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Financing a global Guggenheim museum

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FINANCING A GLOBAL GUGGENHEIM MUSEUM

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ABSTRACT

As government subsidies to art institutions continue to decline annually, the international art community finds itself increasingly dependent on alternate sources of revenue such as corporate sponsorships and private donations. The Louvre in Paris, for example, was forced to restructure their organization to become more involved in fund-raising and campaigning activities when the French government began cutting cultural spending in 1993. Currently, the United States government accounts for approximately 28% of a museum's annual operational expenses.[1] The remaining funds necessary to pursue acquisitions, sustain educational programs and promote scholarly research as well as to perform basic functions such as facility maintenance and staff support are left to the individual organization. Thomas Krens, the director of the Solomon R. Guggenheim Foundation, proposes that the survival of the museum as a viable cultural institution into the twenty-first century is dependent upon that particular entity's level of participation in financial and economic trends. He pioneers a controversial style of museum management that includes the licensing and franchising of the Guggenheim identity in an attempt to maintain the basic museum mission of allowing the public access to experience art.

This thesis identifies the Guggenheim museum under Krens as the first art organization to break with traditional modes of museum operation. It provides a context to discuss the relevancy of his tactics given the current financial dilemma of museums and explores the much-debated issues of public trust and globalization. Through a thorough examination of the aforementioned, this thesis isolates future trends in both the operations and the ethics of cultural institutions on a global scale.

[1] "When Merchants Enter the Temple." *Economist* 359 (April 21, 2001): 64.

INTRODUCTION

"When you are in the missionary business, which we are, you go where the heathens are."[2]

Thomas Krens, Director of the Solomon R. Guggenheim Foundation

As the global community transitions from a wide expanse of space and time to a more close-knit and connected society, the veils which once hid a museum's basic organizational structure have become more and more transparent. This contemporary phenomenon is the subject of numerous articles, symposiums, debates, and a few published books to date. At the head of the discussion is Thomas Krens. In 1988 Krens was appointed Director of the Solomon R. Guggenheim Foundation (SRGF) and given charge of the prestigious Guggenheim museums in New York and Venice. Through this position, Krens has attracted the attention of the art world by pioneering a controversial yet ambitious style of museum operation. Over the past eighteen years, the business savvy Krens has focused his energy on expanding the Guggenheim into an international art enterprise. He has endeavored to cross cultural and political boundaries by establishing satellite museums in Berlin, Bilbao, Las Vegas and SoHo. At the time of this writing, negotiations are ongoing for Guggenheim branches in Beijing, Guadalajara, Moscow, St. Petersburg, Singapore, and an additional one in New York City. Anticipated franchise projects in Rio de Janeiro, Salzburg, Taiwan, Sydney, Edinburgh, Hong Kong and an additional museum project in Venice have failed to materialize.

Apparently a majority of the participant public, especially those invested and active in the art world, resent the recent exposure of museums as marketplaces. Krens, in his bold attempts at expansionism, in his least common denominator approach to exhibition programming, and in the lackadaisical manner with which he excuses himself (and the Guggenheim), epitomizes transparency. From the perspective of business, growth and expansion are favorable factors if not absolute measures of success. However, in the business of art, the business side assumes a secondary function, whereas the ideals of scholarship, research, expertise, education and preservation take firm precedent over the mundane reality of economics. In fact the modern era which gave birth to the museum structure also created, possibly to fill a void left by religion in the wake of the Enlightenment, a public eager and willing to believe in the idea of both artist and art house as transcendent, autonomous, privileged, or even sacred. James Cuno, editor of *Whose Muse? Art Museums and the Public Trust*, asserts that museums are, "places of refuge and spiritual and cultural nourishment." He continues, "in museums people can experience a sense of place and be inspired . . ."[3] Krens does not vocalize discrepancies with this portrayal of museums, and most likely, he does not harbor any. Yet, critics have interpreted his methods of operation to be in direct conflict with this deep-seated belief of museum as sanctuary.

Not only does Krens ignore the established hierarchy of objectives inherent within the sacred museum structure, he publicly acknowledges his reorganization of priorities and justifies his actions by highlighting the undeniable predicament of running a not-for-profit organization, be it museum or otherwise, with little to no financial support from the government.

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[2] Jonathan Glancey. "Art - the showbiz years." *The Guardian* (October 8, 2001): 1-3. *Guardian Unlimited,* <http://www.guardian.co.uk/arts/critic/feature/0,1169,671791,00.html> (8 February 2005).

[3] James Cuno. "The Object of Art Museums." *Whose Muse? Art Museums and the Public Trust.* Princeton University Press and President and Harvard University Art Museums: Princeton and Cambridge, 2004: 73.

> We live in a complex cultural environment. Governments are wanting to get out of the cultural support business. You have more government support for culture in Europe, but proportionately its's coming to the same conclusions as in the U.S: if you are trying to make a budget balance with a 10% to 15% unemployment rate, culture is one of the first things you cut out, because the constituency for culture tends to be relatively small. And that's happening. The cultural budgets are being scaled back almost everywhere I look.[4]

And while one cannot deny the truth to this claim, it seems that there are few, if any, who readily acknowledge the dilemma. Fewer still have offered feasible alternatives that compensate for the continual decline in government spending on the arts without sacrificing the presumed sanctity of the museum. Rather than see both his career and the Guggenheim slowly sink under the pressure of basic financial obligations, Krens borrows aspects of bottom-line business mentality, a taboo term in the art world. He relies on corporate sponsorship, collaborations with other cultural institutions, blockbuster exhibitions, private donations and fund raising campaigns along with the international franchising and licensing of the Guggenheim identity. To illustrate Krens's unabashed attitude, he proclaimed in a lecture in 2000 that, "in many ways, what I do now is manage a brand and that brand is the Guggenheim."[5] Blasphemous words to some, but to Deborah Solomon, a much-cited author in the recent Guggenheim debate, "the Guggenheim can seem like a model of frankness and American pragmatism. At times it's crass, but on the plus side, it is free of piety. It does not pretend that art is religion or that the museum is church."[6] Speaking

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[4] David D'Arcy. "No populist, no colonialist-just loved by business: Interview with Thomas Krens." *Art Newspaper* 10, no85 (October 1998): 36-37.

[5] Thomas Krens. "Developing the Museum for the 21st Century: A Vision Becomes Reality." *Visionary Clients for New Architecture* edited by Peter Noever (New York: Prestel, 2000): 67.

[6] Deborah Solomon. "Is the Go-Go-Guggenheim Going, Going . . .." *New York Times Magazine* sec. 6 ed. late (June 30, 2002): 36.

specifically to the criticism blasted at Krens for the blockbuster exhibition Art *of the Motorcycle* compared to the Museum of Modern Art's (MoMA) *AUTObodies,* she continues, "You can even say that the Guggenheim is more open about what has become standard policy at other museums."[7]

Conversely, most in the art world opt for a subtle approach to museum management. Regardless of whether or not (American) museums operate like businesses, most choose not to display their innermost operations alongside their objects and artworks. These institutions take pride in aligning themselves with previously established ethical codes that are neither leagally binding, terribly specific, nor inherently profitable. To their credit, the hush-hush mentality surrounding the logistical functioning of museums is quite possibly the most effective business tactic of all. It preserves the one quality of a museum space and its accompanying collection of artworks that sustains the value of the experience for the cultural consumer, the aura. From this perspective the Guggenheim and Krens pose a threat to all art institutions each time they are perceived as a commercial enterprise. Cuno adds to this point by stating, "the more art museums look like multinational corporations and the more their directors sound like corporate CEOs, the more they risk being cast by the public in the same light."[8] The assumption here is that the public is inherently distrustful and wary of CEOs, especially in the post-Enron years.

As much as the art world loves to hate him, its members recognize his unprecedented success in ventures such as Bilbao. The creation of a radical and grand Guggenheim museum in the Basque

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[7] Ibid., 36.

[8] Cuno, "Introduction," 16.

region not only captured the hearts of the city's inhabitants, but it also single-handedly reversed the declining economy and currently reigns as one of the world's most popular tourist destinations. With such visible and immediate results, an argument against Krens is hard to sustain. Yet critics question his intentions for going global. As Krens continues to expand and improvise new opportunities for the Guggenheim, is he motivated by the best interests of the public at large? To this the SRGF responds:

> By expanding to become a constellation of spaces for viewing art – each of which contributes its own unique radiance – the Guggenheim is engaging a global public while emphasizing education, artistic and architectural integrity. Collectively, these spaces enable the foundation to fulfill its mission to collect and present art of the highest possible quality to the widest possible audience. The Guggenheim's commitment to international projects reflects its history, its traditions, the breadth of its collection, and its dedication to cultural experience.[9]

Why then is Thomas Krens such a debated figure in the art world, more so than most other museum directors today? To re-emphasize, Krens is the first museum director to break with the traditional method of museum operation. His importance and relevance to the art world centers around the idea that each of his actions could possibly be absorbed into standard museum practice and radically alter the future of all not-for-profit cultural institutions.

Even so, why are his critics so concerned with the way he runs the Guggenheim? Much of the argument centers on the ethical issue of public trust. Can the public be assured that the SRGF to preserve both the actual objects within the collection as well as the ideals inherent in our understanding of contemporary museums? James Wood, director of the Art Institute of Chicago

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[9] Lisa Dennison. "From Museum to Museums: Evolution of the Guggenheim." *Museum International* 55(2003): 54.

underscores the importance of maintaining the ideals of public trust above all else:

> For if we were to accept the authority of the market as our ultimate source of legitimacy through choice or default, experience can guarantee two results. First, that we cannot win playing by the rules of the commercial world no matter how much we debase our mission, and second, that unless the role of the market is restricted in accordance with the mission, it will demand preeminence over all other forms of authority, resulting in a shift from nourishment to gratification, from teaching and expertise to entertainment and celebrity, from memory to manipulation, from conservation to consumption, from hierarchy to promotion and from architecture to spectacle.[10]

Glenn D. Lowry, director of the MoMA, articulates precisely the relationship between the issue of public trust and the Guggenheim under the direction of Krens. By posing a series of questions, he reveals exactly why the art world is concerned with Krens's operational strategies. For although his motivation appears to be in line with the generally accepted mission of museums, Krens is ushering in a course of museum management that could re-define the role of these precious civic institutions into the twenty-first century, but some wonder, at what expense. Lowry asks:

> Public trust has emerged as a central question for art museums in large part because while museums appear to be pushing the boundaries of acceptable practice in terms of their marketing, fundraising, programming, and ambition, there are as yet no clear rules as to what is appropriate behavior. Shifts in museum practice are being driven by the fact that art museums have changed from quiet sanctuaries of discovery and learning to intensely visited sites, often frequented by thousands of people a day. How similar to a for-profit corporation can an art museum be, for instance, before it is no longer a not-for-profit institution? At what point do good business practices come into conflict with the core values of mission-driven institutions? Can art museums compete against other forms of leisure activity without giving up their educational mandate or affecting adversely the unique experience they provide for the general public to look at art?[11]

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[10] James Wood. "The Authorities of the American Art Museum." *Whose Muse?*, 126.

[11] Glenn D. Lowry. "A Deontological Approach." *Whose Muse?*, 130.

