PRIVATE FACES IN PUBLIC PLACES
THE CASE OF A PRIVATE ART MUSEUM IN EUROPE

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Summary
Using the institutional perspective of art museum behavior, two “ideal” types are distinguished: the "purely public" and the "purely private" museum. Their characteristics are compared to the recently founded Beyeler Museum near Basle. After only a few years, it has become one of the most successful museums in Switzerland. We analyze the management of the collections, the role of special exhibitions, and the extent of visitors’ amenities.

Key Words
museums, art collections, special exhibitions, state support, cultural economics

1. CURRENT TRENDS IN THE MUSEUM WORLD

In the last decade, the museum world has changed substantially which, in turn, has altered the provision of museum services. As a result, private museums are becoming more important in an ever expanding market in Europe. The three main developments are:

1) Increasing number of visitors. Museum attendance is on the increase in Europe and in the U.S. (for the U.S. see Dobrzynski, 1999). In Europe, the numbers have increased for almost every single country. Data for the U.K. shows that, between 1986 and 1996, the number of visitors increased by 11 percent to nearly 80 million for the 1718 museums included in the analysis (Darnell et al., 1990, 1998). In the U.S., art museums increased the number of visitors from almost 50 million in 1979 to 225 million in 1993 (Heilbrun and Gray, 2001: 191).1 The rise in the number of visitors is closely linked to a rise in the number of exhibitions and ‘superstar museums’ (Frey and Vautravers-Busenhart, 2000; Frey, 2000). Special exhibitions are now often designed as blockbusters, which are sometimes in competition with the major leisure industry (see Dobrzynski, 1999; Economist, 2000b). As a result, competition between superstar museums and special exhibitions has increased.

2) Increasing number of museums. In recent years, the number of museums increased in Europe as well as in the United States. For example, in the case of art museums in Switzerland, more than 45% were founded in the last fifteen years (Kunstverein, 1999: 6). In the United States, the number of museums increased more than 13% in the years 1987 to 1992 (NEA, 1998: 3).

3) Increasing number of private museums in Europe. European museums were either institutions established by the state, and therefore part of the public sector, or heavily subsidized by tax money. In the case of art museums, there was almost total dependence on direct state funding in France, Italy and the Netherlands, and about 80 per cent in Britain and Germany (Schuster, 1985). The situation in the U.S. is quite different, as most museums there are private. However, Schuster (1988a) shows that it is increasingly necessary to view cultural institutions through the lens of hybridization rather than privatization in order to improve our ability to document and predict their institutional behavior (p. 127). Two developments

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show that it is also important in Europe to concentrate on the spectrum between public and private. Firstly, more public museums are under pressure to get state support, because fiscal problems forced the state to cut expenses and therefore to increase efficiency. Due to heightened competition, the behavior of public museums changed over the last decade. They increased their attractiveness to visitors and collected more additional money (O’Hagan, 1998a: 180-182; Schuster, 1998b). Secondly, a lot of the newly founded museums are private and increasingly set the pace in the public museum world in Europe. Private collectors nowadays no longer want to donate their collections to public institutions, but establish their own museums.6)

The museum ‘industry’ is getting bigger and bigger with respect to the number of museums and the number of visitors. This affects the competition between museums and increases the economic relevance for the whole industry. More and more private museums are challenging the publicly dominated museum world in Europe. Our paper endeavors to analyze the behavior of these private museums. In the next section, we make predictions about the behavior of private museums based on a politico-economic approach in cultural economics. Section III then applies the insights gained to one particular recently founded art museum, the Beyeler Museum near Basle, Switzerland. Section IV draws general conclusions.

2. THE ECONOMICS OF MUSEUMS: INSTITUTIONAL APPROACH

The present analysis applies economic thinking to the functioning of museums.7) This approach to museums is not restricted to financial aspects, such as subsidies and costs, but uses the economic model of human behavior (see Becker, 1976; Stigler, 1984; Hirshleifer, 1985; Frey, 1999) to shed light on the social aspects of art. People are assumed to behave rationally, in the sense that they react systematically to changes or differences in constraints connected to particular institutions.

This article focuses exclusively on the supply of museum services. The main actors in a museum, determining the museum services, are the directorate and their professional staff. For the sake of simplicity, the discussion is restricted to the directorate. The analysis concentrates on the incentive these persons have to behave in a certain manner. The directorate is concerned primarily with their own well-being (economically speaking, they are maximizing their own utility function). The directors’ utility depends on their own income and the prestige they get within their reference group, which consists mainly of art lovers and the international museum community. A second source of amenity is derived from the agreeable working conditions and job security. But the museum directorate is not free to do whatever they want to do, because they face certain constraints on their actions. Differences in these institutionally determined restrictions explain the museum management’s behavior.

