UNIVERSITY OF CALIFORNIA, BERKELEY
GOLDMAN SCHOOL OF PUBLIC POLICY

GSPP08-005

Capitalizing Art Museum Collections: Awkward for Museums But Good for Art and for Society

Association for Public Policy Analysis and Management
Research Conference, Washington DC, Nov. 2005

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The author is grateful for research assistance from Jill Manning and Leila Allahyari, advice and patience from Kevin Consey and Eugene Smolensky, and research support from the Committee on Research, University of California, Berkeley.

Rev Feb 06

I. Introduction

As my late colleague Robert Leone was fond of saying, "accounting is too important to be left to the accountants." What he meant by this was that accounting can be done in different ways, and that how it is done has consequences for organizational behavior and management. In the following pages I describe a feature of art museum accounting practice,[1] namely their failure to capitalize their collections and report them as assets, show that it is on the whole bad for society and for art, and suggest some ways to correct the situation.

Among the most important parameters of "how accounting is done" are rules of aggregation and of inclusion. One can imagine an accounting system as beginning from a list of every transaction an organization makes. Such a list, though it contains everything you could want to ask, would of course be useless for any important decision, so transactions are aggregated into "like kinds" such as "wages and salaries" or, for another kind of report, "part-time clerical wages in the Tulsa office". The chart of accounts specifies what gets added to what and what may not be combined with what.

An aggregation of this kind, that describes flows of resources, goes with a cross-sectional report of where resources are, and who controls them, at a moment in time. This *balance sheet*, as a description of an organization's condition (as opposed to its behavior) is so important that "knowing how to read a balance sheet" is common slang for "having a basic understanding of accounting and, by extension, business". Balance sheets are aggregations of types of resources into categories useful to internal and external decisionmakers, especially into the large categories of *assets* and *liabilities* according to who has claims over them and on what terms.

Essential to a meaningful balance sheet is the expectation that it report all, and only, the assets and liabilities of the firm, for obvious reasons. If a balance sheet omitted important liabilities such as debts, the condition of the firm would be misrepresented and reckless actions might seem sensible. This essay concerns an exception to the principle that a balance sheet show all a firm's assets, valued in money by some systematic principle, in particular the accepted practice among art museums that their art collections are not listed, let alone valued. Despite real challenges museums would face in giving a fair account of their collections, the benefits of changing the rules would on balance be positive for society and for museums.

[1] Other kinds of museums omit collections in their balance sheets, but many of the issues are different for scientific and historical collections and in this essay I will concentrate on art museums.

II. Asset accounting from a societal perspective

Organizations keep accounts in order to improve decisions. The variety of decisions at issue is wide and the decisionmakers numerous, including both internal and external actors. Accounting is an obligatory managerial exercise if only because outside stakeholders (tax collectors, stockholders, etc.) demand accounts, but even without this constraint an internal manager will demand to know what is happening and what could make it different.

Examples of such decisions include:

- What if this firm were given more resources?
- What if its assets were used differently?
- What will happen if misfortune occurs (eg, receivables not paid)?

Looked at this way, accounting information is what makes it possible to calculate partial derivatives of various indicators of value creation with respect to variables that might change or be changed. To choose one example from the analyst's standard tool kit, *Return on Investment* (*ROI*) measures the value created per year by a firm per unit of assets entrusted to it. If this ratio, which is similar to the interest rate paid by a loan, is lower than comparable firms or alternative investments offer, a transfer of resources away from such a firm is indicated, at least on a *prima facie* basis.

The important managerial decisions occur in an environment of *accountability*, a word whose kinship to *accounts* in the financial sense, and to *account* in the sense of a story, is no accident. Every organization with authority over valuable resources is liable to account for its behavior to some group of overseers, though the accountability relationships vary.