THOMAS KRENS: A BRIEF BIOGRAPHY

Krens was born in New York in 1946. In 1969 he graduated from Williams College with a B.A. in Political Economy and went on to pursue a Masters Degree in Art from the State University of New York at Albany. From 1971 to 1991, Krens was employed at Williams College in various capacities beginning as a member of the art faculty. In 1981 he began his term as Director of the Williams College Museum of Art (WCMA). Krens served in this capacity until 1988 when, at the age of 42, he accepted the position at the Guggenheim. He remained dedicated to his alma mater, however, by continuing to serve as an adjunct professor of art history at Williams College until 1991. By this time, his role as Director of the SRGF was beginning to occupy all of his time, energy, and imagination.

In 1984, while also acting as Director of WCMA, Krens received a second Masters Degree in Public and Private Management from the School of Management at Yale University. Krens's ability to work equally well in two diametrically opposed disciplines, art and business management, allowed him to forge a unique operational strategy and aided the transformation of the WCMA into a reputable and successful art establishment. In 1981 he headed a six-year expansion plan at WCMA that doubled the exhibition space and raised the overall level of professionalism, catapulting the museum into another realm of operation and providing a more competitive arena to develop substantial programming.[12] His achievements were recognized, and as a result Krens was hired in 1984 by the Brooklyn Museum of Art as a consultant for the renovation and revival of their historic venue. In this role he aided the development of the architectural competition for the project and helped to select the winning architects, Arata Isozaki and James Stewart Polshek.[13]

Successful results at both the WCMA and also at the Brooklyn Museum inspired Krens to formulate a more ambitious strategy for expansionism. In 1986, while still employed as Director of the WCMA, Krens conceived of a plan to convert a cluster of dilapidated warehouses in North Adams, MA (slightly north of campus) into the largest museum space for contemporary art in the world. Up until this point, he had been frustrated with the difficulty of organizing and exhibiting large scale works in the restricted spaces of conventional museums and galleries. "Most museums cannot accommodate very large installations," noted Krens. "Even when they can fit an installation into their galleries, the work looks cramped, and the viewer doesn't get the full experience of it."[14]

The 1980's witnessed a boom in the art market that reinforced the feasibility of allotting 220,000 square feet of space to the exhibition of contemporary art. The idea for a Massachusetts Museum of Contemporary Art (MASS MoCA) was born when newly elected Governor Michael Dukakis (D) agreed to designate a substantial sum of state funds to finance the endeavor. From the perspective of the state, the new museum would anchor a larger economic redevelopment plan aimed at attracting tourists, businesses, and property owners to the area.

Although Krens's vision persevered, state support waned when, during the initial planning process, the seat of Massachusetts' governor changed hands and parties. Republican Governor

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[12] "History." *Williams College Museum of Art*, <http://www.wcma.org/general_info/history.shtml> (13 March 2006).

[13] "Thomas Krens – Director, Guggenheim Museums Worldwide." *Royce Carlton Incorporated*, <http://www.roycecarlton.com/speakers/krens_information_kit.html> (6 March 2005).

[14] Kim Bradley. "The deal of the century; planning process for Guggenheim Museum Bilbao, Spain." *Art in America* 85 (July 1997): 48-55.

William F. Weld slashed the budget for the MASS MoCA project by more than half, from $35 million to $15.8 million.[15] The new financial limitations made it impossible to realize Krens's initial vision. However, his idea was not left completely unrealized since it captured the attention of other art enthusiasts in the community.

The proposal for the project was scaled back and reinitiated by Joseph Thompson, a former colleague of Krens at Williams College. In order to secure state funding, MASS MoCA was forced to expand its public outreach by including other cultural entertainment venues such as theatre spaces and even some (profitable) commercial spaces for dining and shopping. On May 30, 1999, thirteen years after it was first conceived, MASS MoCA opened in North Adams, MA. Krens's original exhibition space designed solely for the exhibition and promotion of contemporary art evolved into a compromised and diluted cooperative cultural center. He continued, however, to envisage the vast possibilities for the expansion of contemporary museum spaces and persisted in his endeavors as Director of the SRGF.

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[15] Ibid., 49.

SOLOMON R. GUGGENHEIM FOUNDATION: MISSIONS AND ACQUISITIONS PRIOR TO 1988

When Krens replaced Thomas M. Messer as Director of the SRGF in New York, he was given charge of both the iconic Frank Lloyd Wright building on Fifth Avenue and the more modest Peggy Guggenheim collection on the Grand Canal in Venice. By this time in 1988, the Guggenheim was structured as a franchise operation (using the term "franchise operation" very loosely) consisting of headquarters in New York City and a European subsidiary with which it shared art resources and information. Before Krens, Messer succeeded in acquiring new works for the collection; however, Lisa Dennison, the museum's former deputy director under both Messer and Krens, admits that he "was not interested in contemporary art."[16] Rather, Messer is credited with strengthening the museum's collection of Modern art by both strategically pursuing new acquisitions as they became available in the art market and by accepting important collections in the form of gifts and bequests on behalf of the SRGF.

The most important gift came in 1976 when Peggy Guggenheim, niece of the late Solomon R. Guggenheim, bequeathed her independent collection of modern art along with her private Venetian residence, Palazzo Venier dei Leoni, to the SRGF. This added more than three hundred art works from the first half of the twentieth century and expanded the scope and importance of the SRGF collection tremendously.[17] Palazzo Venier dei Leoni, which had served as Peggy's permanent residence as well as a public exhibition space for her collection, was gifted with the intention of

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[16] Solomon, "Go-Go-Guggenheim," 36.

[17] Lisa Dennison. "From Museum to Museums: The Evoution of the Guggenheim." *Museum International* 55, no217 (2003), 53.

transforming it into a museum. Consequently, the two separate Guggenheim collections merged into a single shared pool, and selections from the new SRGF stockpile were exhibited in both the Guggenheim New York and the Peggy Guggenheim Venice.

This type of organic growth during Messer's reign is more in line with traditional museum strategies and contrasts with Krens's recent expansionary style. The acquisition of the additional museum venue in Venice was not financially driven; rather, it came about by coincidence. Messer's approach to operating the SRGF was neither a product of big business mentality nor an aggressive pursuit of real estate. He maintained a scholastic approach to museum management. The inheritance of Peggy Guggenheim's collection and palazzo was viewed as a natural phenomenon that resulted not only in an increase of art works and exhibition space, but also in a boost to the quality and scope of the overall collection. It fit directly into Messer's goals for the SRGF which were centered on strengthening the permanent collection, reorganizing the museum administration to operate more effectively, emphasizing educational and public outreach opportunities, and maintaining an environment conducive to scholarly research and publications.

Prior to the acquisition of the Peggy Guggenheim collection, the SRGF received part of the Justin K. Thannhauser collection in 1963 as a permanent loan. By 1981 the museum was officially bequeathed most of the prized collection. It consisted mostly of European (especially French) works from the eighteenth and early nineteenth centuries. Although Messer succeeded in strengthening the existing collection, Dennison reveals that, in fact, it was Krens who actively acquired the most important works of contemporary art for the SRGF, rescuing the museum from becoming a relic of modernism. During his tenure as Director of the SRGF, approximately 3,000 works have been added to the collection. Contrary to the persistent criticism that his primary intention is to develop a Guggenheim brand identity, Krens establishes that, he too, is concerned with elevating the scope and credibility of the SRGF's collection.

A NEW BEGINNING:
THOMAS KRENS, DIRECTOR OF THE SOLOMON R. GUGGENHEIM FOUNDATION

When Krens arrived on the scene in 1988, the Guggenheim balanced a fine line between either adapting to mediocrity or embracing a future of possibility. Under his directorship, the SRGF shifted its focus from Messer's more conservative tactics that had ruled the previous two decades.[18] Immediately, challenges presented themselves to Krens.

Renovation of the Frank Lloyd Wright Building

First and foremost, the Frank Lloyd Wright building, which both then and now serves as the center of the Guggenheim universe, was in desperate need of repair.[19] For Krens, this was a major priority. "The Frank Lloyd Wright building is the greatest work in the collection," he said.[20] In fact, results from a Gallup poll conducted in 1960 revealed that, "4 out of every 10 visitors (38 percent) said they came to the Guggenheim specifically for the building; 53 percent said they came to see both the building and the collection, and only 5 percent said they came just for the art."[21] More recent surveys issued by the museum itself, "show that for the 900,000 to 1,000,000 people who visit every year, the building consistently ranked over the art as the reason for visiting."[22] Yet, the modest endowment (approximately $30 million in 1988) was not large enough to fund the operational costs of the museum and a restoration of the building, while at the same time,

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[18] Solomon, "Go-Go," 36.

[19] Michael Kimmelman. "The globe-straddler of the art world: the Guggenheim's Thomas Krens." *Museum International* 51, no 201 (1999): 52.

[20] Solomon, "Go-Go," 36.

[21] Carol Vogel. "Guggenheim Museum Seeks to Restore Its Most Valuable Asset: Itself." *The New York Times* sec. E ed. late (June 10, 2004): 1.

supporting a program for the acquisition of art works (a crucial role of any viable museum).[23] While Krens was busy prioritizing his daunting new responsibilities, he stumbled upon a startling realization. Only three percent of the Guggenheim's collection, which at that time amounted to over six thousand objects, was on display in the galleries. The rest remained in storage. Although Messer acquired numerous works for the SRGF, it seemed he had given little thought to the actual space that these works of art would occupy both in their exhibition and in their storage. This realization became the battle cry legitimizing Krens's aggressive expansionism.

Not only did the Frank Lloyd Wright building need to be restored, but it also needed to be added onto to include more gallery space for the exhibition of art works. Krens contacted the architectural firm, Gwathmey Siegel, and a plan was approved to construct a ten-story tower attached to the side of the museum. It would alter the skyline perspective yet retain the swirling nautical structure of Wright's original design from 1959. Fifty-one thousand square-feet of exhibition space would be added along with fifteen thousand square-feet of office space. The renovation also included an overhaul of the existing theater, the inclusion of a new restaurant, and additional storage spaces designed specifically for the support and storage of art.[24] Like most museums desperate for public funding and, therefore, public support, Krens openly posited the project as a cultural facet of urban renewal in New York City at a time when the economy seemed hardy enough to carry the load.

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[22] Ibid., 1.

[23] Alex Prud'Homme. "The CEO of Culture Inc." *Time* 139, no3 (January 20, 1992)<http://www.time.com/time/magazine/0,9263,1101920120,00.html> (January 13, 2005).

[24] "Solomon R. Guggenheim Museum: Renovation and Addition." G*wathmey Siegel & Associates Architects llc,* <http://www.gwathmey-siegel.com/projects/architecture/cultural_projects/gugg/indexright.html> (February 2005).

Construction began in 1989 and was completed in 1992. During the period from 1990 to 1992, the museum was forced to close its doors to visitors. Krens continued to generate revenue by touring the SRGF collection to different institutions both nationally and internationally. He observed the welcomed benefits of financial growth and increased exposure from this 'grand tour' and became even more determined to capitalize on the budding reputation of the Guggenheim.

The Fifth Avenue Guggenheim finally reopened for business on June 28, 1992 boasting a return to its "pre-opening condition."[25] In terms of the history of the SRGF under Krens thus far, the art community received the renovation of the Frank Lloyd Wright building fairly positively. Still, a handful of critics disapproved. The potency of their critiques was minimized, however, since these complaints tended to repeat the aesthetic arguments associated with the innovational building design when it was first erected. In other words the Guggenheim New York still resembled, "a citrus press, a mustard pot, a beehive."[26] To both Krens and the majority of the New York art-going public, these criticisms read as frivolous and even humorous, not threatening.