The finances available are the most important constraint on the museum’s directorate. Other constraints, such as limited space or legal and administrative burdens imposed by the bureaucracy or labor unions, can weigh heavily but, most importantly, museum spending is limited by the budget at their disposal. However, the sources of income differ considerably from one museum to another. While some depend mostly on public grants, others rely exclusively on private money (donations and sponsorship, or income generated from entrance fees, shops and restaurants).8) From a politico-economic point of view, the institutional setup and the nature of funding of the museums has a dramatic influence on the behavior of the directorate. The incentives for the museum’s directorate to behave in a certain way vary enormously, depending on this institutional framework (see Frey and Pommerehne, 1989; Rosett, 1991). Most of the literature focuses on the “ideal types” (in Max Weber’s sense) of a “purely public” and “purely private” museum (an exception is Schuster, 1998a,b). The next subsection discusses museum behavior from a purely institu-
tional point of view. It is then analyzed how competition can change the behavior of public museums dramatically. At the same time, private museums are also subject to restrictions, especially in countries traditionally dominated by public museums. As a result, museum behavior deviates from the theoretical predictions based on purely public or private institutions.

2.1 The "Ideal" Types of "Purely Public" and "Purely Private" Museums

Directors of purely public museums rely exclusively on public grants. The government allocates them sufficient funds to cover the expenses considered necessary for fulfilling their tasks. While they are expected to keep within the budget, if a deficit occurs, it will be covered by the public purse. This institutional setting provides little incentive to generate additional income and to keep costs at a minimum. The directorate will not allocate energy and resources generating additional income, because any additional money goes back into the national treasury. If they were to make a surplus, the public grants would be decreased, which acts like an implicit tax of 100 percent on profits. The museum's management tends to move away from a commercial to a non-commercial framework in order to relieve the directorate of the pressure of having to cover costs with additional income. When the directorate is no longer forced to cover costs using its own efforts, it can legitimize its activities by referring to intrinsic 'artistic', 'scientific', or 'historical' values. This application of non-commercial standards helps the museum directors to achieve their goal of prestige, top performance and pleasant working conditions. From this institutional point of view, one would expect that:

(a) Public museums distance themselves completely from the art market when managing their art collection (Frey, 1994, Montias, 1973). The directorate is not allowed, but also has no incentive, to sell their paintings because firstly, they cannot use the income generated and secondly, activities are then measurable in monetary units, which leaves them open to criticism from outside (be it by politicians or by public administrators).

(b) Directors of public museums are not very interested in the number of visitors because they are not dependent on income from entrance fees or shops. Exhibitions that attract large crowds are merely a by-product, because one actively aspires to gain prestige from the small group of art lovers. Therefore, exhibitions are designed to please an insider group of art 'freaks'.

(c) As a consequence, visitors' amenities in public museums are poorly developed. Exhibitions are not presented in a way attractive to lay visitors, and restaurants, shops and the general atmosphere are disregarded. Little attention is paid to the profitability of museum shops, restaurants and cafeterias.

Directors of purely private museums, on the other hand, have a strong incentive to increase their income, because their survival depends on sources of money like entrance fees, the restaurant, shop surpluses and additional money from sponsors and donors. If private museums generate a surplus, they are able to use it for future undertakings. As a result, it is to be expected that:

(a) Private museums rely on the market when managing their collection. Museums actively sell paintings that no longer fit into the collection and use the money for buying new works of art. Private museums have a lower stock of paintings not on display than public museums, because the opportunity costs of this stock are higher, or because private museums care more about these costs.

(b) Private museums are more concerned with attracting visitors. 'Blockbuster' exhibitions guarantee that the museum will earn revenue, because the preferences of a larger group of people are taken into account. Hence, the exhibitions are better arranged from a didactic point of view, appealingly presented and, above all, the works of art are shown in a context which is attractive to a large crowd.
Private museums emphasize the visitors’ amenities. The museum directorate is concerned with the well-being of the museum’s visitors and tries to satisfy the preferences of the visitors at the lowest possible cost. The above discussion shows that private or public ownership of a museum has a considerable impact on behavior. The institutional form is closely connected with the structure of financing the museum, which influences the incentives of the museum directorate to behave in a certain manner. But this simple model has to be modified because, in the last decade, the institutional settings have changed. As a result, behavioral differences between private and public organizations have been reduced. In the next section some of these modifications are discussed.

2.2 In Between the Ideal Types

Most of the museums find themselves somewhere in the middle of the spectrum between totally private and totally public museums. Public museums face competition from the increasing number of museums. In addition, changes in the institutional setting force public museums to behave more like private museums. Private museums face restrictions forcing them to behave more like public museums. As a result, private and public museums do not behave so very differently from each other with respect to certain issues. The simple model of the behavior of private and public museums has to be amplified. In the next two subsections, we look at institutional changes inducing public museums to behave more like ‘purely private’ ones, and making private museums behave more like ‘purely public’ ones.

