

di Konstantinos Karatzias

ABSTRACT: This article aims at examining the impact of the Global Financial Crisis of 2007-2010 and the Great Depression of the 1930's on the American Museums. The goal is to foster a formal discussion about the cultural crises that was caused by the two greatest depressions in the 20th century. By identifying similarities and differences in the way American museums, government and people reacted to the financial crises examined, this article also provides valuable lessons to the museums in case of financial instability.

"We know there's a storm at sea and we know it's going to hit land; and it could get ugly"¹

Glenn D. Lowry, director of MOMA (New York)

Undoubtedly, the recent financial crisis had a devastating impact on the lives of millions of people. Unemployment, businesses bankruptcies and social malfunction are the most severe consequences of this instability. Its negative impacts have been well documented and have influenced the entire world economy. However, the burst of the United States housing bubble, which peaked in 2007, has not only been blamed for the damage of the financial market globally but also for the political, social and cultural crisis that followed. It is also not surprising that many economists compare the current financial crisis with the Great Depression of the 1930s². The goal of the article is to examine the impact of the 2007-2010 crisis and the Great Depression on American museums. Needless to say, this is only an attempt to identify some similarities and differences among the two financial crises with regards to their direct impact on museums', governments' and people's behavior. The purpose is, through the examples provided in the following text, to foster a formal discussion about the cultural crisis that was caused by the two greatest economic depressions in the 20th century.

According to Marjorie Schwarzer³, we can distinguish three periods in the history of American museums during the early 1920s until the late 1930s. In the first period, the 1920s there shines an era of acquisition for American museums which was fueled by the post-World War I industrial boom. This was due to the fact that wealthy Americans would collect artistic and scientific treasures with fervor. Following this, the wealthy collectors housed their treasures in the nation's museums which was the norm in that period. In addition, the state, through the municipalities, financed the operation of the museums with tax dollars. In return to communities and the wealthy collectors, most museums charged no admission fees.

Following this era of acquisition, there follows a period which was stamped by the Great Economic Depression. This period expands roughly from 1929 until 1935 and had devastating effects for the U.S. economy and society. More specifically, 25% of the nation's workforce was unemployed and three out of five banks had bankrupted. As a result, there were losses of millions of middle-class savings accounts and family businesses. Direct negative impact for the museums during this period was the loss of funding from municipalities and membership programs. For this reason, many museums experienced curtailed hours for their exhibitions, closing of their galleries, delay of building maintenances and the imposition of salary cuts and lay-offs for their staff.

Despite the negative impacts, this period gave birth to the rise of museum attendance and the expansion of the institutions. Many examples prove this observation, such as the new museum in Memphis's Pink Palace, the expanded quarters for the New Jersey State museum and the visitation at the Philadelphia Academy of Sciences up by 9%. Naturally, there are reasons for these positive results. From one side, wealthy collectors and visionary philanthropists played a large role in keeping museums viable. For example, Andrew Mellon bequeathed Raphael's *Alba Madonna*

(1511) in 1936 to Washington's National Gallery of Art, after he had purchased the painting for a world record price of \$1,2 million in 1931. Also, museum's mission for education was also supported by deep-pockets. The most influential one was Frederick Keppel, a government official in Washington and a Dean at Columbia University, whose position as a president of the philanthropic Carnegie Corporation had a deep impact on the educational mission of the museums. During his presidency, he granted funds to museum education departments and financed the field's first studies of museum visitor behavior. On the other side, museums made their own efforts to recover the lost income by establishing sounder management systems, putting in place public relation campaigns and creating new income streams.

For the first time since the early 1920s, museums put education and local needs in the front and center. But what really fueled the beginning of the third era for the American arts culture was the passage of the Federal Art Project (FAP) in 1935 which represents the visual arts arm of the New Deal Works Progress Administration in the United States. FAP's primary goals were to employ out-of-work artists and provide art for non-federal government buildings such as schools, hospitals, libraries etc. The infusion of capital in the art's sector had a great impact on art production, instruction and research. As it is well documented, FAP gave the opportunity to more than 200,000 skilled artisans and artists to build the foundations of what is considered to be an era of artistic creativity, historic renovation and scientific investigation.