Deaccessioning of Art and the Question of Public Trust

All was well with the SRGF until a probing journalist publicly questioned the origins of the $48 million needed to fund the Frank Lloyd Wright makeover. A few of Krens's critics demanded to know how a state-subsidized museum (whose operational tactics and financial expenditures are considered a matter of public interest) could afford such a pricy renovation. Exactly where and how did the SRGF get the money? The answer to this question is both a tribute to Krens's

[25] "Guggenheim Museum-The Manhattan Project-Timeline." *Solomon R. Guggenheim Museum*, <http://www.guggenheim.org/exhibitions/past_exhibitions/new_guggenheim/timeline_main.html> (Janurary6)

[26] Michael Ellison. "Critics hated his motorbike exhibition." *The Guardian* (April 19, 2000).

economic sensibilities and a harbinger of his controversial method of museum operation. After convincing the board of trustees that the restoration and expansion of the museum was absolutely crucial, he began liquidating SGRF assets (in art world terms, deaccessioning art).

In May of 1990, Krens deaccessioned (read: sold) three works of art from the collection (Chagall, Kandinsky, and Modigliani) at Sotheby's auction house in New York City. The sale exceeded Sotheby's high estimate by forty percent and added $47 million to the SRGF endowment.[27] Both the timing of the sale in relation to the construction (the works were auctioned off in May 1990 and construction began in 1989) and the amount of the sale in relation to the cost of the project (the works sold for $47 million and the project cost $48 million) gave skeptics reason to assume that the newly acquired funds were specifically intended to finance the restoration and expansion of the museum. This raised suspicions of Krens's intentions for the SRGF. If in fact his sole motivation to deaccession art was to fund a physical expansion and renovation, the question begged to be asked: which is more important, the art exhibited in the museum or the museum that exhibits the art?

Another aspect of the debate focused on a museum's right to deaccession art. Works of art belonging to a museum are theoretically held in public trust.[28] The money used to subsidize museums is derived from the tax base of both the local and national population. Therefore, the art belongs to the public. "Every tax-payer is in a sense a shareholder in a museum's artistic assets . . . Responsible stewardship of abundant riches means preserving and even sharing the public's

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[27] Prud'Homme, "CEO."

[28] Jason E. Kaufman. "Guggenheim Cleared." *Art Newspaper* 148 (July 2004): 1, 11.

patrimony, not cannibalizing it," says journalist Lee Rosenbaum.[29] Under Krens's directorship, was this true, or were works of art merely assets (property to which monetary values can be assigned)?

Few pushed the issue much further noting that in 1989 the SGRF received a tax-exempt bond issue of $54.9 million specifically designated for the renovations (more than enough to cover the entire expense of the project).[30] Using their endowment as collateral, museums have historically participated in similar deals to gain immediate access to money. However, the financially savvy members of the art world observed a break with tradition in the nature of the Guggenheim's deal. With an endowment of only $30 million in 1989, Krens called upon a bank to issue a letter of credit as collateral for the bond. This means that the bank, not the museum, agrees to pay off the loan if the museum were to default. The bank charges a fee for the letter of credit and cites certain conditions to which the museum must adhere. By paying a flat fee for this unusual (at least for a museum) service, Krens was protecting himself from the uncertainty of the future. If for some reason the SRGF ran into hard times in the years ahead and became unable to continue payments on the loan, the letter of credit assured that the endowment would never be at risk. He knew that a museum without an endowment ceases to be a museum. This short cut to the funds, which skirted around the Guggenheim's limited endowment, was obviously a product of Krens's knowledge and experience in economics and business management; a clever trick of his trade.

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[29] Lee Rosenbaum. "The Lost Museum: Why is MoMA selling off its masterpieces?" *Wall Street Journal.* (May 13, 2004), Editorial.

[30] Prud'Homme, "CEO."

A decade and roughly five Guggenheim branches later, an article in the *Wall Street Journal* revisited the deaccessioning of art issue. It revealed that in 2001 Krens deaccessioned approximately $15 million worth of art from the SRGF collection ($10.1 million in 1999 and $4.55 million in 2000).[31] The article claimed that the Guggenheim's intentions were dishonest and unethical. According to the Association of Art Museum Directors (AAMD), the diplomatic voice of museum ethics, proceeds from sold works of art should (note should, as these guidelines are not legally binding) be spent only on new acquisitions.[32] Of the $15 million the Guggenheim spent a mere $4.9 million on acquiring art, purchasing three works by artist Brice Marden. The remaining $10.1 million was put into the general endowment fund. The charge that Krens proceeded with the deaccessioning of works with intentions other than to acquire new works arose, once again, due to both the amount that was re-deposited into the endowment and the timing of the deposit.

In 1992 the German bank West LB re-issued a letter of credit for the $54.9 million bond previously discussed. One of the stipulations of the agreement between the bank and the SRGF was that the museum's endowment be maintained at $35 million, to be reviewed by the bank at the end of each fiscal year. Interestingly enough, as 2001 drew to a close the endowment was a mere $28.9 million. At the eleventh hour, Krens made a deposit of $10.1 million into the endowment raising the figure to $39 million, just enough to satisfy the $35 million quota.[33]

This suspicious financial activity did not go unnoticed by Rosenbaum, who in turn brought it

[31] Lee Rosenbaum. "The Guggenheim Regroups: The Story Behind the Cutbacks." *Art in America* 91, no2 (2003): 45.

[32] "Code of Ethics." *Association of Art Museum Directors,* <http://www. aamd.org/about/#Code> (12 March 2006).

[33] Kaufman, "Guggenheim," 11.

to the attention of the public for scrutiny. The article spawned a year-long (2003) investigation by the AAMD into the matter. The Guggenheim was finally cleared from these charges in April 2004. The main argument from the SRGF, besides the fact that they did not, in fact, deaccession art with the intention of leveling out their endowment, was that even if they did, there are no repercussions.

Krens was right. Banks issuing letters of credit use this minimum figure to monitor the financial progress of the borrowing entity; however, there are no punishments in place to enforce violators. Anthony Calnek, acting spokesman for the SRGF, shrugged off the matter as unimportant citing the lack of repercussions for this particular charge; yet, in an effort to avoid a public scandal, he persuaded the museum's board to formally adopt the AAMD policy. This was done on April 13, 2004, just two days before the SRGF received the pardon.[34]

The SRGF remained ambivalent. Why, they reasoned, waste time, energy, and published journal space to resurrect and persecute unpunishable deeds? Krens and the SRGF were cleared of these charges, but the situation is telling in and of itself. It became apparent that Krens, in running the SRGF, placed priority on those actions that furthered the institution without worrying whether such actions would be deemed ethical in the public eye. Even now, he continues to push the boundaries of ethical museum operation by blending big business tactics into the conservative structure of not-for-profit cultural entities. Krens's critics fear for the future lest museums morph into just another corporation void of content and meaning.

[34] Ibid.

Birth, Re-birth, and Death of Guggenheim SoHo

While renovations were still underway on the New York museum, Krens pitched his idea to open a satellite branch of the Guggenheim in SoHo, a trendy borough of New York City further downtown. The SoHo branch was intended to expand the reach of the museum to the younger, hipper audience that inhabited the area. The SRGF board of trustees, already impressed with his action and enthusiasm, gave Krens the go ahead. (The project cost $5.5 million and was fully funded. Part of this funding was taken from the $54.9 million Krens amassed for the renovation and expansion project on Fifth Avenue).[35] Through this new museum branch, the SRGF gained 30,000 square-feet of their increasingly favorite and most sought after acquisition: space. Arata Isozaki designed the new museum on three floors of existing loft space in a nineteenth century landmark building at 575 Broadway.[36] On June 28, 1992 Krens unveiled his first (seemingly) successful SRGF museum franchise.

In order to operate the facility, the SoHo museum needed an attendance figure of at least 250,000 visitors annually. To Krens, this seemed easy to accomplish given the rising popularity of the neighborhood as a trendy location to shop, dine, and experience New York City; but attendance figures never reached their predicted peak. Instead, between 1992 and 1996 the SoHo branch received 150,000 visitors annually, far fewer visitors than had been optimistically expected.[37]

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[35] Prud'Homme, "CEO."

[36] Jason E. Kaufman. "Maker of world-class art museums." *Art Newspaper* 8 (October 1997): 15.

[37] Eleanor Heartney. "Growing Pains." *Art in America* 87, no 6 (June 1999): 45.

In an attempt to revitalize the floundering branch, Krens announced a new programming initiative. Rather than scaling back, Krens pressed forward and in 1996 designated the SoHo Guggenheim as a venue to exhibit multi-media and high technology art. That same year "Mediascape," an exhibition of electronic and new-media art, opened. It was a gamble on the part of Krens, especially given that the curatorial costs for new-media installations soared at over $1 million per exhibition; a cost the SRGF could hardly afford to pay. Critics panned the exhibition as an obvious front for a flailing institution. To most, "Mediascape" appeared bland and banal despite the anticipated technological appeal. "The Guggenheim show tends to ignore any meaningfully different or truly radical aspect of new media and consigns it to the role of a sort of high-tech paintbrush, simply a new tool in the hands of artists," noted one critic for *Rhizome*.[38] Critics thought the show was a gimmick created to generate media coverage and to entice the hip audience that had been all but absent in its galleries since its opening in 1992. Years later Peter B. Lewis, former chairman of the SRGF board of trustees and $77 million donor (to date), offered a concise statement explaining Krens's risky investment philosophy. "He had first used yesterday's reserves and then used tomorrow's optimism."[39]

By 1996, after four years of grossly underestimated attendance figures and a few costly, over-rated exhibitions, the SoHo Guggenheim sat on the brink of closure. Many professionals familiar with the delicate business of museum operation might have cut their losses by pulling out; but

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[38] Ellen Tepfer. "Cyber meets SoHo." Online posting (September 13, 1996) *Rhizome.org*, <http://rhizome.org/thread.rhiz?thread=670&text=195#195> (23 March 2005).

[39] Deyan Sudjic. "Is this the end of the Guggenheim dream?" *The Observer* (January 23, 2005), <http://www.guardian.co.uk/arts/features/story/0,,1396307,00.html> (April 1, 2005).

Krens, still committed to SoHo's success, persisted. He devised a simple strategy to alleviate the financial burden placed on the SRGF by the mediocre branch. He asked for help. The state of New York, however, had no vested interest in the project, and Krens had already exhausted the generosity and trust of the SRGF's most supportive private donors (the board of trustees). Without these sources of funding, he decided to negotiate assistance in the form of corporate sponsorship.

The SRGF negotiated a deal with the German telecommunications company Deutsche Telekom. In exchange for financial support of both exhibitions such as "Mediascape" and also for a further expansion of the SoHo space, four galleries would bear the company's namesake. As Krens pushed forward, ironically enough, the corporate sponsorship designed to pull the SoHo Guggenheim out of a hole backed out of the partnership. Neither the SRGF nor Deutsche Telekom publicly listed a reason for the sudden decision.[40] Surely this was a disappointing blow for Krens. Without corporate dollars to finance the exorbitant costs of exhibiting new media work and with sustained visitor numbers of approximately half the anticipated total, the survival of the downtown branch was called into question.