2.2.1 Public Museums Move Toward the Private Sector

In the last few years, even in Europe, most public museums altered their behavior in the direction of a more visitor-oriented policy. More and more public institutions are beginning to raise additional revenue from the museum shop and restaurants. They are engaging in rebuilding the entrance area and are expanding their shops considerably. The most famous example of such a public museum is probably the Tate Modern in London (www.tate.org.uk/modern/default.htm), which differs little from private museums in the way of visitors’ amenities. Frey and Pommerehne (1989: 69) report that, for the years 1983-1986, the art gallery in Zurich earned on average 34% of their income from admission fees and commercial activities, while 57% was from public grants. In the years 1999 and 2000, the amount of earned income increased 7 percentage points, while the public support dropped to 43% of the total budget (computed from the annual reports of the Art Gallery Zurich). Another example is the Staatsgalerie in Stuttgart (www.staatsgalerie.de/) which changed their policy following the advice of a consulting firm (see FAZ, 1998, 1999). This led to a more visitor-oriented strategy, with exhibitions explicitly designed as ‘blockbusters’, and a financing model which puts much more emphasis on private support. Private support (donations or sponsoring) thereafter increases in public museums. This trend also pushes public museums from being purely public institutions towards more ‘privately’ founded institutions. This change in the institutional setting alters the incentive and therefore the behavior of the directorate. The change in the behavior of public museums can be attributed to three main factors:

1. Increased competition between museums in recent years. Not only did the number of museums increase but also the comparison between museums got easier due to reduced travel costs. In the last decade, it became less costly for people to visit museums and exhibitions all over the world; in earlier times, a museum provided its services to a small locally defined group of visitors. The frame of reference therefore shifted for visitors as well as for the administrators of the museums. Visitors are not willing to substitute a high quality museum with a less high quality museum. With respect to the arts, the world has become a global village. While the directorate of the museum always sensed the tacit
competition with other administrators, there is now more open competition over a much broader area for visitors, commercial activities and sponsors. In the extreme case, this may lead to a 'superstar' effect on museums (see Frey, 2000). However, this competition is only effective if the directorate has the incentive to change their behavior due to the tougher competition. In recent years, two such institutional factors have changed, which may explain the changing behavior of public museums.

(2) Decreasing state support. The fiscal problems of many European governments led to a decrease in government support of the arts (NEA, 2000). Public museums had to substitute the money from the state with private money. The directorate had to find new sources of income: fund-raising activities, sponsorship, income earned from shops, restaurants and, last but not least, entrance fees.

The financial problems of many countries forced the government to look for new solutions to perform its tasks. One such measure was to give the cultural institutions more autonomy.

(3) Decreasing the amount of control public bureaucracy has over museums. The theoretical predictions in the simple model assume that public museums have to return any surplus to the public administration. In recent years, public bureaucracies realized that museum directors need to have more autonomy in order to give them incentives to raise their own money and to show more interest in their visitors. A lot of museums are given greater competence in using their income, or are even making the transition from being a public agency into a foundation. This, of course, changes the incentives of the museum’s directorate dramatically: suddenly the administrators are interested in earning more money by attracting more visitors and raising additional money through sponsorship or shops. This extra money then enables the directorate to use it for other projects. Of course, the autonomy is normally not enough to create sufficient incentives for the directors to care about the financial health of a cultural institution. Still, directors know that in case of financial hardship, the state will intervene. In addition, public museums are often still restricted in their autonomy because the process of deregulation is very slow (see Benhamou, 1998 for the case of France). In this regard, Hutter (1997: 174-175) argues that 'the result is a hybrid form that has the appearance of a private organization, yet the central decisions continue to be state-controlled.' However, with more autonomy, public museums have incentives to behave more like private ones, although some differences are still to be expected.

2.2.2 Restrictions on Private Museums

At the other end of the spectrum between public and private ownership of museums, private museums face restrictions which hamper their directorate from behaving exactly like the simple model predicts. In certain areas, private museums do not differ from public museums. Three main arguments can be made why one would expect private museums to deviate in certain respects from the predictions made in the simple model presented above:

(1) Prestige of the museum’s founders. The simple model assumes that directors of private museums care more about the financial aspects than the directors of public organizations do, and therefore undertake more 'commercial' activities. However, one important motivation for building a museum is the prestige the donor gets from his foundation. Most of the newly founded institutions are even named after the person who donated the collection, the Beyeler Museum being only one example. The utility connected with the prestige of a founder depends firstly on the image he has in the population at large, and secondly on the image in the general population of being a 'patron of the art'. The director of the private museum may be more aware of the reference group and his prestige in the respective group than predicted by the model. As a consequence, directors of private museums behave like public institutions, or even overcompensate for the 'bad' image private cultural institutions have in Europe. This
would mean that private museums, for example, also set up exhibitions which are of interest to only a small group of persons and do not meet the preferences of the general public.\(^{11}\)

(2) **Legal restrictions due to the state’s influence.** A large number of private museums in Europe are still connected with the state, either because they are treated as non-profit firms and/or the museums receive direct financial public support, which also restricts the behavior of the museum’s directorate. Most private museums in Europe are therefore not totally private but have public components. The legal status of a non-profit firm of course prohibits it from making any profits. But, in addition, other activities, like actively dealing with art objects, are forbidden. The financial support of private museums by the state often has strings attached. The behavior of the ‘private’ museum depends to a large extent on how much the government intervenes in its policy. The more it intervenes, the more the behavior resembles that of public museums.