Public agencies are accountable, directly or otherwise, to voters. (For an extensive discussion of the complex structure of accountability in government, see (Behn 2001)). Private firms are accountable to their investors, but also to society at large. For example, we demand compliance by corporations with a variety of laws rooted in the grant of authority to form corporations that are allowed to act like people in certain ways but whose owners are also, in W.S. Gilbert's words, allowed "to specify the degree to which they propose to pay their debts". Some of these assure accountability to investors, some assure proper treatment of workers and the environment, and others make it possible to collect taxes fairly and efficiently.

Non-profit organizations, a form taken by most US museums, have especially complex accountability obligations. Their existence is conditionally permitted by legislation like corporation law, and they are granted a variety of special privileges especially including various tax exemptions (Feld, O'Hare et al. 1983).[2] Both of these circumstances entail responsibility to society as a whole, indeed tax exempt status under Sec. 501c3 of the US tax code is conditioned on specific exclusively public duties:

> “…organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual”.

Non-profits are governed by a board of trustees or directors to whom they are accountable within the broad scope of action permitted by law, and who, in the case of arts, health, and educational nonprofits, are expected to assure yet another kind of accountability, namely to professional norms.

These professional standards are themselves a distinctive social invention. When it is difficult to observe quality of performance of certain occupations, practitioners are given privileges—especially market entry restriction powers—in return for assurances that they will serve a public interest of excellence. The privileges are sometimes statutory, as for physicians and lawyers, and sometimes exemption from anti-trust laws, as in the case of university professors. In the case of museums, a network of codes and conventions binds professional staff and trustees not only to serve the public interest generally, but also the distinct interests of art and scholarship, interests commonly defined by the same group of professionals that are responsible to them.

All this accountability requires accounting systems that are accepted and consistent both across firms and, internally, across time. Necessarily such systems are compromises among demands of different goals. For example, the mission statement of the Art Institute of Chicago is:

> The purposes for which the Art Institute of Chicago is formed are: to found, build, maintain, and operate museums, schools, libraries of art, and theaters; to provide support facilities in connection therewith; to conduct appropriate activities conducive to the artistic development of the region; and to conduct and participate in appropriate activities of national and international significance;
>
> To form, conserve, research, publish, and exhibit a permanent collection of objects of art of all kinds; to present temporary exhibitions that include loaned objects of art of all kinds; and to cultivate and extend the arts by appropriate

[2] One of the most important exemptions for museums accrues to donors of money or property and is discussed in more detail below. Note that the accountability here spreads from the institution to the donor, who is the party responsible to society for fair reporting and tax treatment of the gift.

> means;
>
> To establish and conduct comprehensive programs of education, including presentation of visual artists, teachers of art, and designers; to provide educational services in written, spoken, and media formats;
>
> To provide lectures, instruction, and entertainment, including dramatic, film, and musical performances of all kinds, which complement and further the general purposes of the institute;
>
> To receive in trust property of all kinds and to exercise all necessary powers as trustee for such trust estates whose objects are related to the furtherance of the general purposes of the institute or for the establishment or maintenance of works of art.

Even this mission statement says nothing about professional ethics, local economic development, or many of the other duties imputed to museums by their various stakeholders (see, for example, the codes of ethics of the American Association of Museums and the International Council of Museums), but the duty to "form…a permanent collection" has occasionally led major museums into ethical and even legal conflicts like that currently afflicting the Getty Museum (Felch and Frammolino 2005).

Museum financial accounting systems do not always meet conventional standards of completeness for like sized firms (Christensen A.L.; Mohr) but because of the centrality of collecting, conservation, and duties to donors of objects, all museums maintain meticulous non-financial records of the objects in their collection, including dimensions, location, materials, artist, donor, history, restrictions, and the like. Records of this kind are necessary to support a variety of needs, both mundane (to make theft or conversion of resources to private uses obvious and preventable), and more lofty (to make objects available to other museums for loan exhibitions, and to scholars for research). In one sense, then, museums are completely accountable for their principal asset, the collection: it is possible to ask "what works do you have? Where are they at this moment?" and to see for any given work whether it's being properly cared for.