Krens made one final and desperate attempt to salvage the SRGF's investment in SoHo. In February 1998, six years since its opening, the SoHo satellite closed temporarily for another round of renovations. Far from a facelift, the project reconfigured the floor plan to accommodate 7,000 square-feet *less* of space. The corner of the building once occupied by the museum was transformed into a separate storefront and rented to international fashion house, Prada. Less than

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[40] Heartney, "Growing," 48.

a year later the SoHo Guggenheim reopened and began operating a more modest program in a slightly more humble environment; but nothing seemed to work. The anticipated crowd of art enthusiasts still refused to show. The high price of admission, especially following a sizable downgrade to both the exhibition space and the curatorial program, seemed unwarranted to some. Even a drastic readjustment in admission prices, from eight dollars per person to absolutely free, did not produce any positive results (financially or otherwise). Apparently, Krens could not give away an art experience, though he certainly tried. According to writer Eleanor Heartney, Krens was not entirely to blame for the continual decline of the SoHo Guggenheim. In her opinion, SoHo, the area itself, was overrun with tourists who scared away the art scene; hence, the museum experienced even lower attendance figures than before the abolishment of admission.[41] Inevitably, the Guggenheim SoHo officially shut its doors in late 2001 never to reopen them again.[42]

When asked to account for the failure of the SoHo Guggenheim, Krens deflected the blame by placing it on the fickle nature of the city. Not only was SoHo on the decline as Heartney argued, but also the market for museums was stuffed to capacity. From Krens's perspective, SoHo's closure was proof that New York City, the Mecca of Western culture in contemporary society, could not bear the load of another neighborhood Guggenheim museum. He used this rationale to pacify the now skeptical board of trustees and shifted his focus to other expansion prospects.

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[41] Ibid., 49.

[42] Adrian Ellis. "Museums in America: How to be a wise virgin." *Art Newspaper* 13 (May 2003): 22-23.

International Inquiries, Museum Trends, and Krensian Economics

The Guggenheim began negotiations with Salzburg, Austria to establish another European outpost. Hans Hollein, internationally renowned architect, was commissioned to design the museum. He created a model for a "100,000 square-foot subterranean museum" which would cost an estimated $80 million to build.[43] Hollein explains the project in an interview with *Icon* magazine:

> The Guggenheim in Salzburg was actually the forerunner of the Guggenheim in Bilbao. There was no space left in the old city to build a museum, so I suggested putting it in the Mönchsberg, which is a rock in the middle of Salzburg – of course you couldn't put apartments or offices in there but a museum was okay. Salzburg was a little slow and the Bilbao people were faster. But Salzburg is still on the agenda – it's still not decided that it will not be built – and it's still a valid proposition.[44]

While still negotiating the Salzburg museum project, Krens began exploring other possibilities in various European countries including Spain. Eventually the Salzburg project fizzled out when the city refused to fork up the money for the project. In 1990 Krens began talks with Akira Tobishima about branching out into Tokyo. Tobishima demonstrated his sincerity regarding a Guggenheim Tokyo by pledging $5 million to the SRGF. To date, there has been no further discussion about the Asian franchise.[45]

The museum boom of the 1980's was beginning to mellow out and speculators were very wary of risky investments within the art market during the early 1990's. So why did Krens continue to

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[43] Kaufman, "Maker," 15.

[44] Justin McGuirk. "Hans Hollein." *Icon* (December 2004), <http://www.bedfordstmartins.com/online/cite7.html> (April 13, 2005).

gamble with the future and credibility of the SRGF by aggressively pursuing international expansion projects abroad? Jason Kaufman, a writer for the *Art Newspaper*, noted in a 1994 article on the subject of erratic museum expansionism that, "Against all economic odds, American museums are hell-bent for growth."[46] Regardless of the location of the city, the nature of the collection, or the size of the endowment, at least one major museum in every metropolis within the United States including university museums and various other cultural institutions indirectly involved with art, burst forth with new growth. As previously discussed, in the early 1990's the SRGF was in the midst of a $48 million expansion and renovation project on Fifth Avenue, a $5.5 million branch opening in SoHo, and an $80 million international outpost in Austria. In New York City alone organizations such as the Jewish Museum, the Metropolitan Museum, Brooklyn Museum, the Museum of African Art and the Morgan Library were all participating in this expansionist trend between the years of 1990 to 1994. Outside the New York City limits, the Holocaust Memorial Museum, the Museum of the American Indian, the new Chicago Museum of Contemporary Art, and the Getty Center (to name a few) were all following suit.[47] If they already existed, they were expanding; if they did not exist already, they were being constructed.

Critics voiced their disapproval of this trend arguing that "scarce moneys and personnel might spend time improving the collections and their presentation, rather than endlessly fundraising."[48] Kaufman makes the point that, "with government and private funding diminished by the

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[45] Kaufman, "Maker," 15.

[46] Jason E. Kaufman. "Rich pickings for super-star architects: U.S. museum boom continues." *Art Newspaper* 5 (April 1994): 17.

[47] Ibid., 17.

recessionary economy, one would expect them to go into hibernation. Instead, they are determined to boost revenues through increased attendance."[49] The museums in question did not see it this way. Apparently there was a potential prize to be had, and throughout the decade of the 1990's every institution in the art world was competing. He presents a wry explanation of museum logic during this period. "Heavily hyped shows are crowd-pleasers, hence the need to build galleries for marketable blockbusters; art donations are down, thus the need to create empty walls to be filled; a low-fee architect would be more affordable, but most commission 'name brand' firms deemed more likely to attract private money . . ." [50]

"Krensian Economics," a term specifically coined to summarily refer to the Guggenheim's operational philosophy under Krens, is derived from this exact line of thinking.[51] It serves as the economic backbone of the institution, and all of the contracts negotiated by the SRGF and Krens are aligned with this rationale. When asked to explain this philosophy, Krens says that in order to survive, "you have to find a strategy that allows you to embrace the future."[52] He adds, "If you want a vital institution, change has to take place on so many fronts that it's likely to be bewildering."[53] There are three key components to his chosen strategy. The first is to collaborate with either private or political entities, both at home and abroad, to create mutually lucrative partnerships between the SRGF and the sponsoring host. Once a contract is negotiated and a

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[48] Ibid., 17.

[49] Ibid., 17.

[50] Kaufman, "Rich," 17.

[51] Rosenbaum, "Guggenheim," 45.

[52] Kim Bradley. "An Interview with Thomas Krens." *Art in America* 85 (July 1997): 53.

successful feasibility study is completed to assure (hypothetically) the soundness of the investment, Krens then looks to his favorite 'name brand' architects to develop the proposed museum site. The design of the new museum space is vital and typically accounts for the majority of the overall expense. On this point, Krens is adamant. Previously, museums "weren't adequate to the imaginations of contemporary artists who began to work with notions of scale." His idea is "to make the museum an incredibly memorable experience." Lastly, the new Guggenheim location opens with a popular exhibition (usually consisting of famous works from the SRGF's permanent collection) to generate mass audience appeal and interest. "If the art can match the architecture, then we will have a defining moment here," Krens concludes.[54]

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[53] Prud'Homme, "CEO."

[54] Bradley, "Interview," 53.

This is precisely what occurred in Bilbao, Spain. In fact, the success of the Bilbao Guggenheim is referred to in both art and business realms as the Bilbao effect. In Bilbao, Krens found what the other art institutions were looking for: a successful and meaningful combination of big business tactics, political support, and international culture which produced a viable model for a twenty-first century art institution.

Spain Gets a Guggenheim

Thomas Krens and Carmen Gimenez, curator of twentieth-century art at the SRGF, first explored the possibility of a Guggenheim branch in Spain in 1991. Originally, Krens was in hot pursuit of Count Giuseppe Panza de Biumo's art collection, especially his extensive collection of Minimalist sculpture. In 1989, just one year after becoming director of the SRGF, he acquired 211 works from the Count's collection.[55] This was a huge gain, literally. Having already established the lack of exhibition space within the SRGF as a main obstacle, Krens struggled with a solution that would accommodate housing the recent acquisitions (excessively large Minimalist works). This issue was compounded by the renovations taking place at the flagship Guggenheim in New York that forced the museum to remain closed until 1992. It would be ridiculous to refuse a hugely important group of works within the history of contemporary art due to lack of space. For Krens, this was not an option.

Krens and Gimenez scoured Spain in search of either an institution willing to rent part of the SRGF collection or a city interested in hosting a Guggenheim satellite museum. In order to open

[55] Bradley, "Deal," 46.

the door to negotiations, they teamed up to curate "Masterpieces from the Guggenheim Collection: From Picasso to Pollock" which was strategically exhibited at the Reina Sofia. The 300,000 visitors who attended the exhibition reinforced the international popularity of the Guggenheim museum. Krens and Gimenez also mounted a more modest exhibition, "Kandinsky Watercolors," at Banco Bilbao Vizcaya's exhibition space in Madrid.[56] Although Krens maintains that art should be accessible to the masses and therefore exhibited internationally, the convenient placement of the aforementioned shows was clearly motivated by a much less idealistic agenda. Krens and Gimenez toured Spain and pitched their expansionist ideas to various national and local leaders in hopes of finding a new home for a Guggenheim branch.

"The museum is an evolving institution sensitive to political and cultural attitudes," notes Krens. In an extensive article examining the evolution of the Guggenheim Bilbao, Kim Bradley points out how this exact opinion worked against the SRGF. Unfortunately, "an anti-American sentiment prevailed at the ministry . . . and SRGF's proposal came to be considered an imperialistic, speculative venture, particularly in the aftermath of the contemporary-art-market boom and bust."[57] This attitude was so ingrained in the seat of Spain's government at the time, that Barcelona, Seville, Badajoz and Santander all declined Krens's advances. The central government flat-out refused to finance any endeavor involving an institution that threatened to Americanize and cheapen their deep-seated cultural traditions. By default, Krens was left with only one option – Bilbao.

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[56] Ibid., 46.

[57] Ibid., 46.

Due to the historically antagonistic relationship between the Spanish government and the Basque country, the inhabitants of Bilbao have remained explicitly separate in their allegiance, operating mostly as an autonomous and isolated state in the northern region of Spain. Although not Krens's first choice for real estate, Bilbao had something that no other city he had visited in Spain possessed: a fund specifically designated for urban renewal. This fund originated from "a remarkably bold urban-renewal scheme, conceived by the Basques in 1989, that is intended to transform this deteriorated port, gravely afflicted by accumulated debts, a 25-percent unemployment rate, industrial pollution and outmoded steel and iron trades, into a center of clean industries (service, financial and high tech) with important tourist and cultural offerings."[58] Approximately $1.5 billion pesetas were designated to revamp the city by the year 2000.[59] Krens had leverage in Bilbao to negotiate a more lucrative deal for the SRGF. On October 1, 1991 Joseba Arregi, then Basque cultural commissioner, and Krens signed an agreement to follow through with the project.

The agreement was initially deemed hasty, and Krens was criticized for jeopardizing the future of the SRGF by involving the institution in such a high-risk investment. Skeptics drove home their point by publicly emphasizing the terrorist activity of the Basque separatist group (Euzkadi ta Azkatasuna, Basque Homeland and Liberty – ETA) that plagued the area for the last thirty years.[60] Once again, Krens did not back down. Instead he navigated the testy waters of deal-making and contract-signing, like a seasoned swimmer, managing not only to stay afloat, but also to

[58] Bradley, "Deal," 48.

[59] Kaufman, "Maker," 15.

[60] Jason E. Kaufman. "Bilbao's Guggenheim: New Colossus." *The Washington Post* sec. G (October 26, 1997): 2.

stay perfectly dry throughout the six-year affair.