(3) **Cooperative behavior towards other public museums.** Cooperation between private museums and their public opponents is to be expected in Europe. Museum directors and curators form a ‘small’ group of people who essentially all know each other. Anyone breaking the ‘rule of the game’ would be punished by the members of this “cartel”.\(^{12}\) He or she would lose prestige and recognition. As the other persons involved form a crucial reference group, few, if any, museum actors have an incentive to break the rules. This can lead to situations where private museums do not undertake certain activities in order not to alienate public institutions. Lending policy is a case in point. There is a norm not to exchange works of art using the price mechanism (Caves, 2000: 345-347).\(^{13}\) Directors of private museums follow this norm, because breaking the rules would probably be sanctioned by the directors of the other museums. One would therefore predict that private museums deviate from the predicted behavior because they build some sort of ‘cartel’ together with directors from public museums.

To summarize, private museums in a public world deviate from the ‘ideal’ type of private museums due to their public components. Therefore, the model of the ideal types of museum models are modified in order to better capture the behavior of private museums. However, even if the behavioral differences between private and public museums are not as harsh as predicted by the ideal type model, we should still expect differences due to the differences in the constraints. Although most public museums have some autonomy, the incentives of the museum’s directorate are still different to those of a private museum. In the next section, we analyze one such private museum in the light of the model developed.

3. **THE BEYELER MUSEUM**

One new entrant into the museum industry is the Beyeler Museum located in Riehen, canton Basle-City (www.beyeler.com). Founded by the successful art dealer, Ernst Beyeler, in 1997, the museum built by Renzo Piano hosts Beyeler’s collection of 170 high quality works of Classical Modern art. Though less than five years old, it is generally acknowledged to be the most successful museum in Switzerland. In terms of visitors, it outnumbers all the other Swiss museums, including the big public organizations. Its curators boast that it belongs to the “first league” of art museums in the world.

The Beyeler Museum is an interesting case of a successful private museum in Europe, where, until recently, public cultural institutions dominated the scene. The relationship between the private and the public aspects of the Beyeler Museum leads our inquiry. As discussed in the theoretical part, we ask in what way, and to what extent, does it matter whether such a museum is private or public?
3.1 Public Components in the Private Beyeler Museum

Ernst Beyeler deliberately decided not to establish an entirely private museum. Instead, he actively sought cooperation with the state. Canton Basle-City and the Commune of Riehen agreed to provide a subsidy of 1.75 million Swiss Francs per year for the first ten years of operation, and grant the use of the park in which the museum is situated. Its general upkeep and that of the administrative buildings free of charge (Community of Riehen, 1993). The most important of these decisions, namely offering the use of the park for 80 years, was democratically sanctioned in a popular vote by the citizens of the Commune of Riehen in June 1993. The museum project was approved by a large majority of the voters (60.8% were in favor of the project, with a participation rate of 67.4%). The value of the non-monetary support coming from the community of Riehen is assessed at 570,000 Swiss Francs per year (Community of Riehen, 1993).

The Beyeler museum receives between 14% and 22% of its current budget in the form of monetary public grants, depending on the size of the budget, which differs according to varying sources (Kunstverein, 1999 or Eugster, 2000). This is a small amount compared to other Swiss museums. The Kunsthauz in Zurich receives 46% in the way of public grants and the Kunstmuseum in Bern 63% (Eugster, 2000). This also holds for international comparisons (with the exception of museums in the U.S.; see Frey and Pommerehne, 1989: 68). Of course, how the public grants are set up is crucial. In the case of the Beyeler Museum, the state does not interfere in the decisions made by the museum. Any additional income can be appropriated by the museum and it must bear any deficits. In the special case of the Beyeler Museum, the deficits incurred by the museum are paid by the founder Ernst Beyeler himself. According to Beyeler, it amounts to more than one million Swiss francs per year (Mack, 2000: 58). He therefore has a strong incentive to avoid a deficit and to be innovative by attracting a large number of visitors. After the founder's death, no other individual will be 'liable' for potential losses, which weakens the incentive to be financially successful. Even in the U.S., museums were founded privately but, after the founder passed away, the museum was changed into a private non-profit organization, and later still they began to receive government support (Schuster, 1998b: 66). Given the present conditions, one would expect from the simple model that the museum would actively use the market to ensure its survival and to expand its activities. In particular, the collection should be traded on the art market, the museum should engage in special exhibitions, and should offer more amenities to its visitors than public museums, which we analyze in the next section.

