for example, would go to the director and make the case for why this work is essential to the collection, presents a unique acquisition opportunity, and so forth. While the director holds the reins in such cases, all museum accessions are subject to approval by the museum's board of trustees and, in medium-to-large institutions, there is often a collections committee involved too, as explained above. Alternatively, accessions can be approved by a curatorial department committee, such as the European decorative arts committee or the photography committee.

In the case of modern and contemporary museums, a trend has emerged to have collections/accessions committees themselves fund acquisitions. The funds are raised through subscription: anyone who sits on the accessions committee contributes a certain amount annually, and that money is pooled for museum acquisitions. This system can also be based on curatorial department committees. Depending on the amount of money contributed and the size of the committee, this can raise a substantial amount of capital for annual accessions without burdening the annual budget of the institution with these costs, as well as distributing the decision-making process into a wider group. (Of course, the director must approve anything that goes before the committee in advance, but the situation is different when funds are not coming from the annual budget but from donors.) In this context, each member of the committee casts a vote on each work of art that is offered to the museum, whether through gift or purchase, but the information on the works is supplied by the curatorial departments and conservators as well. In this democratic system, the curator can be overruled by the committee but it is also true that the curator is the expert in these matters, even if every member of the board is a collector, so what the curators propose by and large will succeed.

It may seem totally obvious, but it is important to underline that the accessions or collections committee system has a number of characteristics that could lead to problems. First and foremost, those who determine democratically what to acquire for the nonprofit institution are paying for the privilege,* and they control not only what the museum buys with their funds but what the museum accepts as gifts. Perhaps the most difficult issue here is one that touches on the relationship between museum collections and the market and the role played by curators as tastemakers in the domain of contemporary art. William Cole notes: “With strategic donations, rich collectors and dealers gain influence in major art museums. Whose works do you suppose they encourage those museums to purchase and exhibit? Whose works do they donate, sometimes retaining a life interest, for huge tax deductions calculated according to market prices, however ridiculous those prices might be?” (Cole 2013).

The complications introduced by accessions committees in this context are clear. Curators explain to a group of collectors what they want to acquire for the institution and why it is so important to the institution’s collection. Then the private collectors at the table are aware of how in demand the works of certain artists are, as well as the fact that the museum is considering a purchase, which of course drives up prices of this artist’s work since being collected by museums is the highest aspiration for a contemporary artist. Dealers and artists themselves donate works to museums for exactly this reason. Getting backroom tips on assets on the market that will increase in value after an upcoming acquisition is roughly equivalent to insider trading, but in the context of nonprofit governance, this committee system does not break any rules. Nevertheless, one of the indirect results of a collections committee is to produce a very tight-knit web between museums, dealers, and collectors. That such a series of connections might have implications for the market of an artist’s work is obvious, but that lies beyond the scope of this chapter.

In nonprofit museums, a collections management plan is a must but the question of sustainability, raised by Nick Merriman (2008), is one that now concerns all museums’ collections planning considerably. The question of how large a collection can grow is a real issue for a range of institutions and, if one looks carefully at the rationale for the art museum expansion boom worldwide, one finds that one of the central reasons for expanding or replacing the building is that the institution’s collection has outgrown it. Of course,

* Usually, such committees have a few members, with voting rights or ex-officio, who are not required to pay because they are experts or representatives of the board or another museum committee.

with the prospect of a new building, it is quite common for a museum to go on a collecting spree to acquire impressive new works to fill the landmark addition. Needless to say, this means that expansion does not always satisfy the demand to increase the amount of work on view significantly. And few, if any, art museums have determined that their collection is large enough and they must stop acquiring works.

With more works come greater collections management needs, but there are also residual needs for collections management brought about by expansion, because such enlargements often include expansive special exhibition galleries that require the involvement of the collections management staff, such as registrars, conservators, and so on. Works of art need sometimes need to be cleaned for exhibition, but they always need to be accounted for and installed, so the collections management staff are diverted from the care of the collection proper to focus upon the work needed to satisfy the demand for special exhibitions in-house and loans to other institutions—quite often the same partners who have themselves loaned to the museum in the past. As the number of special exhibitions increases, art collections are more in demand and the amount of care required to maintain them increases. There is simply no end in sight to this trend, so the implication is that the costs of maintaining a collection are going to continue to increase. Of course, new expansions will age, and maintenance will be required, so the costs of servicing the physical plant will increase too. Furthermore, increases in collection size will force museums to secure offsite storage.