In keeping with the model of “Krensian Economics” outlined above, Krens wasted no time in naming Frank O. Gehry as the architect. On the same day of the “pre-agreement” signing, he unveiled the design for a 336,000 square-foot museum. The gargantuan museum would be built in downtown Bilbao on the bank of the Nervion River. Before the construction began, the Basque parliament downsized the museum to 256,000 square-feet in an attempt to keep the costs manageable. Still, the project estimate rose from $170 million to $250 million in the first two months of planning. These figures further enraged critics in both the U.S. and some local dissenters in Bilbao. Although the Bilbao inhabitants were in favor of the urban-renewal project, many felt that this sum would surely bankrupt the country and stall the progress they so desperately desired. In their opinion, $250 million was simply too substantial a sum to pour into a single building. Critics in the U.S. agreed. Once again the question of affordability surfaced. How could a museum with an endowment averaging between $30 million and $40 million annually afford to participate in such a costly scheme? In answering this question, Bradley remarks that the deal which produced the Guggenheim Bilbao will go down in history as nothing short of “the deal of the century.”[61]

In December 1991 the SRGF and the Basque government entered into a binding twenty-year contract that outlined the terms of the agreement. In her article Bradley, obviously impressed with Krens’s ability to strike business deals, revealed that “the Basques would finance the construction and operation of a new Guggenheim museum to the tune of one hundred percent, even down to the

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[61] Bradley, “Deal,” 52.

fees incurred by SRGF to draw up that very agreement."[62] Along with bearing the cost of construction and operational expenses, the Basque government would also give $50 million to the SRGF to help develop a Spanish and Basque art collection. Another $20 million tax-free donation would be made to the SRGF in two installments of $10 million a piece (paid in 1992 and 1993).[63] This very generous donation by the Basque government set the precedent for incorporating a Guggenheim franchise fee in future deals masterminded by Krens. The Guggenheim was quickly gaining a brand identity, and the almost immediate success of the Guggenheim Bilbao project only reinforced the marketability of the institution.

Besides lending the Guggenheim name to the new museum, what were the other responsibilities of the SRGF that warranted such a sweet deal for Krens's organization? Everyone wanted to know. In her article Bradley thoroughly discusses the Guggenheim's responsibilities as laid out in the "Development and Programming Services Agreement for the Guggenheim Museum Bilbao" signed by both parties on December 13, 1991.

> It was arranged from the outset that the SRGF would 'operate and manage' the museum. SRGF's responsibilities were as follows: develop an initial four-year plan (including detailed operating budget); direct and manage the acquisitions program; provide collection management services; develop an educational program in museum management, curatorial research and programming, and advise in the hiring of personnel. As to the building, SRGF would direct the architect in the design phase, as well as approve site plans, sections and elevations, floor plans, office and support facilities, and the choice of materials, fixtures and furnishings. Finally, the contract affirms that the 'SRGF's involvement is in an advisory capacity only' and includes the following disclaimer, which renders the entire arrangement

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[62] Ibid., 52.

[63] Ibid., 52.

> similar to a standard franchise: 'SRGF shall have no obligations, legal, financial or other wise in respect to the ownership of the site, design or construction of the museum, or ownership, lease or operation of the museum except for obligations to provide services pursuant to this agreement and liabilities that cannot be waived by law.'[64]

The Basque government went to great lengths to predict the return on their investment. A feasibility study was conducted that projected the annual income of the museum to average $14 million. Half of this sum was based on private and corporate donations and the other half was based on visitor attendance (predicted to average 500,000 visitors per year). The Guggenheim Bilbao would have exclusive rights to any profit from ticket sales, gift shop sales and the like. The study predicted the museum would begin to generate a profit over and above their initial expenses in three years. During this time, the increased international visibility created by media coverage of the new museum and an advertising campaign emphasizing Bilbao as a new tourist destination would attract businesses to the area. The project's biggest critics (Basque Country University professors Ramon Zallo and Mano Gaviria) argued that the study was too optimistic, making unrealistic assumptions about the likely number of visitors to the area as well as neglecting to address the unlikely physical appeal of Bilbao to business owners looking to expand.[65] Although not as potent as the feeling of the Spanish government, a residue of resentment towards an American organization absorbing so much of Bilbao's resources lingered. It is a valid and sensitive argument that will pervade all future international

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[64] Ibid.

[65] Ibid.

expansion projects initiated by Krens. The more money spent on the Guggenheim, the less money spent on already existing state-sponsored cultural organizations.

Although local criticism was harsh and heartfelt, the Basque government held on to the initiative to revitalize Bilbao. On October 18, 1997, the Guggenheim Bilbao opened to an eager audience of both supporters and skeptics. The opening show, a three hundred work survey titled “Twentieth-century Art: Masterpieces from the Guggenheim Collection” fulfilled the third and final criteria of the “Krensian Economics” formula which emphasized the importance of opening with an exhibition that garnered mass appeal.[66]

Frank O. Gehry’s Museum Design and the Bilbao Effect

Both then and now, the most intriguing aspect of the Guggenheim Bilbao is the actual museum itself. Krens and Gehry worked closely together for two years to design the structure. They discussed everything from the details (blueprints and elevations) to the loftier philosophies surrounding the changing function of the art museum in an increasingly globalised society. “We recognized that the art museum is this 18th-century idea of the encyclopedia in a 19th-century box. What’s liberating is to make the next museum—this one in Bilbao-responsive to the art,” says Krens.[67]

The form of the museum was of utmost importance to Krens. Remember, he was in desperate need of a large-scale exhibition space to physically fit his new acquisitions from the Panza collection. “This building was designed for the large Richard Serra sculpture and

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[66] Kaufman, “Star,” 17.

the great Minimalist works of the Panza Collection. Spaces were created knowing that we have those Mario Merzes. That's what makes this place so special," notes Krens.[68] He and Gehry never lost sight of this original intention, and the product of their collaborative efforts resulted in nineteen white gallery spaces and a towering atrium (165 feet high).[69] (There ended up being so much space, in fact, critics felt that even the largest of the large-scale works in the SRGF's collection were miniaturized within the atrium.)

As the building developed, the local population, whether initially opposed to the project or not, began to embrace the Frank O. Gehry creation. The inhabitants of Bilbao and the Basque country had never seen anything quite like it. It also surprised the rest of the world who previously had adopted an idea of what a museum should be and should look like on an unconsciously conservative level. "The new museum will be a landmark, a signature for our city that will be recognized across Europe and the rest of the World and a statement of the Basque region's intention to play an active role in the cultural and commercial development of the European community," declared M. Karmen Garmendia, culture minister of the region.[70]   Today, the titanium-clad Gehry structure stands as a monument to art and has become the international icon for Bilbao.

In an interview conducted in October 1997, the month the Guggenheim Bilbao opened, Gehry considers the museum from the perspective of the artists who might exhibit there.

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[67] "Art Impresario." *Architecture* 86 (December 1997): 49.

[68] Ibid., 49.

[69] Kaufman, "Bilbao's."

> Artists really want to be in an institution that has presence in the city. With most museums that have been built since the war, architects have been very deferential. They've proceeded in reverence for the art as the object to be displayed, and they've created these deferential neutral boxes and spaces, which stood for nothing in the community in the end. If you go to Bilbao a hundred years from now, and you don't know anything about Krens, Gehry and the Basques, you'll come in to town and somebody will point out the art museum and you'll say, 'Man, these people really loved art.' And that's what the artists need, want, crave: that the palaces for their work be important in the city, be as important as the courthouse and the library and the city hall.[71]

This statement highlights another purpose, other than the need for square-footage, of the grandiose building design. The innovative structure established an ever more desirable brand identity for the SRGF. Both artists and collectors were eager to exhibit their works and collections, respectively, in the famous new space. From the perspective of both audience and artist, the Guggenheim Bilbao's main appeal centered less on the content of the exhibition and more on accessing the building and becoming validated by the space. This attitude served as ammunition in Krens's arsenal. The popularity of the Guggenheim Bilbao, along with the Frank Lloyd Wright building in New York, created a ripe situation for him to secure his low-risk investments in all future projects.

After only a few years of operation, the Bilbao effect was in full swing. From October to December of 1997, visitors numbered 260,000. This figure far outweighed the previous estimate of a mere 400,000 visitors per year. In 1998 1,307,000 guests came to see the Guggenheim Bilbao; in 1999, 1,058,000; in 2000, 975,000; and although 2001 saw a slight

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[70] Kaufman, "Star," 17.

[71] David D'Arcy. "A dream of ships and steel: The Guggenheim Museum, Bilbao, interview with Frank Gehry, architect." *Art Newspaper* 8 (October 1997): 14.

decline in visitors (930,000), the numbers were still impressive to those taking notes and counting dollars. The astounding visitor turnout converted most of the project's initial skeptics into "Krensian Economics" believers. Estimates in 2001 claimed that the museum had made $147 million for the city in that year alone and was able to self-fund a staggering 73 percent of the operating costs. Since the museum opened in 1997 it has employed over 4,415 residents in various capacities.[72] As a tangible testament to the growth initiated by the new Guggenheim museum, it was compared with the steel yards, the largest industry in Bilbao's previous history, which only employed approximately 2,500 people during its hey-day.

It is evident that the Basque government, although criticized early on for gambling on the Guggenheim to revive the economy, made a wise and timely investment that yielded a huge return. A breakdown of the economic activity in Bilbao in 1997 and 1998 illuminates the extent of this return. In 1997 approximately $120 million was spent in the food service sector. In 1998 that total increased to approximately $160 million. Also in 1997, an estimated $75 million was spent on purchases in local shops, $60 million on hotels, $15 million on fuel and transportation, and $17 million in the museum itself. In 1998 these figures increased in every area. Approximately $100 million was spent both in shops and in hotels; $17 million was spent on fuel and transportation; and $20 million was spent at the Guggenheim Bilbao. Economic activity associated with the effects of the museum

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[72] Martin Bailey. "Gehry + Guggenheim still a winner." *Art Newspaper* 13, no 123 (March 2002): 10.

totaled roughly $300 million in 1997 (0.47% of the Gross Domestic Product) and $360 million in 1998 (0.62% of the GDP).[73]

The Bilbao effect was born, and most everyone wanted a piece. Krens was swamped with requests to build Guggenheims in every corner of the globe (and lots of places in between). Lisa Dennison notes, "We have been receiving calls from everywhere. Everywhere people have buildings or sites they want converted into a Guggenheim."[74] Despite all the hype, some critics preferred to examine the larger questions posed by the museum's existence. One such person is Francisco Calvo Serraller, a professor at the University La Complutense in Madrid and former director of the Museo del Prado. His critique is this:

> It is a museum without contents. What worries me is how museums aim to create an urban spectacle, rather than exhibit works of art. One must not fetishise the Guggenheim: It is the result of the idea that museums have to be entertaining, that the building has to be a fairground attraction, a trend that had been increasingly evident over the last twenty years. The building is a curiosity, but does not enhance the art it houses. It tries to be a total work of art and overwhelms the works inside.[75]

The Deutsche Guggenheim

The Basque country was not the only territory explored by the Guggenheim in 1997. That year also saw the opening of the Deutsche Guggenheim in Berlin; however, this project was developed under different premises than the one in Bilbao. In 1996 Krens began negotiations with the Deutsche Bank to form a partnership, the first between a

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[73] Ibon A. Mediguren. "Boomtown Basque." *Art Newspaper* 12, no 111 (February 2001): 49.