The private-public arrangement seems to be advantageous both for the museum's founder and the state. Beyeler benefits by being able to establish a museum intimately connected with his (and his wife's) name. Moreover, he has full authority within the terms mentioned above. The Commune of Riehen and canton Basle-City benefit by having a high quality collection of Modern Classics. It attracts a large number of visitors: 65,000 in 1997, 309,000 in 1998, 252,000 in 1999 and 250,000 in 2000. This exceeds the number of visitors to the Kunstmuseum in Basle, with its famous collection of Holbeins, van Goghs and Gauguins. The Beyeler Museum has become an important tourist attraction. A significant number of visitors come from outside the canton, especially from other parts of Switzerland. 60% of the visitors are foreigners, mostly from Germany, France and Italy (Eugster, 2000: 45).

The cooperation between Beyeler and the government seems to work very well, and it could serve as an example for elsewhere. It has not only been beneficial for the two parties involved but, above all, for prospective and actual visitors. There is little doubt that the beautiful building located in a lovely park provides an opening to the arts for people who otherwise rarely, if ever, visit museums. It has thus also served an educational mission seldom achieved by public museums in their
traditional setting. The museum also contributes to the profits of the business community in Riehen and Basle, although there is only anecdotal evidence available. The question remains open whether Beyeler would have been able to run his museum without public grants. But what has been demonstrated is that, with little in the way of public financing, the Beyeler Museum has been able to attract a large number of visitors to high quality art exhibitions.

In the next section, we focus on three aspects of the production of museum services: how much the museum relies on the market to deal with the collection; the relationship of the collection to special exhibitions and the role architecture plays; and the visitors’ amenities.

3.2 Collection Policy

It is to be expected that a private museum relies on the market for handling its collection, i.e. buying desirable objects and selling others deemed to be of lesser importance. After all, the paintings (and the few figures by Giacometti and of African and Oceanic origin) now held by the Beyeler Museum were bought on the market by means of normal monetary transactions. As there are no obvious external effects or high transaction costs, a private museum should keep the collection in the market sector. It therefore comes as a surprise to discover that this is not the case. Rather, the Beyeler Museum’s collection policy makes a point of distancing itself from the art market.

There are three main ways in which the Beyeler Foundation steers clear of the art market:

(a) De-accessioning. The core of the Beyeler collection cannot be sold. (Only secondary, non-essential, works can be sold, and only under very restricted conditions.) The Museum thus robs itself of the possibility of undertaking a more flexible collection policy. Works considered less important could be sold in order to buy other works more suited to the collection, for instance to fill gaps, or to acquire an artist so far not represented. However, the contract (article 3) between Beyeler and the state, grants the Museum fixed subsidies for a period of ten years and contains a clause prohibiting the sale of any part of the collection during the period of the subsidy. But if Beyeler had really wanted, he could probably have influenced these terms. However, various other reasons may account for his not engaging in the market:

- The founder and president, who absolutely dominates the museum’s decisions, has an interest in keeping the activities of the museum clearly separate from any commercial activities at his gallery, which he is still maintaining. Mixing the activities together would at least partly destroy his reputation as a patron of the arts and therefore reduce his utility.

- As is the case for all museums, it is disadvantageous for the museum’s directorate to engage in such monetary transactions, because it would facilitate outside intervention, in particular on the part of politicians and the media. They could, for instance, more easily identify what they consider to be “mistakes” (e.g. when a painting is sold at a certain price and thereafter greatly appreciates in value). Fending off the market thus provides the Museum directorate with more discretion.

(b) Valuation. A museum’s balance sheet should include the works of art in its possession in order to present worthwhile information. For most museums, the value of their holdings is by far their greatest asset.

The Beyeler Museum does not publish the value of its collection among its assets although the collection is by far the most valuable part of the museum. This corresponds to the practice of all museums. But this practice tends to cause biased decisions, as the respective costs are not fully incorporated in the calculus (e.g. Grampp, 1989). The reasons for not monetizing the holdings are the same as those for not exchanging works of art for money.
(c) Lending policy. Due to the many special exhibitions taking place\(^{13}\), museums borrow a large number of works of art from each other. Such temporary exhibitions would be impossible without lending. The lending could be arranged on a virtual internet market, where the suppliers (the museums owning works of art) offer to lend (some of) their holdings at a specific price and under specific conditions, and the demanders can choose. Charging money for lending out works of art would also be possible on a traditional market in which museum directors seeking, and those prepared to lend out, exhibits interact with each other. Introducing prices, instead of relying on barter, has many obvious advantages that need not be discussed any further here.