The sustainability of collections management thus quickly becomes a question of sustainability of funding sources. This puts the nonprofit model in a better position than the state-funded model in many respects, since budget line items are not often elastic but more private funders can always be cultivated, and museum costs have continued to spiral upward. Yet these logistical challenges, introduced by the two main museum trends, expansion and the special exhibition boom, have forced museums to reconsider their business plans and to get more creative with their funding sources. Coupled with a new focus on management at nonprofit institutions and the hiring of administrators with MBAs, it begins to seem as if museums have entered a new era, more focused on the prerogatives of meeting the bottom line. Museum funding sources are changing, and many of the values of the business world, and even an entrepreneurial spirit, have been inculcated into both state-run and nonprofit arts institutions. The next section addresses some of these new developments.

## 3 NEW STRATEGIES FOR UNDERWRITING THE MUSEUM

Changes in the nature of funding streams, debated by Parker, Krens and Rudenstine among others in 1989 (see above), have continued unabated. Yes, governments in general have less money to provide, especially in national economies weakened by increasing global disruptions. While the shrinking of the state and state funding under neoliberal policies has, in a broad sense, been the major trend to consider with regard to new funding sources for art museums, the other side of the coin is rising costs. The larger question is how these museum-funding models, established in Europe and the United States, are spreading alongside the expansion of art museums throughout the rest of the world. As state support contracts worldwide, even institutions whose finances were once assured have to go in search of new sources of revenue. Corporate funding of art museums peaked in the United States in the 1980s and 1990s, but it is gaining new prominence in Europe. For example, anyone who took a boat tour down the Seine in spring of 2011 was treated to colossal advertisements on the outside of scaffolding on the Louvre and the Musée d'Orsay.

If government assets everywhere are being privatized under the neoliberal doctrine, it should come as no surprise that these pressures should exert some impact on state-funded arts institutions. "The Louvre's state subsidy shrank from 75 percent of its budget in 2001 to just over half of its $340 million budget last year. A new 5 percent cut is looming for almost 500 French cultural institutions," Doreen Carvajal noted in the *New York Times* (Carvajal 2011). With the exception of China's prolific growth in the museum sector (Perlez 2012; Cotter 2013), the era of governments bankrolling art museums appears to be coming to an end. However, the same neoliberal policies have strengthened the economic position of the most wealthy (Harvey 2005; Piketty 2014), and so it is to them that art museums increasingly turn. Whether museums look to particular individuals, their private foundations, or foundations that pool funds from a variety of donors, the fact is that private funds are increasingly taking the place of other funding sources. It must also be said that these donations are a form of tax haven for their donors, reaping benefits for the institutions at the expense of governments everywhere. As more private wealth is accumulated globally, grant making (foundations providing funds to nonprofits) increases apace.

What emerges globally are a handful of developments that are now remaking the funding dynamic for art museums. These trends are not necessarily going to determine the future of museum funding for all institutions, and many art museums have figured out how to balance their audience and their funding streams carefully to succeed in their own niches. Nevertheless, the trends seen here change the overall picture and the models they introduce, if successful, will seem like viable new paths for art museums to pursue. The most prevalent trend is perhaps the proliferation of private museums, or private-public partnerships that make possible new venues for the presentation of the visual arts to new publics. This is not a new idea, but its growth in the era of expanding personal fortunes globally is destined to impact, and in many countries to take the place of, state-funded institutions. The broader trend here can be found most prominently in the most rapidly expanding sector of modern and contemporary art.