The 2007-2010 Global Financial Crisis contributed to the failure of key businesses, the decline in consumer wealth and the decline in economic activity which all resulted in the Global Economic Recession. Similarly, with the First Great Depression, the current crisis has changed

the lives of millions of people. But how do today's museums, which are far more complex institutions than those of the 1920s, react?

It is worth mentioning that there are many negative similarities on the way art, historical and science museums reacted to the current crisis. Lay-offs, budget reduction, exhibition cancellations, de-accessions, admission price increases and closing are the most severe negative impacts. The causes have been the shrinking of museums endowments, the decrease in donations and cuts in public funding. The Getty Museum in Los Angeles, America's wealthiest art museum, has seen a 27% drop in its endowment. Similarly, Metropolitan Museum of Art in New York has decreased its budget by 28%. It can be argued that the impact of current crisis on the operation of museums is heavier since it is common practice for museum endowments to be invested in the stock market which has suffered from the financial collapse. Therefore, art museums in the United States have struggled to meet their operating costs relying mainly on endowments and membership dues. By 2008, museum directors clearly saw that the crisis would greatly affect the operation of their museums.

In reality, dwindling endowments have forced museums to make difficult and controversial decisions to de-accession artworks to gain funds and to close the institution and sell the entire collection. These decisions have drawn heavy criticism from museum organizations in terms of their ethic code and the core of their mission. For example, in 2008, the National Academy of Design announced the selling of two canvases by Hudson River School painters for \$13,5 million in order to meet its operating costs. The Association of Art Museum Directors (AAMD) strongly opposed de-accessioning to gain funds for any purpose other than acquiring art. As a result, the AAMD ordered their members not to loan works to the Academy or to collaborate with it on exhibitions. Another example is the Brandeis University which announced, on January 2009, that it would close the Rose Art Museum as a cost-cutting measure in order to get the legal permission to sell the museum's collection. Several of the university's large donors suffered financial losses due to investment with Bernard Madoff. However, after general protest from students, faculty and the Rose family, the Rose Art Museum remained open and celebrated its 50th anniversary in 2011.

Despite the disappointing facts, it has been documented that the crisis provided a fruitful path for museums to re-think and innovate in many possible ways. Exhibitions which are built on permanent collections have increased attendance. This was the case for the Metropolitan Museum of Art exhibition on Picasso which drew 700,000 visitors and the Cincinnati Art Museum which highlighted different parts of the country through the museum's collection. In fact, the crisis impelled museums' directors to review their core mission, as G.D. Lowry, Director of the Museum of Modern Art, argues: "If the recession has compelled us as museums in this country to focus even more intensively that we have in the past on our collections, that's a good thing; because they are our primary responsibility"⁴.

Another positive effect of the current economic crisis is the decline of prices in the Arts market which benefited Museums from discounted acquisitions. What is more important, however, is that the limited personal income increased the attendance of local museums. The reason is that people searched for alternative ways of entertainment and education and therefore, discovered cultural treasures in the local areas. In addition, as museum's visitors' surveys have revealed, museums provide a necessary avoidance of reality in hard times.

To summarize, there are some similarities and differences in the way museums, governments and people reacted to the two great financial and economic crises of the 20th century. The goal of this article is to record these reactions in order to ignite deeper investigation on the cultural

crisis. Additionally, the results of this research provide valuable lessons to the museums in case of financial instability. So, museums should be able to focus on primary mission, vision and core values without losing track of the future and innovation. Also, museums can only maximize their impact when they embrace the public needs in the primary responsibilities. And this can happen only if museums collaborate in new ways, keep a steady flow of funding, plan for the future and use technological advances.

Note

1 C. Voger, *Museums Fear Lean Days Ahead*, in "The New York Times", October 19, 2008.

2 D. Pendery, *Three Top Economists Agree 2009 Worst Financial Crisis Since Great Depression; Risks Increase if Right Steps are Not Taken*, in "Reuters", February 27, 2009.

3 M. Schwarzer, *Bringing It to the People / Depression*, in "Museum", 2009 May/June.

4 R. Pogrebin, *Money Tight, Museums Mine Their Own Collections*, in "The New York Times", April 12, 2011.