Whether this non-financial accounting suffices for proper museum accountability or not, the sums of money involved are quite breathtaking. Though few museums capitalize their collections, especially publicly, some estimates can be made. One approach is to capitalize the services provided by a museum[3]. These services include mostly the display of art to the public, for which a reasonable indicator is the opportunity cost of visitors' time. To make this estimate correctly requires information on visit length that few

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[3] For an early proposal to apply this concept to display and acquisition, see O'Hare, M. (1974). "The Public's Use of Art: Visitor Behavior in an Art Museum." Curator **17**(4).

museums collect (for a way to do this, see (O'Hare 1974)), but let us assume that the average visit includes 4hr devoted to looking at art, and that visitors are upper-middle class with annual incomes of $100,000 per year, or about $50/hr. Taking as an illustrative example the Art Institute of Chicago, its 1.6m annual visits provide about 6.4m person-hours of art engagement per year, with an opportunity cost of about $320m. Its operating budget excluding its large school is about $113m; subtracting half of this (conservatively) as the variable cost of providing services, net value created is about $265m per year: at 5% the museum’s total assets are worth $5.3 billion.

The museum lists $242m for non-art, non-endowment assets (buildings and the like) but this is obviously not a current value, because the Art Institute is planning a new building that will provide about a quarter of its final exhibition space for $200m. Conservatively, the total non-art assets of the museum are thus about $1b, leaving about $4.3 billion as the capitalized value of the collection.

Another approach to estimating this number is by analogy to a museum that has estimated its collection value directly. The Berkeley Art Museum has an operating budget (omitting its extensive film program) of about $5m and a collection valued in a survey for insurance purposes at $750m (Consey 2004). The endowment of the University of California at Berkeley is about $2b, so this is itself a remarkable sum.

Using the ratio of their respective budgets as a crude measure, the Art Institute’s collection would be expected to be about 22 times as large, or $17 billion. Given the world-class reputation of the Chicago institution, it’s holdings in old masters with multi-million-dollar prices, its greater appeal to donors, and its much longer history of collecting, it would be reasonable to expect the ratio of collection value to operating costs to be much higher than that of the Berkeley Museum, probably at least twice as high. One can consider every citizen of Chicago as having a five to ten-thousand dollar share of this investment—and, as I argue below, a right to expect it to be used as productively as possible.

III. Why value assets?

Assets are resources over which an entity has claims or whose use it controls and with which (in combination with labor and other inputs) it creates value. In nearly all accounting systems, assets are assigned a money value to allow aggregation, though valuation of assets is an extensive and complicated area of accounting theory and practice. A number of alternative rules may be invoked with an underlying expectation that the chosen rule (market value, book value, etc.) will be used consistently across assets and over time.

Among the assets universally reported are some with obvious agreed values (bank accounts) and others without readily available market prices (specialized buildings and equipment, patents and copyrights). Differences of opinion about the value of assets can have profound behavioral consequences for firms. For example, if an investor believes a firm's assets are much more valuable than the firm's management does, the firm is liable to be purchased—that is, the assets are transferred to someone who expects to create more value with them than the original owners can. If a firm overvalues its assets in the view of a potential lender who views them as security, it is likely not to get the loan it seeks.

A decision like a purchase exemplifies the kind of business decision that demands accounting for all assets. If a firm concealed assets in a systematic way, its stockholders would not receive a fair price either for securities when they sell them, or for the whole firm.

Many things of value are not assets in accounting practice. Foremost among these, for example, are the skills and knowledge of employees, even if those are the most important sources of value creation in the firm. Assets are not counted when the firm can't sell them or use them as security against debts, and this principle excludes the abilities of individuals even though a contract for services from a consultant would be considered an asset (paired with an obligation to pay a fee).