Museum "branding," a concept bequeathed to the nonprofit sector by marketing consultants, is now relatively common in the United States, but the franchise phenomenon is far more ambitious in its aim to change the nature of museum governance. Thomas Krens must be credited, for better or worse, with the idea of developing a chain of museums worldwide whose particular character and collections are as recognizable and sought after as Starbucks or McDonald's (Cuno 2004; Lowry 2004; Werner 2005). Not to be outdone, the Louvre and the Centre Pompidou and have copied this corporate model in state-run institutions (to say nothing of the Tate and the Hermitage), thereby demonstrating that the ostensible gap between the American and European museum models is easily breached. It also should be pointed out that the Guggenheim is perhaps the most successful manifestation of the private museum model that has undergone some changes over the years. The twin developments of the private museum and museum franchises are entwined with the expansion of neoliberal economic doctrine. Moreover, cities in emerging economies are experiencing significant growth as a result of changes wrought by economic globalization, and they seek cultural institutions to burnish their status as global metropolises. Two important innovations in museums that have emerged from these historical developments are the income-funded museum, best represented by the West Kowloon Cultural District, and the role of place making to encourage not only art museum expansion but public-private partnerships that are explicitly connected to economic growth and consumer development.

A good example of a public-private partnership can be seen in the Istanbul Museum of Modern Art, which grew out of the Istanbul Biennial and is supported by a single family foundation (the Dr. Nejat F. Eczacıbaşı Foundation) and the Eczacibasi Group, yet receives a modicum of support from the Turkish government, as well as project-based support from the European Union and other international funds and local sponsors. "The public authorities, especially the Ministry of Foreign Affairs and the Ministry of Culture, have understood for quite some time the importance and interest of Turkey's artistic production and the international authorities in the Turkish art scene. So they started using art exhibitions as a tool of communication and for diplomacy, in order to demonstrate, especially to the Europeans especially that Turkey is a modernized, Westernized, Europeanized country . . . given the fact that we have this kind of art, i.e. contemporary art," Çelenk Bafra, curator and head of exhibitions at Istanbul Modern and former director of the Istanbul Biennial, explained in an interview (personal communication, September 15, 2012).

Istanbul Modern is a hub for contemporary art, both Turkish and international, and the government provides support to this private museum initiative because it serves its interests and projects the image of the country that it hopes will be received by others. In fact, the announcement that the government would provide the museum with a lease for its current building, a former warehouse in a prime location on the Bosporus, came in 2003 when the European Union was first considering Turkey as a potential member of the European Union. While private museums can serve the interest of governments for the purposes of cultural diplomacy, they are usually left to their own devices in terms of fund-raising and programming.

The Global Private Museum Network (originally the Hong Kong Private Museum Forum) is a demonstration, if any were needed, that the private museum has come of age in a globalized world. The Forum was originally concurrent with the Hong Kong International Art Fair, which was bought by Art Basel in 2013. At that point, the organizers updated the concept and moved the conference to London to coincide with another art fair, Art 13 (Global Private Museum Network n.d.). In 2016, it was moved back to China, taking up residence in Shanghai (Baumgartner 2015). The fact that this forum is attached to art fairs underlines the significance of the market in helping to shape the next generation of museum development through the collectors who frequent such fairs. The list of participants from 2012 sheds light upon which individuals open their own museums. Of course, it includes such well-known figures as Don and Mera Rubbell, whose Miami showcase for their collection has long been a necessary stop during Art Basel Miami Beach each December. Also attending were Europeans such as Ginevra Elkann, of the Pinacoteca Giovanni e Marella Agnelli in Turin and Anita

Zabludowicz, co-founder of the Zabludowicz Collection in London. But there were many Asian collectors who had opened their own museums as well, many in the heart of the People's Republic of China, one of the few countries where the national government is still quite active in funding and building museums. Figures such as Thomas Ou of the Rockbund Museum in Shanghai and Li Bing, were joined by the owner of the Beijing He Jing Yuan Art Museum and Dai Zhi Kang, founder of the Himalayas Art Museum in Shanghai, Wang Wei, owner of the Dragon Museum, also in Shanghai, and Budi Tek, owner of the Yuz Museum in Jakarta (Sinclair 2012; Olson 2013). The list of participants stretched to forty, and this is just the tip of the iceberg. Many of the world's most prominent private museums, such as those opened by Alice Walton in Bentonville, Arkansas (Crystal Bridges Museum), Charles Saatchi in London (Saatchi Gallery), Carlos Slim in Mexico City (Museo Soumaya), and the ruling family of Qatar, the Al Thanis (the Museum of Islamic Art and the Mathaf: Arab Museum of Modern Art in Doha), were not represented, but their larger and more prominent institutions are driving the conversation about which artists are important and how private collections might be used for the public good. They are also setting an example for other new collectors to follow. "Private Collectors are setting the agenda for which artists are the most significant by stimulating other collectors to emulate them and compete for works, which drives up prices." (Adam 2014, 85).