[74] Hugh Eakin and Veronica Goyzueta. "From Bilbao to Brazil?" *Art News* 99, no 1 (January 2000): 49.

private institution and a cultural organization. Architect Richard Gluckman was hired to renovate the lobby of the Deutsche Bank in Berlin. He converted it into a long rectangular gallery space (5,000 square-feet), which exuded the feeling of an art studio. Both organizations intended to commission artists to create projects specifically in and for the space rather than using it solely to hang or install existing art works. James Rosenquist received the first commission at the Deutsche Guggenheim. He created *The Swimmer in the Econo-mist*, a large-scale, three painting suite that references both the history of art and the history of capitalism.[76] Rosenquist described the work as, "an image of *Guernica* in a spinning vortex."[77] Although the work visually alludes to one of Picasso's master works, the theme or meaning of the painting is unique since it references the primary function of its owner, a bank. Rosenquist admits that, "the painting addresses finance, capitalism."[78] Through this venture the Guggenheim was able to expand not only their European reach but also their role in the actual production of art. The painting was well received by the German art community at the time, yet one question remains: would a work of art, specifically commissioned for and funded by a financial institution exhibit anything less than a self-appreciative advertisement in support of themselves?

The operational agreement between the Deutsche Bank and the SRGF divided the

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[75] D'Arcy. "No populist," 37.

[76] Thomas Krens. "A Partnership in Patronage." *Deutsche Guggenheim* (2000), <http://www.deutsche-bank-kunst.com/guggenheim/e/> (March 7, 2005).

[77] Michael Amy. "Painting, working, talking: Michael Amy Interviews James Rosenquist – Interview." *Art in America* 92 (February 2004): 143.

[78] Ibid., 143.

responsibilities of the participating entities. "Both institutions contribute their specific intellectual and material capital to the joint venture . . ." Basically, the SRGF invested its art world savvy (including artists, contacts and curatorial expertise) while the Deutsche Bank picked up the bill for the expenses involved in all facets of operation. Also, both organizations shared their art collections. The Deutsche Bank obviously anticipated a public relations opportunity to boost its image and credibility as a dedicated patron of culture. Hilmar Kopper, Spokesman for Deutsche Bank in 1997, delivered the party line. "Convinced that the immediate experience of outstanding art is vital and intellectually beneficial to society, Deutsche Bank has consistently supported the cultural exchange and visual experience of contemporary art since the 70's through its own art collection and by presenting it under the motto 'art at the workplace.'" He continues to say that "this is an incentive for us to continue to think beyond the balance sheet figures and mathematics to offer the public – at least as far as the field of art is concerned – some of those singular experiences and moments which give meaning and reason to the reach for material gain."[79] Krens, on the other hand, saw a chance to expand his audience base to further increase the SRGF's marketability as a brand: all without spending a penny.

On November 9, 1997, less than a month after Bilbao opened, the Deutsche Guggenheim made its first public appearance. There is nothing particularly spectacular about this Berlin branch; it is just an interesting case of the corporation appearing to

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[79] Hilmar Kopper. "1+1=3." *Deutsche Guggenheim* (1999), <http://www.deutsche-bank-kunst.com/guggenheim/e/> (March 5, 2005).

operate in the interest of culture and the greater good, and the cultural organization acting with corporate interests in mind. The program continued at a consistent pace until shortly after September 11, 2001, when the Deutsche Bank dramatically scaled back.

Expanded Visions for Venice

Meanwhile, Krens was negotiating a deal with yet another bank in Europe. In 1995 he announced plans to create an additional museum in Venice, renovate the existing Peggy Guggenheim Collection (Palazzo Venier dei Leoni), and take over the operation of the American and Italian Pavilions in the Giardini (central site of the Venice Biennale).[80] He set his sights on a defunct warehouse on the Punta de la Dogana further down the Grand Canal from Palazzo Venier dei Leoni. Krens spent six long years trying to formulate a plan for this proposed new space.

In 2001 the Banca del Gottardo (a Swiss bank) entered into a five-year agreement with the SRGF that would put Krens one step closer to his new Venetian museum. The bank gave the Guggenheim an "undisclosed sum" to help fund their expansion projects in Venice in exchange for the right to exhibit works from the Peggy Guggenheim collection in their own gallery, the Galleria Gottardo. (This gallery was built to satisfy the Lugano city council, which required that a certain amount of space in the banks new building be designated as public space). Unlike the Deutsche Bank whose wordy and trailing explanations of their intentions for the Deutsche Guggenheim are published in essay form on their Internet homepage, the Banca del Gottardo makes no excuse about the function of

[80] Kaufman, "Maker," 15.

"the gallery to enhance the bank's image abroad and 'express' its international aspirations."

The bank was also allowed to host business and social events on the grounds of Palazzo Venier dei Leoni. Presumably much to Peggy Guggenheim's delight (although she had been deceased for years), her house would once again serve as host to many art world parties. The "undisclosed sum" given to the SRGF was divided by Krens and applied to his Venetian ventures; forty percent financed a feasibility study to convert the abandoned customs house (Punta de la Dogana) into another Guggenheim museum, and the remaining sixty percent was spent renovating and expanding the Peggy Guggenheim Collection.[81] In March 2003 after fifteen long years of speculation, Krens finally withdrew his plans for a new Venetian museum. The Church owned a portion of the warehouse in question, and they absolutely refused to give it up.[82] Krens flirted briefly with another possible location in Venice (the Magazzini dei Sale on the Zattere), but nothing has materialized to this effect.

Battle in Brazil: Krens versus the People of Rio de Janeiro

Subsequent to the opening of the Guggenheim Bilbao, Krens was confronted by officials from Brazil who wanted to discuss the possibility of recreating the Bilbao phenomenon in their country. Many cities in Brazil had set aside resources for urban-development projects similar to the one in the Basque region that funded the Guggenheim

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[81] Sebastian Smee. "Museum sponsorship: the Guggenheim does it again." *Art Newspaper* 12, no 118 (October 2001): 12.

[82] "Guggenheim Venice is shelved." *Art Newspaper* no 123 (March 2003): 1,6.

Bilbao. In 1999 Krens and Dennison visited Sao Paulo, Brasilia, and Rio de Janeiro to discuss the proposal with top officials in each city. In an attempt to nurture a relationship with the SRGF, Brazil invited the organization to exhibit any or all of a show they had recently organized titled "500 Years of Visual Arts in Brazil." While in Brazil Krens and Dennison selected the portions of the show they wished to showcase in New York in the last part of 2001 and 2002. Dennison notes, "We have been thinking about Brazil for a while. We are definitely going forward with the show. We are now a Hispanic institution and we want to capitalize on that."[83] Krens understood that one of the ways to capitalize on the Guggenheim's new ethnicity was to mount the Brazilian art exhibition in New York. Doing so would crystallize the image of the SRGF as an internationally conscious art museum and would appeal to a broader range of private and public sponsors. In essence, the exhibition was conveniently timed to coordinate with negotiations in Rio de Janeiro, lending exposure to Brazilian art in the United States and garnering support for the pending expansion into South America. "It is time to have a cultural trade that runs north and south, not just east and west," remarked Krens while visiting Brazil in late 2000.[84]

In November 2001 a feasibility study was launched to examine the viability of the proposed Guggenheim museum in Brazil, particularly in Rio de Janeiro.[85] Edemar Cid Ferreira, president of both the Brazil +500 and the Brazil-US Council, volunteered his

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[83] Eakin and Goyzueta, "From Bilbao," 49.

[84] Jason E. Kaufman. "A Guggenheim for Brazil." *Art Newspaper* 13 (April 2003): 6.

[85] Celso Fioravante. "Booty and soul." Translated by Clifford Landers, *ArtForum International* 39, no 6 (February 2001): 48.

organizations to fund the study. The results confirmed that Rio "promised the most favorable financial deal."[86] The study also estimated the cost of the museum project in Rio to be between $300 million and $500 million. This was a huge sum to invest, but having recently witnessed the boom of Bilbao after the arrival of the Guggenheim, officials in Brazil remained optimistic. Celso Fioravante explained the rationale in an article written for *ArtForum* in February 2001. "While the price is steep, the returns look promising: The Guggenheim Foundation would establish a presence in a highly visible city; investors would profit from an adjacent hotel complex and convention center; and Rio would attract still more tourists," he reasoned.[87] On the surface, this claim made just enough practical sense to pacify the public and deflect some initial criticism; yet it lacked a realistic economic perspective. Jason Kaufman argued that, "in the current economy, it is difficult to understand how expansion is possible, let alone advisable." He pointed out that museums everywhere were struggling to survive in the wake of the 9/11 attacks.[88] The success of Bilbao, however, was so substantial in the first two years of operation, that nations across the globe (Brazil in this case) felt sure any investment in the Guggenheim, no matter how large, was a sound one.

In 2003 Mayor Cesar Ricardo Macieira met with Krens in New York to sign an agreement officially naming the city of Rio de Janeiro as the next Guggenheim branch location. The deal was structured similarly to the one in Bilbao. Rio would finance 100

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[86] Kaufman, "Brazil," 6.

[87] Celso, "Booty," 48.

[88] Kaufman, "Brazil," 6.

percent of the construction and operational costs, primarily relying on public funds. This included an $11 million fee to be paid to French architect Jean Nouvel for his building design. The SRGF would receive $28.6 million from Rio for the use of the Guggenheim brand identity (licensing fees) for the next twenty-five years. During the development of the museum (projected period is 2003-2007), they would also collect $836,000 annually from the city. Rio, in turn, gained access to the SRGF collection including works from satellite museums and any organization that has a collection-sharing agreement with the Guggenheim.

The 240,000 square-foot proposed structure, located next to Guanabara Bay in an old port at Pier da Praca Maua, would be half submerged beneath the water. The design included a convention center, hotel, shopping mall, multi-media production center, performance spaces, and restaurants.[89] The cost of construction was estimated at $150 million bringing the total cost of the Guggenheim Rio de Janeiro to approximately $300 million (roughly three times the cost of Guggenheim Bilbao).[90] Upon hearing these inflated estimates, critics of the project vehemently lashed out against Mayor Maia and the SRGF. The claims were similar to those made by opponents of the Bilbao museum; however, the Brazilian critics were much more tenacious in their approach. “The winner in this business is the Guggenheim, and the losers are all the Brazilian institutions. We’re still acting like some Indians open to exploitation by a new set of colonizers . . . Wouldn’t it be better to

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[89] Carol Vogel. "Guggenheim Grows: The Next Stop is Rio." *The New York Times* sec. arts ed. late (May 2003): 1.

[90] Kaufman, “Brazil,” 6.

invest in Brazilian institutions?" argued Isabella Prata, director of the Nucleo Contemporaneo de Museo de Arte Moderna in Sao Paulo.[91] Concerned members of the Rio community wrote a letter to the City Council outlining the various improvements that could be made to the city with the amount of funding being spent on one museum alone. "According to their calculations, the enormous outlay to build the museum could pave 3,500 kilometers of roads or construct 6,000 schools, 7,500 day-care centers, or 4,000 health clinics."[92] Many critics were disturbed that Krens "is using a Third World city to bail out a New York institution."[93]

Mayor Maia and supporters of the project maintained that the museum would boost the economy by creating new businesses and jobs in Rio. It would act "as a strong catalyst for urban renewal" and become "an important part of the city's broader cultural agenda."[94] He anticipated visitor attendance to average one million people each year.[95] Thus, the city could recoup its investment in four years, after which time the museum was expected to earn $500 million annually.[96] He insisted, "that the museum will be a landmark anchoring the restoration of Rio's dilapidated port and of its reputation tarnished by

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[91] Celso, "Booty," 48.

[92] Kaufman, "Brazil," 6.

[93] David Brancaccio and Amy Radil. "Decision by Rio de Janeiro's mayor to build new Guggenheim museum drawing complaints." *Marketplace*. NPR, Minnesota Public Radio, Minneapolis. April 24, 2003 (6:30 PM ET). Academic Search Premier. LexisNexis, (13 February 2005).

[94] Lee Rosenbaum. "Guggenheim's road to Rio." *Art in America* (March 2003): 5.