The debate over whether museums should capitalize their collections goes back at least to 1990, when the FASB proposed to end the exception and require museums to capitalize all acquisitions as received, and to capitalize their existing collections over a three-year period. The suggestion was rejected in the face of vigorous opposition from museums, and tepid support from the accounting community. Glazer summarized the debate as follows: "The FASB has proposed that museums recognize, with some exceptions, collection items as assets and current-period contributions of those items as revenue or gain. Many members of the museum community oppose mandatory recognition, arguing that the information is unreliable and irrelevant to users' needs and that the costs of providing the information exceed the benefits."(Glazer 1992)

In favor of the proposal were the suggestion that knowing the value of collections would be useful to various external decisionmakers such as lenders and donors, almost entirely in the context of judging the financial health of the museum. Because collections are not generally reachable by creditors and not used as collateral, these arguments were thought not decisive. On the other side in a benefit-cost comparison were the labor cost of attributing values with any useful accuracy, especially as so much of the collection is typically under donor restrictions on sale or deaccession, and the claim that because collection items are not held for sale, they have no bearing on a museum's financial condition. For a thoughtful examination of the issues in that debate, see (Glazer and Jaenicke 1991); a participant in the controversy, James Duff, recalls many of the issues reviewed below, especially the claim that collection items are not held for sale nor usable as security (Duff 2005).

Since the 1990 debate, the issues have been broadened by economic and managerial analyses of museums that generally challenge much accepted museum practice, though with quite modest apparent effect. (Feldstein 1991; Frey 1994; O'Hagan 1998; Frey 2003). Nor is the capitalization debate limited to the US context (Hooper 2005). In the following paragraphs, I review the most common arguments against treating the collection as an asset.

Art is priceless; money degrades it

A general distaste for associating money with art pervades a fair amount of discourse in the art field, though little reflective analysis can be found to support this view (but see (Abbing 2004) for an unromantic discussion). In any case, it is impossible to have museums or much art at all without embedding art in an environment of exchange. Even if the muses grimace, we obviously have to grit our teeth and recognize that, whatever other virtues it has, art has money value that must be recognized to make any sort of responsible decisions about it.

Valuation methods are deficient or expensive

As my colleague Alan L. Feld once observed, "the strange thing about the art market is that every work of art is unique—but there are zillions of these unique objects." To appraise a major museum collection would certainly be an expensive undertaking, with every individual appraisal subject to argument and debate, further complicated (if market value appraisal is used) by the need to update values as artists and periods rise and fall in price. Art is notoriously hard to price in the absence of an auction sale.

However, at least piece by piece, any work can be professionally appraised well enough to support financially consequential decisions like determination of estate tax liability and tax deductions, and museums establish money values for purposes of insurance every time they send works on the road for traveling exhibitions. Furthermore, every object in a museum collection is studied carefully to assure proper attribution and to ascertain its artistic merit, an examination almost certainly more time-consuming than that required for a rough appraisal. In any case, for most of the decisions society makes regarding museums, it is much less important that every object be carried at its proper value than that a reasonable range of values for the entire collection be established.

Alternative mechanisms for appraisal are discussed in the last section.

Risk

As indicated above, the money values at current prices of art museum collections are breathtaking. The museum community reasonably worries that announcing numbers like this would attract the attention of terrorists (O'Hare 2005) or thieves. On the other hand, one must assume art thieves have an idea what they are about, as stolen masterpieces are extremely difficult to sell, and that they know where the art is. And the terrorist (and natural disaster) concern argues for dispersion of collections insofar as it is consistent with public use (especially study collections not now on display) and as I argue below, the incentives from capitalizing collections push in this direction.

The collection is not for sale

Among the most vigorously advanced arguments against capitalization is the claim by museum staff and managers that the collection is not a financial asset—that museum policy is to not to "deaccession" (sell or give away) works except in special circumstances and in any case only to use the proceeds for further collecting, and therefore that there is no utility to stating an amount that can never be realized. This is the argument that puts the public policy issues of the current question most squarely in the spotlight.