A report emerged in 2016 that aggregated data for the first time on private museums internationally (Larry's List and Artron 2016). There are many interesting findings. It lists 317 privately funded contemporary art museums internationally and reports that South Korea is the global leader in private museums with a total of 45, followed by the United States, Germany, China, and Italy. The report also notes that only one-third of private museums have over 20,000 visitors per year; this makes it seem that the benefits for the public are slim indeed, since 20,000 visitors a year is fewer than 55 a day.

A section of this report also addresses the foundation and legal status of private museums. Many of these museums have sought nonprofit status by setting up foundations. They explain that half of the museums surveyed are foundations, but this is more the case in the United States and Europe; in China, only 10 percent of private museums are foundations (Larry's List and Artron 2016, 32). Many of these "museums" are thus content to be for-profit institutions run like companies, and it is clear that the term "museum" is being refined in locations like China. One wonders whether the income revenues pay the costs of such institutions, whether they make a profit or take a loss, but in some sense this is to miss the point. Such museums provide a public service by making private works available to the public, and they are, to be sure, vanity projects that show a collector's work to the best effect and keep more of it on view than would be possible if these collectors gave their art to public institutions.

Another point is that art shown in museums generally increases in value, and the museum building itself (as well as the land it sits upon) both appreciate, so a private museum is a real estate investment—one often is secured with the aid of local governments, since it will provide ostensible benefits for the community it serves. Private museums that do not seek nonprofit status do not have to play by the same rules, so they can deaccession (sell off) works whose values have increased while in the collection, and they can also easily go bankrupt if the funding stream from a single individual dries up or if there is not a well-developed business plan. Businessmen everywhere see the logic of investments, as well as the value-added dimension that museums confer. An article in the *Art Newspaper* made this motivation clear: "'Private museums are proliferating because China has a lot of property developers,' says Shen Qibin, the former director of the Zendai Museum of Modern Art and the director of the planned Himalayas Art Centre, both funded by property magnate Dai Zhikang. Developers often build a museum 'as an advertisement for nouveau riche developments'" (Movius, 2011).

Of course, if you are already building a single private museum and your collection keeps growing, why stop at one? Budi Tek, owner of the Yuz Museum in Jakarta, is following Dai Zhikang's lead by building a second private museum in Shanghai (Kinsella 2015).

Such expansionism might be expected from businessmen who own private museums, but it originally emerged from a New York-based nonprofit, the Guggenheim. The Guggenheim had long maintained two branches; aside from its landmark Frank Lloyd Wright building on Madison Avenue, the institution maintained the former residence of Peggy Guggenheim in Venice as a house museum that featured temporary exhibitions as well, showing the collection that she lived with there. With the boom in Manhattan's SoHo neighborhood in the 1980s, to get a piece of the action, the Guggenheim opened a SoHo branch in 1992 (it would close permanently ten years later). Not long afterwards, Krens, then director, began to look further afield at Berlin and, most famously, at Bilbao, Spain. In this unique case, the architect Frank Gehry's collaboration with the Guggenheim created another landmark building that literally put this aging industrial center on the map for many potential tourists both inside the art world and beyond (van Bruggen 1997; Plaza 2007, 2008). The Guggenheim's expansionism may have peaked— although a new Guggenheim on Saadiyat Island in Abu Dhabi is planned, Guggenheims in Las Vegas and Berlin have closed and Guggenheim's bid to put museums in Rio and the West Kowloon Cultural District did not come to fruition— it nevertheless created a viable new model for large institutions whose expansive and excellent collections in storage were underutilized. It is a revolution in the collections management paradigm to ship portions of the collection around the world to compete with native cultural attractions for a share of tourist revenue. Such a move would only be possible with global networks of transportation and infrastructure like the ones that make it possible for an American company to manufacture a computer in China and sell it in Europe. In essence, such a move represents how even nonprofit museums have become adept at the strategies of economic globalization.