Nonetheless, the Beyeler Museum is very strict in its policy of only lending in exchange for works of art received from other museums. This corresponds to the general practice of all museums (Caves, 2000: 345-347). The reasons for refraining from charging money are quite straightforward. The knowledge and relationship capital accumulated over many years by both Beyeler himself, as well as his curators, would lose much of its value. In order to mount a special exhibition, it would no longer be necessary to have extensive personal contacts; it would suffice to have an idea for an exhibition which could be marketed well. The market for art exhibitions would be open to any entrepreneur. Without pricing for lending works of art, the market for exhibitions is restricted to museums with a collection of their own, from which they can offer works of art in exchange. It could, however, be argued that such market restrictions are a public good and that one particular actor would benefit from not keeping to the rule of only bartering works of art. But the "museum and exhibition world" consists of a rather small number of people who essentially all know each other. Anyone breaking the rules would be punished by the other group members.

The observation that the private Beyeler Museum distances itself from the art market when managing its collection is surprising in the light of the model of behavior of a purely private museum. The Beyeler Museum, as a private museum, does not differ from purely public museums in that respect.\(^{13}\) However, it is possible to explain the behavior of Beyeler by taking into account that the director’s utility depends on his reputation as a patron of the arts and that he built up a large network, which would be useless if one would trade paintings for financial compensation. He could even be punished by other museum directors for violating the rules of the ‘museum world’. Above all, the Beyeler Museum is not entirely private, but depends on public grants and is restricted by certain conditions due to its legal status. The benefits of the tax deduction system are therefore compared with the costs of not managing their collection actively on the art market.

To summarize, the case of the Beyeler Museum shows that, at least in Europe, even private museums are restricted in various ways from relying on the market for running their museum. The simple model that private museums act totally differently from public ones does not hold. In discussing the behavior of private or public museums, one has to focus more on the museums which are neither totally private nor totally public, and where predictions about their actual behavior are much more complex. The Beyeler museum abstains from the market, although it is mostly privately funded.

3.3 Special Exhibitions

The Museum was established and designed to host Beyeler’s collection. In view of the generally acknowledged high quality of the paintings (and a few sculptures), they could well have left it at that. While the number of visitors would have been smaller, it is a fair guess that the Museum would have occupied an important place not only among museums in Switzerland but far beyond.

In actual fact, the Museum developed in a
rather unexpected direction. The Museum undertakes a considerable number of special exhibitions loosely connected (if at all) to the collection\(^2\). The first one was Christo and Jeanne-Claude, who wrapped trees in the Museum park. It was followed by special exhibitions featuring Renzo Piano, Jasper Johns, Wassily Kandinsky, Roy Lichtenstein, Cezanne, Andy Warhol and Mark Rothko. Alone in 2002, there were, or will be, major exhibitions of paintings by Anselm Kiefer, Claude Monet and Ellsworth Kelly. The organization of these special exhibitions has become a substantial part of the activity of the Museum staff; it requires a lot of energy, attention and material resources. The special exhibitions are financially attractive in the sense that they generate considerable additional revenue from the entrance fees. It is less clear whether the Museum makes a net profit. It is known in general that special exhibitions not only require much in the way of additional human and material resources, but are also costly in terms of transport and insurance. The Museum’s directorate does not disclose any figures in this respect, so that the observer is forced to speculate on the basis of evidence from elsewhere. The reason for not disclosing the financial aspects of these important Museum activities can be taken to lie in an effort on the part of the directorate to shield themselves from possible criticism from outside.

The Beyeler Museum seems to have been caught in a self-propelling process without end. The wrapped trees exhibition mounted by Christo and Jeanne-Claude was a huge success in terms of media attention and the number of visitors (in that year, 1998, 608‘000 persons visited the Museum and the park). The Museum’s directorate foresaw that the number of visitors (to which they attribute much attention\(^2\)) would fall markedly if there were no further special exhibitions. The Museum to some extent fell prey to their own success and the resulting expectations. Moreover, special exhibitions are in the interests of the museum staff, as they allow them to gain prominence in their reference group\(^2\). Each major new special exhibition is an event closely observed and evaluated by the museum community. In contrast, once a permanent collection has been established, it does not gain any new or additional attention. The same applies, but even more so, to the media, which play an increasingly important role in the museum world. As a result, the Christo/ Jeanne-Claude show was followed by further special events. Once started, it is difficult, if not impossible, to stop the process. While the expectations created by the media certainly play a role, a practical reason is that the whole artistic and commercial administration has been geared to the high level of activity accompanying the special exhibitions. It is easier to pursue the path already taken than to get rid of excess capacity. The process thus leads to an increase in staff, which is difficult to reduce afterwards, so further and even more successful exhibitions are needed.

It could be argued that Ernst Beyeler could have stopped the trend to rely more and more on special exhibitions. Without a doubt, he has the power to do so. The reason why he chose to tolerate, or even support, such additional activity probably is due to the fact that he enjoys the prominence going with each new exhibition. As a most successful art dealer, his behavior is not solely intrinsically motivated, but also responds to such external factors as receiving attention in the art world and gaining media recognition.