First we must note that no principle of law or art supports museums' refusal to part with works. It is an administrative decision elevated by little more than assertion to the level of a professional ethical principle, and its mismatch to social needs has been demonstrated by Frey among others (Frey 1994; O'Hagan 1998; Frey 2003). The question is particularly pointed in view of the failure of large museums to exhibit more than a small fraction of their collections; typical numbers are in the 10% range, even less for the largest and most prominent museums. At the least, shouldn't duplicates or works of second rank create more value in smaller museums that would show them, or even private collections for the enjoyment of an owner, her family, and their friends, than in study collection permanent storage?

Historically, works of art have been in the possession of different parties at different times. Some (*e.g.* frescoes) were permanently attached to public and private buildings, some in private collections, some in public spaces. In general, works were bought and sold frequently as personal fortunes waxed and waned and tastes changed. Since the development of the modern museum in the 19th century, however, an implicit assumption pervading the world of plastic arts is that the terminal state of any valuable work must be in the hands of a museum, an assumption that has become tied to competition among museums to accumulate larger and more distinguished collections. Looked at afresh, this end-state view of art is rather puzzling, as though symphony orchestras asserted a right to accumulate and own copyright in all classical music, including music they chose not to perform.

A century of this aggressive collecting, through purchase and recruitment of donations, and retention has so depleted the liquidity of the art market that newer museums are practically unable to assemble distinguished collections. It has also raised prices for old masters and even modern masterpieces to levels that seem detached from any rational explanation. The most expensive painting ever sold in recent times was a Picasso for $104m. Assuming such an asset to return 5% of its value annually, this price implies it can generate $594 worth of artistic value per hour, working three shifts, every day of the year. In a museum open on a normal schedule, this figure would be about $2600 per hour. By any rational model of value, million-dollar prices for works that can only be experienced by a few people at a time are just silly.

Taking into account the inflation in art prices and the resulting deprivation of all but the wealthiest individuals and oldest museums from ownership, the removal from public access of the largest part of the world's art patrimony, and the fundamental purpose of a work of plastic art which is, after all, to be seen, museum policy of not seriously considering redistribution of collections cannot be supported from a public policy perspective except as a source of comfort for curators and managers of the largest museums.

Indeed, this policy is probably the most important reason to require museums to divulge the money value of their collections, at least second to the general proposition that trustees of social patrimony owe society the facts with which it could make good decisions about the allocation of the resource. But the argument may be applicable in reverse: despite the historic opposition to deaccessioning in the museum community, an increasing amount of it seems to be taking place recently (Vogel 2005), and if this trend continues, the "not for sale" argument may be vitiated by practice. Indeed, there is some evidence that museums are not only holding separate investment portfolios of art in hope of doing better than they would in securities (O'Hare and Feld 1975), but actively selling from collections in consideration of high art prices.

A special case of inalienable art comprises the many objects given to museums. These works are given with a handsome public subsidy, at least in the US, in the form of a tax deduction for the full market value of the work (Feld, O'Hare et al. 1983)) and the deduction does not decline when donor restrictions forbid deaccession and thereby reduce the value of the work to the donee. As long as museums can refuse to consider deaccessioning at all, an agreement like this is easy to make. However, if the policy were reversed, as I expect capitalization of collections would encourage, such restrictions would represent a real constraint on museum operations, like agreement that a donated work be exhibited, which is currently forbidden by museum ethics. Museums would be much more motivated to resist such donor demands.

The prospect that collections be regarded as having real money value is understandably alarming in the extreme to museum people, but opens vistas of opportunity from the perspective that the appropriate use of art resources is *more, better engagement of more people with art*[4]. Recall the estimates of collection value sketched above: the Berkeley Art Museum could *double* its annual operating budget—for education, exhibitions, interpretation, and the like—*forever* (again at 5%), by selling less than a seventh of its current holdings once. If our estimate of the Art Institute's collection value is in the ballpark, it could endow free admission[5] to the museum forever by selling less than one percent of it. Is it conceivable that such deals would not generate a large net increase in art engagement value, especially as the art thus sold, presumably from study collections not now exhibited, would be more likely, not less, to be presented to the public somewhere else?