It also demonstrates significant innovations in the means of paying to maintain a bricks-and-mortar institution with large, valuable holdings. Those modernist paintings that the Guggenheim had sitting in storage were assets whose potential was not being maximized. As shown above, constructing new buildings through capital projects stands apart from a museum's annual budget, and it takes a lot of energy for an institution to raise money for a new building. But the Guggenheim Bilbao was built on credit from the Basque regional government and bonds floated by the Guggenheim Foundation (a separate nonprofit entity and legally distinct from the museum proper). Guggenheim thus also changed the paradigm of fund-raising for the arts in order to create this new landmark, which became an instant popular success when it opened in 1997 (Plaza 2007, 2008; Smith 2009). The incredible amount of press this expansion elicited and the resulting tourist traffic went a long way toward paying back the debt and showed municipalities everywhere that a well-planned cultural institution could change the economic climate, something now known as "the Bilbao effect." The placemaking idea came together here with the self-funding museum model to create a combination that urban planners worldwide long to replicate.

Juan Ignacio Vidarte, director of the Guggenheim Bilbao and Solomon R. Guggenheim Foundation's deputy director and chief officer for global strategies, noted, however, that this kind of development cannot operate effectively without a coordinated plan and a deep understanding of the local community. "A cultural institution can be a tool to develop a community, but it is not just about a cultural institution or a spectacular building," he said in 2012. "Bilbao was just one part of a broader effort—building the metro, cleaning up the river." The Guggenheim had turned down many cities that had approached it "because there wasn't a real understanding" (Pes 2012, n.p.).

Saadiyat Island in Abu Dhabi has developed a plan (now delayed) that includes both a Guggenheim museum and a branch of the Louvre, and other places have developed more local partnerships with wealthy individuals and investment groups to develop their city's desirability and increase tourism revenues. The government of Singapore is noteworthy in this context. Other cities, such as Istanbul and Moscow, are featured in profiles of rising art capitals in this volume, but Hong Kong is a unique case. This city is the third largest market in the world for art (after New York and London), and its effort to develop the West Kowloon Cultural District has been open and visible, driven by both developers and public conversations about the nature of the cultural district. The resulting museum concept, M+, will be the result of an almost twenty-year process, since the district was first incorporated in 1998 and it is not due to open until 2019. This museum will feature twentieth- and twenty-first-century art, design, architecture, and the moving image. The report on cultural institutions developed by the museum advisory group's recommendations states: "M+ is more than a museum or building space. It would be a new type of cultural institution with its mission to focus on 20th–21st century visual culture, broadly defined, from a Hong Kong perspective, the perspective of now, and with a global vision. With an open flexible and forward-looking attitude, M+ aims to inspire, delight, educate and engage the public, encourage dialogue, interaction and partnership, explore diversity and foster creativity and cross-fertilization" (WKCD 2006, n.p.).

This ambitious museum program is meant to be a leader in the development of the region but it also clearly aims to overcome previous museum models in a variety of ways. In terms of funding, the government of Hong Kong provided a bond of 21.6 billion Hong Kong dollars (about U.S.$2.8 billion) in 2008 for the cultural district at large, which includes financing for the construction of the district and establishing the museum's collection. To this end, Uli Sigg's collection of contemporary Chinese art has been acquired by the museum through a combination of gift and purchase (the WKCD paid the equivalent U.S.$22.7 million for forty-four works, and more than a thousand more, worth $167.5 million, were donated). The architectural competition for the building was won by Herzog and de Meuron (figure 3), who built the Tate Modern among many other museum buildings worldwide.