While the Beyeler Museum was originally designed to host a top quality collection, it increasingly emphasizes special exhibitions. It could be argued that, while the initial collection is really unique, the special exhibitions are not necessarily so. Indeed, mounting special exhibitions has become a feature of almost all museums, including public ones (Frey and Vautravers-Busenhart, 2000). Many of the special exhibitions organized in the Beyeler Museum could have been organized, perhaps equally well, by other institutions. In this sense, the museum may even, over time, have lost some of what distinguishes it from other museums.
3.4 Visitors’ Amenities

From an institutional perspective, the predictions about revenue generating activities are straightforward: private museums should generate more additional revenue than public museums, because they can retain all the additional revenue. In contrast, public museums either have to hand the additional income over to the national treasury, or at least risk having their future subsidies reduced, if not completely cut. In this respect, the Beyeler Museum differs little from public museums; it does not show much in the way of innovative activities to generate revenues. Nevertheless, some institutional differences are visible.

A profit-oriented private museum seeks to maximize revenue by differentiating entrance fees according to presumed or estimated price elasticity of demand. This has to some extent been done by the Beyeler Museum. With respect to time, the entrance fee is lower in the evening hours (6 to 8 p.m.) and higher at weekends. Senior citizens, children and students pay less, and entrance is free for the members of the Beyeler Museum’s “ArtClub”. No higher entrance fees are charged for special exhibitions; tickets can be ordered online, paid by credit card, but only allow entry at specified times. While such price differentiation goes a step further than in many public museums, it is not unique. The same holds for outsourcing various activities, such as the ticket office, entry control, the Museum shop, the restaurant and cleaning. The same activities have also been outsourced in some public museums, provided they have a certain amount of independence. The reason outsourcing is less prevalent in public museums lies partly in the fact that institutions differ, but also in the fact that newly established museums (which are often private) have more possibilities of engaging in such new ways of running a museum. The Beyeler Museum is able to outsource even the conservation and restoration of the paintings to the public Kunstmuseum of Basle at a ‘reasonable price’ (article 7 in the contract between the Museum and canton Basle-City).

But Beyeler engages in certain activities which public museums do not provide to the same extent. The restaurant is of high quality (one Michelin star). Therefore, the outsourced restaurant and the museum benefit mutually from each other. The Beyeler Museum also organizes cultural journeys to various destinations in Europe in connection with the national Swiss carrier. In 2002, they offer trips to Vienna, Copenhagen and Moscow. This cooperation allows the Museum to offer an additional good, which is not directly connected to the core task of the Museum.

A major reason for the huge popularity of the Museum is due to Renzo Piano’s architecture. It was designed in close collaboration with Ernst Beyeler in order to optimally host the collection of 170 paintings. Its cost of 65 million Swiss Francs (which includes a recent extension) was fully covered by Ernst Beyeler. Museums reaching superstar status due to their impressive buildings testify to the importance of architecture in attracting visitors and gaining prominence. The Getty in Los Angeles, the Guggenheim in Bilbao and Herzog and de Meuron’s Tate Modern in London are pertinent examples (Economist, 2000a; Frey, 2000: Chapter 4). Beyeler was obviously well aware of the major role architecture plays for museums when he chose a famous architect to build his museum.

4. CONCLUSIONS

The two “ideal” types of a “purely public” and a “purely private” museum are derived by using the economic analysis of museums. The characteristics identified were applied to the case of one particular, recently founded museum, the highly successful Beyeler Art Museum near Basle. This comparison between general theory and a particular case study allows us to draw various conclusions of interest to all art museums.

The Beyeler Museum demonstrates that intermediate forms of governance somewhere in between private and public can work extremely well. Both the public and the founder may derive
substantial benefits. But this “happy marriage” may not be sustainable in the long run.

Many, if not most, newly founded museums intimately combine their collection with appropriate architecture. The Beyeler Museum follows this trend with the building designed by Renzo Piano. It thereby strongly enhances its attraction, in particular to tourists, and to a more general public who otherwise rarely visit art museums.

Beyeler founded his museum to house a well-defined, first rate collection of paintings (and some sculptures). Piano’s building has been explicitly designed for that purpose. But the activities of the Beyeler Museum today are oriented in quite a different direction. Much time, effort and attention is consumed by the continuous special exhibitions mounted. They are designed to be “blockbusters” in the sense that the number of visitors play a major role. Such behavior, focussing on the number of visitors, constitutes a self-propelling process which is difficult, if not impossible, to stop. The Museum founder, as well as the curators and the rest of the Museum staff, have a vested interest in keeping up the number of visitors. It provides recognition in the “museum world” and attracts continuous media attention.