It is quite likely that capitalizing collections would also induce a shift of public resources within the arts in a larger sense. The 'competing' premier arts presenting organization on the UC campus is Cal Performances. In considering which organization to give to, it's likely that donors made aware that the museum has three quarters of a billion dollars in wealth that it has chosen not to regard as fungible against activities, while Cal Performances' endowment of all kinds is negligible, might shift their giving toward the latter organization.

It is also likely that stakeholders of all kinds would start asking questions of the ROI type when a denominator became available, and it's quite likely that museums, especially large and prominent ones, would fare poorly on such measures. Consider our two estimates of the Art Institute's collection value. The first was based on a direct measure of *return* net of operating costs, or value created, inferred from visitor behavior, of about

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[4] This is the policy criterion my Arts and Cultural Policy class usually arrives at, and it makes sense to me. It contrasts with other implicit criteria for arts policy like "increase employment and income of artists and curators" or "increase museum holdings of art works".

[5] As the British national museums have demonstrated, the economically efficient admission price for a non-congested museum is about zero. Such a price has important advantages beyond assuring that the whole potential audience attends. For example, it removes the incentive to overdose on art in a large museum because one has paid for a ticket valid only on one day. With free admission, people can visit for reasonable times (note that most people think a good period of exposure to demanding classical music in a concert is about two hours) spread over several days.

\$265m per year[6]. *If* a proper direct appraisal of the collection yielded something like our second estimate, the ROI for this institution would be less than 1%. Few institutions are allowed to keep their resources with an ROI this low, and we could expect a shift of assets from museums unable to do better to museums that could, or even to other kinds of institutions, together with an accelerated effort to create more value with the assets on hand. All this would certainly be distressing to museums, but looking in from outside, it's hard to say that an allocation made in full public awareness of the facts is worse than one made with important facts concealed.

[6] Good visitor surveys of the type museums increasingly do would allow better estimates of opportunity cost, and of course this value should be somewhat increased by adding the value of research done by the museum staff.

IV. How to value collections

Among the most vigorously put arguments against capitalization is the claim that collections of art traded in thin markets, received as gifts, and/or appreciated by an unknown amount over the years are simply not susceptible of plausible valuation. Before turning to this question, we should pause to note what kind of number such a valuation would be. It would be imprecise, with a significant error band at best—but a reasonable estimate that recognizes its limits is better than complete ignorance. It would also not be a liquidation value—it is certainly not the case that the Berkeley Art Museum could realize \$750m dollars if everything were put up at auction tomorrow. Values like this only indicate potential realization at the margin, even though they do indicate social value of the aggregate. However, even museums accepting an opportunity to deaccession would not be doing so in great swathes, and the "going concern" principle of accounting supports valuations that are useful for day-to-day management and oversight, not with an eye to liquidation.

If we thought the task worth undertaking, how might it be approached? At least five approaches are worth considering.

Direct Appraisal

The Art Institute of Chicago reports (on its web site) about 132,000 objects in its collection, not counting 150,000 items in the architecture collection of which most are probably of relatively little market value. Assuming that each would require three hours of research to appraise, the task would entail about 250 person-years of work, costing about \$9m—less than 10% of a year's operating budget, or a year's unrestricted gifts (2004).

This is not unthinkable, but it could actually cost much less to obtain a serviceable number. First, purchased objects already have values and these prices paid can be adjusted for inflation. Second, not all objects require the same attention. For example, objects could be appraised in each department in order of estimated value, highest first. If the values of the objects have an exponential distribution or something like it, as is likely (a few masterpieces and lots of minor items), most of the collection's value will be accounted after a small fraction of objects by count are appraised. Appraisal can be terminated with a small error when the product of the last item's value times the number of objects remaining is, say, 5% of the value already recorded. To illustrate, using our estimate of the Art Institute's collection at \$19.5b, the average value of an object is \$15,000. Assuming an exponential distribution of values with this mean, 80% of the objects are worth less than \$27,000 each, half less than \$11,500 each. These minor objects can presumably be evaluated in groups or by sampling with little cost in accuracy.