[95] Andrew Downie. "Art for whose sake, ask Rio's poor." *The Scotsman* ed. Sunday (May 11, 2003): 22. *Academic Search Premier* via LexisNexis (February 13, 2005).

[96] Vogel, "Guggenheim Grows," 1.

poverty and violence." Regardless of what his critics said, Mayor Maia reserved the right to spend "his money" building the Guggenheim Rio. "The entire project budget comes from me, the mayor of Rio. The money exists, it's in the bank and it's the product of good financial management over the last two years by someone who knows how to do it," professed Maia.[97]

City Councilor Mario Del Rei was so outraged with Maia's exaggerated assertions that he led a formal investigation into the project, claiming that the signed agreement between Krens and Maia was unconstitutional under Brazilian law. The judge sided with Del Rei and in January 2004 deemed the contract illegal and blocked the project by court order. According to the Brazilian courts, the contract in question was "negotiated in inflation-proof dollars rather than reales." Secondly, "it was governed by New York State rather than Brazilian law" and "it extended beyond the mayor's term, which ends in autumn 2004."[98] Maia appealed to a higher court, but the decision was upheld. Del Rei also opened criminal proceedings against Maia alleging that he misused public funds and participated in the improper licensing of contracts.[99] In the face of increasing skepticism and pressure from the Brazilian courts, Maia finally announced in late January 2005 "the city had decided to cancel the current contract and seek an alternative."[100] The SRGF

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[97] Brancaccio and Radil, "Decision."

[98] Jason E. Kaufman. "Taiwan and Brazil have second thoughts about Guggenheim." *Art Newspaper* 14 (2004): 12.

[99] Downie, "Art," 22.

[100] Michael Astor. "Plans for Rio Guggenheim are dead in the water." *Mail and Guardian Online* (January 28, 2005), <http://www.mg.co.za/articleflat.aspx?articleid=553&area=mg_flat> (March1, 2005).

declined to discuss the matter. “All of these [questions] are incredibly sensitive,” said Anthony Calnek, official spokesperson for the Guggenheim. The ordeal with the Guggenheim Rio de Janeiro poses the frightening possibility that although Krens is ready to take on the world, the world might not be ready for Krens.

GUGGENHEIM SATELLITE MUSEUMS IN THE U.S.

As the tale of the Guggenheim Rio de Janeiro was unfolding in Brazil, Krens was also busy negotiating a project a bit closer to home; a project destined to be the biggest and best endeavor of the SRGF yet. Once again propelled by the success of the Guggenheim Bilbao, Krens teamed up with Frank Gehry to develop and design a new museum for New York City. Although the city already had its own landmark building designed by a legendary architect (Frank Lloyd Wright) and located on a famous street (Fifth Avenue), Krens maintained that despite the earlier renovation and expansion of the Guggenheim New York, and even with the latest national and international satellites to which the collection regularly travels, he still needed more space. One reporter described the building plan as:

> . . . a project that could work the Gehry transformation effect on a part of a big city dominated by steepling needles in much the same way as his Guggenheim did when it was built in Bilbao, a provincial city.
>
> The new building on three piers jutting into the water in the direction of Brooklyn would allow the institution to split its collection . . . Art from 1945 to today would go to downtown Manhattan while the uptown Frank Lloyd Wright museum would be home to work from the late 19th century to the mid-20th.[101]

"This space will allow the institution to grow into new areas and support the long-term viability of the Guggenheim," points out Krens.[102]

De-valuing the idea of cohesiveness within the collection itself and without regard to a more holistic presentation of modern and contemporary art as movements within the

[101] Ellison, "Critics."

art world which feed upon one another and strive on the cyclical nature of time and space, Krens preferred to erect an architectural spectacle so grand in stature, so monumental in design, and so entertaining as well as utilitarian in function that it might just veil the disjuncture of the supposed central issue, the art collection. Simply put, New York wanted a Bilbao. They needed to out-do themselves on their own turf or risk (on all fronts) living a life of second, possibly third or even fourth best assuming the continued successes of the Guggenheim chains abroad. Or was it less egotistically motivated than this? Perhaps, since by this time (2000) the Fifth Avenue museum rarely hosted fine art exhibitions derived from their prized collection. Instead, the walls of the swirling nautical structure served more as a rotating advertisement for the up-and-coming Guggenheim colonies than as an exhibition space for the collection which ironically enough is the publicized raison d'être for their expansionist pursuits in the first place! (At the time of the NYC Guggenheim negotiations the museum featured an exhibition of Frank Gehry's architectural models for the proposed building).

Yet, Krens, Gehry, and the city of New York worked together to finalize the details of what was to be the ultimate urban "public-service building." [103] The initial cost of the project was estimated at close to $900 million, but was scaled back to a monumental figure of $700-800 million. Initially, the site of the museum was located on the Hudson River but had to be scrapped and relocated due to local protest. On November 27, 2001, the city granted the Guggenheim permission to lease a waterfront site on the East River near the

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[102] Mark Honigsbaum. "McGuggenheim?" *The Guardian* (January 27, 2001).

Financial District. They also promised ten percent of the total project cost thereby matching the city's recent contribution to the Museum of Modern Art for their renovation project.[104] Another twenty-five percent of the total cost was expected to come from the supportive yet less than enthusiastic chairman of the SRGF board, Peter B. Lewis. "This is a quixotic effort," he says. "We all think it is a spectacular idea but I despair of thinking there will be enough power and energy to get it done."[105] All fears aside, the remaining capital was optimistically projected to come from the museums own fundraising campaign. One report outlines the project below:

> The plans envisage 36 galleries of 1,300 sq ft to 20,000 sq ft on three levels around a 450ft tower, gardens, bridges, promenades, a cinema, a theatre, an ice rink with a sculpture by Claes Oldenburg and a dock for boats to a sculpture garden on nearby Governor's Island. The tower of 45 storeys would house offices, penthouses and perhaps a hotel.[106]

Another report reveals an alternate perspective of the 570,000-square-foot building complex:

> The structure, which includes a 40-story office tower, will be twice as large as the stylistically similar Guggenheim Bilbao, and 10 times the size of the museum's landmark Frank Lloyd Wright building. In addition to more than 330,000 square feet of gallery space, which will include new departments of architecture, design and multimedia art, the building will house offices, shops, four restaurants and a performing arts center that features 1,200-seat and 400-seat theaters. Also incorporated into the overall design is an

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[103] Kimmelman, "Era."

[104] Stephanie Cash. Guggenheim's NYC Expansion Moves Ahead." *Art in America* (Janurary 2001).

[105] Ellison, "Critics."

[106] Ibid.

> additional 279,000 square feet of outdoor space containing a sculpture garden, riverfront promenade and park.[107]

The project would take up to six years to complete, two years to obtain all the appropriate permits and another three to four years to construct. The course was set for the Guggenheim; it was just a matter of money and time. Krens needed to raise 65% of the total cost through fundraising, but following the popularity of the Frank Gehry retrospective currently on view at the Fifth Avenue Guggenheim that included a model of the proposed museum set against the silhouette of the New York skyline, that task seemed less daunting than one might imagine. As usual, critics hated it, but the public expressed its apparent approval in the sheer numbers that turned out and paid for access to its miniature. At least, that is how Krens interpreted the data. Over 3,000 visitors flocked to the museum each day to inspect Gehry's 12-foot long by 5-foot high model, which was featured among some of his other projects including the Guggenheim Bilbao. "Mr. Gehry's main model . . . represents a building of swooping titanium wrappers on a roughly triangular structure of rollercoasters and ski-runs, an exclamation mark in front of grids of skyscrapers," remarked reporter Michael Ellison.[108] But that cardboard grid of skyscrapers was about to be radically altered by the September 11, 2001 terrorist attacks on the World Trade Center's Twin Towers. Immediately following the attacks and some might argue still, there was little to exalt in New York City, least of all an outrageously expensive cultural building project. The jubilant atmosphere that prompted one reporter to liken the

[107] Cash, "Guggenheim's NYC."

museum to that grammatical signature associated with excitement, thrill, exhilaration, anticipation and stimulation was replaced by a huge question mark. The question needed to be raised whether, in a time of crisis, a museum is still viable and if so, at what cost? According to the accounts of Neil MacGregor, current director of the British Museum and former director of the National Gallery, both in London, a museum can be an important sanctuary, not just for art, but also for people in the midst of crisis.[109]

MacGregor, however, was referring to a museum sancutary that already existed and the Guggenheim New York did not. The money and land promised to the SRGF by the state never even changed hands. To this turn of events, Krens could say little. Instead, in the months following 9/11, he was forced to act, not to revive the monumental Manhattan museum, but to prevent any further damage to the Guggenheim Empire. No argument to continue the building project, short of a personal relations nightmare, could be advanced by Krens to salvage the remains of his greatest endeavor to date. Yet, he maintained that the museum project was shelved, not trashed, and proceeded to lay off 79 employees and officially close the SoHo outpost. Also, he significantly cut programming costs to contend with his sharply reduced budget for 2002 ($25.9 million from $49 million in 2001).[110]

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[108] Ellison, "Critics."

[109] Neil MacGregor. "A Pentecost in Trafalgar Square." *Whose Muse?* 27-48.

[110] Solomon, "Go-Go," 36.

Casinos and Culture: The Guggenheim Goes to Las Vegas

Even as this uber-museum was taking shape in New York City and Brazil was battling, some for and some against the Guggenheim's presence in Rio de Janeiro, Krens had already opened and then quietly closed another branch of the museum in Las Vegas, NV. Apparently, officials from various developing international locations were not the only ones aware of the potential profitability of developing their own museum bearing the Guggenheim logo. In the true spirit of capitalism, billion dollar corporations such as the Venetian Hotel-Resort-Casino also propositioned Krens, eager to participate in a version of culture that held its own incentives for their private business. Unlike Bilbao, Rio de Janeiro, and other international sites vying for their own Guggenheim museum, urban renewal was not a specific motivation for interested corporations, especially in Las Vegas. If necessary, the Venetian could highlight this aspect of development to garner local public support, but their intentions were more aligned with those of the Deutsche Guggenheim. Both of these private institutions wanted to boost their exposure and facilitate a confirmatory relationship with consumers. In addition, Venetian owner Sheldon Adelson felt that constructing a museum on-site would broaden the scope of available entertainment activities offered as part of the casino experience. A guest of the Venetian could ride a gondola down the chlorinated canals of a phony Venice cityscape, gamble, and visit an internationally recognized museum to marvel at modern masterpieces . . . all within the lobby of Adelson's operation.

Bellagio owner, Steve Wynn, first pioneered the relationship between fine art and

Vegas in October 1998, opening the Bellagio Gallery of Fine Art in two rooms of his casino. He outfitted the gallery with works from his private collection (valued at $300 million). The gallery received approximately 15,000 visitors each day that paid an admission cost of twelve dollars per person.[111] The city of Las Vegas seemed starved for art, and the success of Wynn's venture combined with the proven appeal of the Guggenheim Museum Bilbao spawned Adelson's desire to erect his own cultural tourist attraction. Krens obliged.

