

An Attempt at Calculating Measures of Intra- and  
Intergenerational Equity for Art Museums in the USA

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Research proposal, comments welcome,  
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# An Attempt at Calculating Measures of Intra- and Intergenerational Equity for Art Museums in the USA

## Research Proposal

### Summary of Research

This research proposes to examine how the top museums in the United States of America (USA) utilize their funds in terms of spending for current versus future audiences. The idea is to see if the museums are spending monies for both current and future consumers of art, and to what extent are the needs of future audiences accounted for in museum programs. The result will be an implicit rate of discount (or, a measure of intergenerational equity) measuring how future audiences are valued by current museum policies. In addition, it has long been a view held by cultural economists that not enough art is consumed by the populace; this is often noted to be due to incompletely-formed preferences for art (see e.g. Throsby and Withers 1979). Many museums also offer educational programs in addition to art exhibits, these educational programs might be considered as intragenerational equity, or, an attempt at preference formation for art for those currently living. Another purpose of this paper then is to derive an implicit measure of intragenerational equity based on museum educational spending.

### Motivation and Methodology

Art museums in the United States gain considerable tax advantages because they do not have to pay federal (and thus local) income taxes, in turn this means, due to federal jurisdictional precedence, that they do not have to pay local real estate taxes. This of course places the museums at an advantage over those who make art available for consumption in the marketplace. The purpose then of this paper is to derive a measure of intra- and intergenerational payback for these tax benefits afforded the museums on behalf of the public (See Throsby 2003 on cultural sustainability and meanings of generational equity).

In general, art museums exist to provide exhibitions for the general public to attend and enjoy the museum's collections of art, or, the art of travelling exhibits (see Johnson 2003 on the *raison d'être* of art museums). These exhibits are subsidized by the museums; admissions fees do not cover the costs of a museum's on-going exhibits, and, many museums offer free admission. In addition, as stated, museums, like other not-for-profit organizations, are seen in the USA tax code as providing a public benefit for which tax subsidy is deserved. A motivation for this paper is to see how this public benefit is passed along to those yet living and for the education of those who are. Art exhibitions might be seen as 'consumption' whereas educational programs might be seen as human capital 'investment'; thus museum educational programs might be seen as *intragenerational* equity transfers. In addition, programs which conserve existing works of art for future generations might be seen as offering an *intergenerational* transfer of wealth (an 'investment in the future').

The research will evaluate the audited financial statements of at least thirty (30) of the top museums in the USA. The set of museums to be studied are based on the "Exhibition Attendance Figures 2007" as published in *The Art Newspaper*. This list is based on self-reported attendance figures by museums worldwide, both for total museum attendance for the year, and, for specific exhibits. There are only approximately twenty (20) museums<sup>1</sup> in the USA on these two lists. Therefore for additional 'top' museums we are using the Foundation Center's 2008 report, "Top 50 Recipients of Foundation Grants for Museums, circa 2006"<sup>2</sup>, forty-nine of the top 50 where located in the USA. Eleven (11) of the top attendance museums were not in the Top 50 foundation grant listing, thus for our purposes a 'top' museum is one which attracts a large audience and foundational funding.

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<sup>1</sup> We are interested in museums which are 'local' in nature and are excluding the national museums located in Washington, DC. The reason for this is the assumption that local museums will more likely reflect the programming preferences of the local populace due to less asymmetrical information in the financing/budgeting process. For this same reason we are hoping to draw a set of museums which are predominantly privately-funded. Again, the purpose is to find museums which are more sensitive to the preferences of their funding sources.

<sup>2</sup> Available from [foundationcenter.org](http://foundationcenter.org), accessed 8/20/08.

The data from the financial statements will be classified into current programs, and juxtaposed with those programs which can be considered inter- or intra-generational in nature. Classification schema will be noted and justified<sup>3</sup>, and institutions whose mission is predominantly the collection, display and preservation of works of art, as opposed history or the sciences, will be evaluated for comparative and thematic consistency. Overhead (support) costs will be allocated to these programs and spending priorities will be summarized and calculated by weighted average. In addition we will evaluate correlations between inter- and intragenerational spending priorities and the funding sources of a museum (foundations, government, and membership-supported). The goal of the research is to make a considered survey as to the benefit that museums provide for future and current generations beyond the immediate consumption of art and how, or if, funding source relates to equity considerations.

This methodology is still in preliminary form so all comments are welcome.

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<sup>3</sup> See Grammp 1996 on the difficulty of economic evaluation of museums based on generally-accepted accounting and reporting practices. It is for this reason that any classification schema has to be applied as fairly and consistently as possible and will in the end involve some type of judgment on the part of the analyst.

## References

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