Programming has already been going on for years. Nils Littve, the founding director of the Tate Modern, was appointed director of M+ in 2011, though he stepped down in 2015 and in 2016 was replaced by Suhanya Raffel. Nittve expounded on various dimensions of the museum, particularly the importance of building public trust, and explained the financing of the museum, saying: "The government has given the authority, the land, and HK$22 billion to build the buildings. Then we also have the right to develop and build restaurants and shops, entertainment spaces, and cinemas, and to use the revenue from the rents to subsidize the museum and the theaters" (Li 2013).

Nittve describes this as a Hong Kong model—comparing it to the Hong Kong subway, which is cheap and not subsidized by taxpayers—and notes that such a model has never been used to fund a museum, but that it may prove influential in other contexts. Nittve did not rule out corporate or other sponsorships in the future, because exhibitions can be expensive and, even with HK$1.7 billion (around U.S.$219 million) to fund the collection, "the collection is a black hole and you can spend endlessly on it" (Li 2013).

The model of funding an art center based on the rents of surrounding commercial and residential development is related to the market orientation that has succeeded in propelling countries around East and Southeast Asia into prosperity in the generations since the end of World War II and decolonization in the region. The West Kowloon Cultural District Authority, while originally funded by the government, will derive its income from its very desirability as a developer of cultural content for the public. Other dimensions of the museum's innovation, that it is more than just a building, that it features visual culture and will focus on the ways different art forms overlap and integrate in the contemporary world, are linked to this public-private partnership funding idea. In both cases, the model is not top-down but structured along the desire and interests of the audience. Whether one addresses the potential visitors or the funding stream, the market is the solution, since the interdisciplinary programs, featuring art and film and performance, are being designed to appeal to the broadest audience and the economic advantage derived from the desirability of the cultural district will support the institution. Though the government plays a financial role to set these developments on track, it is up to the rotating members of the board of the West Kowloon Cultural District Authority to develop its plans in association with the public and to determine how to realize the ambitious plans put forward by the museum's advisory board and articulated by the administration. The result is not just a new museum, but a new district. M+ is being designed as a cultural attraction to have global appeal, as well as a new way to fund art museums by and for the public.

In order to demonstrate the way such developments have broader effects, one needs only to look, by contrast to the Museum of Modern Art that is planning a "campus" on the block they currently occupy between 53rd and 54th Streets in Manhattan. While the overall architects of the campus are Diller, Scofidio, and Renfro, Jean Nouvel has designed an 82-story tower for the Hines corporation (53W53) that will house 40,000 square feet of galleries for the Modern on its lower floors. Though the Modern sold the property to Hines in 2007 for $125 million, the museum is clearly cultivating a cozy relationship with the property developer and has leveraged the value the museum adds to the neighborhood by securing gallery space in the building for its campus. Jerry Speyer, the real estate developer who was the Chair of MoMA's board of trustees, explained in a *New York Times* article that this new expansion, following on the heels of another in 2004, was planned because "we have a lot of art that we own that we would like to show," (Pogrebin 2013, C2). Expansion for the purposes of the collection in this case is a justification for developing a cultural complex with significant real estate values that will be added to the local economy. While MoMA has clearly benefited from this arrangement, the museum will not be the primary beneficiary of this value added to the local economy. They will have their campus but, unlike M+, it will not pay for itself. Of course, if it did, the museum would not need those trustees to keep it afloat and the entire funding model they have developed would be unnecessary. The most pressing question is: which of these models is the way of the future? If one perceives the museum and the cultures it represents as autonomous or independent, the Hong Kong model is no doubt the more effective on a financial level. However, if the museum exists to serve the interests of its board members, MoMA wins hands down. Examining museum funding can indicate a lot about the goals and the nature of an institution and, political and economic contingencies aside, its funding model illuminates where the power to shape the institution resides.

**FIGURE 4.** West Kowloon Cultural District, aerial view. Courtesy of West Kowloon Cultural District Authority. 西九文化區, 鳥瞰圖, 圖片由西九文化區管理局提供 (This photograph's copyright is provided by the West Kowloon District). © West Kowloon District.