Sampling

If the collection is arrayed by acquisition number and a probabilistic random sample is taken of these numbers, appraisal of that sample can give a highly accurate estimate of the population mean and therefore of the total value; oversampling departments known to have highly-valued objects could further improve this accuracy. These methods could easily reduce the costs of appraisal to a tenth of the cost of a census appraisal.

Claiming Race

Horse races are kept competitive by setting a price for a given race at which an entrant undertakes to sell the horse if it is "claimed". A museum could list its collection with the understanding that each appraisal is an offer to sell at the stated price, or perhaps that price plus a small premium. If concerns about ROI tests are likely to bias appraisals downward, such an appraisal rule would put a lower bound on the stated market value of the collection.

Alternatively, the collection might be considered on offer in its entirety, item by item, on condition that if a legitimate offer is made for an item and refused, the item must be carried on the books at the refused value in the future. Practically, such a system probably requires using such offers to update sample estimates as it is unrealistic to imagine the entire collection under review by buyers all the time.

Historic values

Works enter museum collections in one of two ways: they are given by donors who almost invariably take a market-value tax deduction, or they are purchased. Museums are properly forbidden to participate in deduction appraisals, but donors could be required by law or by museum practice to report the value of the deduction allowed by IRS for the gift, and of course purchases' prices are known. These establish book values for (at least) all new acquisitions, that can be marked to market according to any number of art price indices or even a standard inflation adjustment.

Insurance

Though most large museum collections are uninsured, lending museums require insurance for works sent on tour or borrowed by other museums. The US Arts and Artifacts Indemnity Act subsidizes this insurance for traveling exhibitions and works covered are necessarily appraised. These appraisals would provide comparable data with which to adjust or correct collection appraisals performed by other means and in any case demonstrate the practicality of appraisal at a manageable cost.

V. Consequences

I conclude from the foregoing discussion that appraisal and capitalization of museum collections is practical and that the objections to doing so do not carry the day. Aside from the economic cost of the initial appraisal of existing collections not now capitalized, nearly all the negative consequences of capitalization would not be social costs, but inconvenience and discomfort specifically for the museum community. These consequences probably include:

- A fall in art prices generally along with an increase in art available for private purchase.
- A shift in total resource holdings by large museums to other institutions.
- A decrease in public and charitable support for museums unable to show attractive rates of return, as measured by social value created divided by assets held.
- A decrease in donations of works of art to the largest museums and a corresponding increase in such donations to smaller, more lively, and less prestigious ones.
- A dispersion of study collections and works not now displayed, from large and prestigious museums to (i) display and accessible holding by smaller museums (ii) private collections.
- A shift of museum assets from collections to endowments for activities and to facilities in which to display a larger fraction of what is retained.
- More innovative and exciting programs that add value to the visitors' experience of displayed objects.
- Development of more innovative and effective performance measures for non-priced value created to balance and inform financial measures of performance.

In all, these constitute an increase in social welfare, perhaps a very large one.

Most museums' mission statements are a litany of supply-side intentions, describing what the museum will do and how it hopes to evolve with almost no attention to the visitor's experience. A refreshing contrast is the statement of the Brooklyn Museum, one which nicely sums up the kind of thing a change in museum accounting practice can greatly advance if my analysis is correct:

> The mission of the Brooklyn Museum is to act as a bridge between the rich artistic heritage of world cultures, as embodied in its collections, and the unique experience of each visitor. Dedicated to the primacy of the visitor

> experience, committed to excellence in every aspect of its collections and programs, and drawing on both new and traditional tools of communication, interpretation, and presentation, the Museum aims to serve its diverse public as a dynamic, innovative, and welcoming center for learning through the visual arts.

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