It remains open whether the special exhibitions contribute to net profits. At the present time, the founder is said to invest more than 1 million Swiss Francs (close to 700,000 Euros) each year from his own purse. When this additional source of support ends, the most likely development will be that the government (the Commune of Riehen and canton Basle-City) will have to substantially increase their subsidy. But this will certainly involve more public intervention, including ongoing museum policy.

An essentially private museum, like the one "belonging" to Beyeler, is - as expected - able to undertake more market oriented policies than public museums. This is shown, in particular, by the amenities provided for the visitors, such as more flexible opening hours and an excellent restaurant. However, many public museums have been able to “imitate” at least some of these more market-oriented policies.

In view of the Beyeler Museum being privately run (there is virtually no public intervention in its policy) one would expect that it would also behave in a market-oriented way with respect to its collection policy. This is, however, not the case. The collection policy does not differ from what has been undertaken in the past by purely public museums: there is no deaccessioning; the collection is not valued in monetary terms; and any borrowing and lending are done by exchange, and not by offering financial compensation. It must be concluded that such a museum policy has little relation to the institutional difference between private and public museums. The reputation of the museum management, and the associated accumulated human capital, seem to be the major reasons why collection policy is not based on market principles.

Notes

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1) Even Las Vegas, the ‘sin city’, realized that ‘more Americans visit art exhibitions than sports events’ (Economist, 2001a). Therefore, the casinos started to run their own art galleries to attract more visitors.

2) The art magazine Parnass: Das Kunstmagazin devoted a special issue to Swiss private art museums (Volume 22 (2); May/August 2002)
art historian point of view, while twelve other private institutions were presented in former issues of the same magazine. 78% of these museums were built after the year 1990.


4 ) Rosett ( 1991 ) presents evidence of the financing of U.S. museums, which supports the picture of the heterogeneous funding of museums.

5 ) This statement has to be somewhat qualified as, for example, the British Museum changed its policy dramatically in recent years concerning visitors’ amenities. But this does not mean that the museum is efficiently managed ( see Economist, 2001c and 2002 ).

6 ) Schuster ( 1998a, 1998b ) argues that the notion of hybridization of museums is a more fruitful approach to capture the organizational structures of museums.

7 ) See an article in the ‘Economist’ ( 2001b ) for reactions of performing arts companies to the government spending cuts.


9 ) In countries like Great Britain or Germany, national museums gained trust status in the 80s ( van Hemel and van der Wiele, 1997 ) .

10 ) Cultural institutions normally do not have a good corporate governance structure. For political reasons, different interest groups normally get a seat on the board of directors, which leads to inefficient supervision. For the supervision problem in non-profit organizations see, for example, Herzlinger ( 1996 ).

11 ) The Art Magazine ‘Parnass’ ( 2002: 50 ) even states that private museums do indeed produce an alternative to the ‘commercialized’ public museums. They refer to some kind of overcompensation on behalf of the private museums.

12 ) Punishment is a second order public good ( Elster, 1999: 41 ). It is well established that people are willing to provide it under many conditions. See Fehr and Gächter ( 2000 ) for experimental evidence, and Osterloh, Rota and von Wartburg ( 2001 ) for real life evidence ( contributions to an open source system ).

13 ) An exception are Russian museums. Western museums are prepared to waive their rule of not paying money for lending works of art because they acknowledge that Russian museums are extremely short of cash. Revenues are one of the only possibilities of financing necessary expenditures in order to maintain their museums and collections.

14 ) The museum opened on October 18, 1997. This explains the low attendance in that particular year. If the exhibition of wrapped trees by Christo and Jeanne-Claude, which was staged in the park of the museum and could be attended free of charge, is taken into account, 608,000 people visited the museum in 1998.

15 ) See White ( 1996 ) for a discussion of legal aspects of de-accessioning.


17 ) In some cases, the opportunity cost of the land may be quite high, as museums are often situated in commercially attractive locations. See Rosett ( 1991 ) for more details.

18 ) In 2001, there were almost 700 special exhibitions world-wide, which attracted on average more than 100 visitors daily ( The Art Newspaper, 2002 ). Taking all special exhibitions into account, the number for Europe easily exceeds 1100 for 1993/94 ( Frey and Vautravers-Busenthart, 2000: 67-71 ).

19 ) The Beyeler Museum, though, does not have such a big deposit as other museums ( Personal interview of one of the authors with the operative director Fausto de Lorenzo, on May 19th, 2002 ). It is therefore not the case that
85% of the paintings are never shown as is the case in public institutions like the Prado in Madrid (Economist, 1994, p. 99).

20) It is *always* possible to establish some kind of connection between the 170 paintings and other art works in the collection and the topic of some special exhibition. What is argued here is that the artistic importance of the collection is quite independent of the special exhibitions mounted.

21) Personal interview of the authors with curator Philippe Büttner and art historian Daniel Kramer, on March 13th, 2002.


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