Adelson along with Rob Goldstein, president of the Venetian, began talks with the SRGF in 1999. Unlike Wynn and the Deutsche Bank, neither Adelson nor Goldstein possessed a prior art collection to exhibit. They would be completely reliable on the SRGF for the use of their extensive collection in order to fulfill the primary function of the museum space. From this perspective, it appeared that the Venetian needed the SRGF more than the SRGF needed the Venetian; however, Krens was not automatically convinced of the idea that fine art fit in Las Vegas. At the time the talks began, Krens admitted, "I'd never been to Las Vegas and I didn't think it was such a good idea."[112] Although affirmative economic figures and financial data continued to pour in from the Basque country around the time of the talks between the SRGF and the Venetian, Krens was faced with the imminent closure of the SoHo branch back home in New York. His success in Bilbao was weighted down in part by his failure in SoHo, and the SRGF board

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[111] Jacob Ward. "A Business." *Architecture* 91, no2 (February 2002): 47.

[112] Milton Esterow. "From Slot Machines to the Sublime."*Art News* 100, no11 (December 2001): 122.

of trustees began to resist immediate requests for support in alternate expansion projects.

Pioneering Partnerships: The Guggenheim Hermitage

At this point, Krens needed more than an invitation from an interested party to justify any further ventures; he needed a reason that would superficially satisfy art world ethics while providing additional investment risk protection for the SRGF. Five months after talks between the Venetian and Krens began, the State Hermitage Museum in St. Petersburg, Russia announced an alliance with the SRGF. Krens became the middleman between two internationally recognized museums and a casino in Las Vegas. From this vantage point he negotiated yet another unique partnership that accommodated the primary interests of each organization. The SRGF in New York and the State Hermitage Museum in St. Petersburg would join forces to display their combined efforts in a designated space provided by the Venetian Hotel-Resort-Casino in Las Vegas, NV.

In June 2000 the SRGF and the Hermitage officially engaged in a long-term cooperative agreement "which calls for a new display space with a modern art emphasis and the development of an international network of museums."[113] Western art world critics prematurely assumed that Krens initiated the partnership with the Hermitage to further expand the Guggenheim's market visibility beyond its European outposts in Berlin and Bilbao. It was the Hermitage, however, that sought out the SRGF to complement their collection of more traditional eighteenth and nineteenth century masterworks with a

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[113] Thomas Rymer. "Hermitage Meets its Modern Match." *The St. Petersburg Times* (June 23, 2000), <http://www.sptimes.ru/archive/times/579/top/top_hermitage.htm> (April 15, 2005).

modern counterpart. Mikhail Piotrovsky, director of the Hermitage, noted, "The Guggenheim's expertise in the field of museum design and development, and its collections and expertise in modern and contemporary art will be valuable assets for us to draw upon."[114] Piotrovsky admits that (since 1993) he has actively searched for foreign sponsors and collaborators to enhance the scope of the collection and to create a more secure financial situation for his institution.

Like most cultural institutions at the time (including the SRGF), the Hermitage State Museum's operation was reliant upon a dwindling pool of financial support from the local and national government. In 1993 the state granted Piotrovsky the use of the General Staff Building located directly across the street from the Hermitage complex. It occupied 38,000 square-meters, housed 610 rooms, and boasted five large courtyards.[115] Prior to the acquisition of the building, the Hermitage faced a predicament similar to the Guggenheim in terms of exhibition space. Only five percent of their collection was on view in 1993.[116] The new building was intended to function as additional exhibition and storage space to display and preserve the three million items in their permanent collection; however, it was in desperate need of extensive (and expensive) renovations. Although the government in a show of support for the arts offered the building up, the cost of construction estimated at $120 million was not. Piotrovsky began a campaign to raise funds for the project and after witnessing the transformation of Bilbao, he contacted Krens to discuss a partnership.

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[114] Ibid.

[115] John Varoli. "Guggenheim and Hermitage forge an alliance." *Art Newspaper* 11, no105 (July/August 2000): 14.

At that time neither museum could accommodate the other in their respective exhibition space, nor could either afford to erect a separate venue for the purpose of collaboration. They could only contribute the use of their collection, their individual expertise, and their international recognition. Krens recognized, however, that what the museums lacked in terms of space and money, the Venetian possessed. In order to gain support from his board, he shifted the primary focus of the SRGF's campaign away from global expansionism and emphasized a unique opportunity to broaden the Guggenheim's curatorial program. The Hermitage gave the SRGF exclusive permission to exhibit works from their collection in all Guggenheim branch locations for the length of the cooperative agreement. They also promised to donate a section of the General Staff Building in St. Petersburg to the Guggenheim once the renovations were completed. In turn, the SRGF agreed to share its collection of modern and contemporary art with the Hermitage and to assist Piotrovsky in raising funds to finance construction costs. Without naming this incentive as the basis for negotiations, there is no doubt that the lure of establishing a satellite museum space in Eastern Europe prompted Krens to coordinate the resulting ménage-a- trois.

Krens reconsidered his reservations about Las Vegas and formalized a contract with the Venetian to develop a Guggenheim Las Vegas in the lobby of the casino. He also persuaded Adelson and Goldstein to construct the Guggenheim Hermitage Museum, a smaller, more intimate exhibition space (also located in the Venetian lobby) to house major

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[116] Varoli, "Guggenheim," 14.

works from both the SRGF and the Hermitage State Museum. The Venetian agreed to finance one hundred percent of the construction costs for both museums. Krens then approached Piotrovsky with a unique fund-raising strategy. Not only did the SRGF assist him in rounding up corporate sponsorships and private donations, but they also used the proceeds generated (estimated average between one and two million dollars annually) by the joint gallery in Las Vegas to further subsidize the Hermitage's operational expenses (including the renovation) in St. Petersburg.[117]

Interestingly enough, the partnership "hailed as the most comprehensive alliance between two of the world's leading museums . . . where both institutions will forge a common vision to develop their museums jointly" posited the art world icons, the Guggenheim from New York and the Hermitage from St. Petersburg, in the lobby of a Las Vegas casino.[118] David D'Arcy poignantly explained the phenomenon writing that, "Las Vegas's assimilation of fine art follows some basic axioms: art follows money; art follows real estate; art cleanses bad reputations."[119]

Dutch architect Rem Koolhaas was hired to design both interior spaces. The smaller of the two museums, known affectionately as the jewel box, houses the Guggenheim Hermitage Museum (also known as the Hermitage Guggenheim Museum in some contexts). Koolhaas was more refined in his design approach to the space. The

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[117] Martin Bailey. "St. Petersburg: costs of Afghan war may curtail promised State funding." *Art Newspaper* 13, no 121 (January 2002): 11.

[118] Varoli, "Guggenheim," 14.

[119] David D'Arcy. "Las Vegas: the casinos gamble on art." *Art Newspaper* 12, no 115 (June 2001): 14.

7,600 square-foot space is one large box divided into four galleries and surrounded by walls of Cor-ten steel. Works of art are hung against the richly textured structure using over-sized magnets. As part of the negotiations between the casino and the museums, the Venetian submitted to financing both the costs of construction and the costs incurred in shipping, insuring, and installing the art.

The Guggenheim Hermitage opened with "Masterpieces and Master Collectors" in October 2001.[120] At the press conference held to publicize the opening Piotrovsky answered the question on everyone's mind.

> Why America? Why Las Vegas? Because of our Socialist education – art belongs to the masses. Now we can add another word, solidarity, with the people of America. This is a wonderful coproduction, all part of our policy to make our collection more accessible. We have a lot of things in common. This is another museum open to the world.[121]

Since late 2001 the joint exhibitions have attracted not an impressive number of visitors, but there is a reliable and continuous flow of visitors to the museum. Each year three shows of about forty works are rotated into the space. Half of the works are from the Hermitage collection and half are from the SRGF's collection. Rather than relying on the spectacle of art, the Guggenheim Hermitage exercises a more conservative curatorial approach. Their program focuses on a selection of masterworks by the 'universally' (Western) recognized cannon of artists. These artists include Picasso, Renoir, Cezanne, and Kandinsky to name a few. The continued success of the joint venture (even at the time

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[120] Esterow, "Slot," 127.

[121] Ibid., 123.

of this writing) infers that the audience in Vegas responds to a more historical idea of what a museum should be and how a museum should function. As proof of this Flo Rogers reports that, “Two traditional art shows drawn from Guggenheim and Hermitage holdings have generated sufficient revenue to thus far return a million dollars to Russia for restoration efforts at the Hermitage.”[122]

After all, Las Vegas is a carefully calculated spectacle in and of itself; in other words, it uses reality to create an illusion of fortune and fame that in turn becomes a jaded version of the real once again. Visitors both to the city and to the Guggenheim come to be entertained; however, the lack of superficial splendor and glitzy gag techniques is exactly what the audience at the Jewel Box appreciates. There are just some places people do not want to take a chance, and in Las Vegas this happens to be at the Guggenheim Hermitage.

Ups and the Eventual Down of the Guggenheim Las Vegas

The larger space, which housed the Guggenheim Las Vegas, was coined the “Big Box” and cost approximately $25 million to build. *ArtForum International* described the museum as “a 63,700 square-foot behemoth reminiscent of an airplane hangar.”[123] Remaining true to the over-the-top nature of Las Vegas, it was designed to be the most technologically advanced art space in the world. Koolhaas incorporated features such as “seventy-foot ceilings, and a giant, six-story door wide enough to accommodate an

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[122] Hansen and Rogers, “Guggenheim Las Vegas.”

[123] Reena Jana. “Circus Circus.” *ArtForum International* 35, no 9 (January 2001): 26.

eighteen-wheeler."[124] The ceiling was outfitted with mechanical panels projecting a translucent reproduction of Michelangelo's Sistine Chapel frescoes, no doubt a delightfully ironic art-world-meets-Vegas addition.

After numerous delays and postponements, the Guggenheim Las Vegas finally opened on October 7, 2001 with the blockbuster exhibition "The Art of the Motorcycle" designed by the fashionable architect Frank Gehry. The show already had a proven track record of success, having set new attendance records at both the Fifth Avenue Guggenheim in New York City and the Guggenheim Bilbao since its opening in 1998. Admission to the exhibition cost a whopping fifteen dollars per visitor, a steep investment for a brief cultural experience (consider that one night of lodging in Vegas is equal to approximately two trips to the Guggenheim). The Venetian agreed to split the proceeds from admission only once they had recouped their total investment costs. When the museum originally opened in late 2001, both the SRGF and the casino anticipated at least three to four thousand visitors a day. As soon as the Guggenheim Las Vegas generated $25 million in ticket sales, both parties would begin to collect a profit. On the surface the deal appeared to be another no-risk investment by the SRGF. Yet no one seemed to be concerned with the operational financing of the museum in the meantime. Prior contracts such as the one negotiated in Bilbao, stipulated that the burden of all expenses fall squarely on the shoulders of the host; however, the Venetian made no such concession to the SRGF. Krens told *The New York Times Magazine* author Deborah Solomon that, "although people think the Venetian is

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[124]Ibid.

funneling money into the museum, in fact it's the other way around. The Guggenheim pays about $50,000 a month in rent to the hotel."[125] Solomon pointed out that Krens "needs about $6 million annually to keep the Vegas museums alive. That money covers salaries for a staff of 100, which includes guards, publicists and salespeople in the gift shop, but not a single curator."[126] Apparently Krens, like the thirty-seven million visitors who journey to Vegas each year, also went to gamble. Using the media attention generated from Bilbao, Koolhaas's star architect power, and a blockbuster motorcycle exhibition sponsored by BMW as collateral, the SRGF placed their bet securely on art.

As luck would have it, the actual number of visitors to the museum rarely exceeded the one thousand mark on any given day.[127] In January 2003, after only fifteen months of operation, the Guggenheim Las Vegas shut down. At first, Krens insisted that the space would reopen as soon as another sponsor was located to mount an exhibition. The closure was only temporary, he claimed. In May 2003 it was still dark in the Las Vegas Guggenheim. As the SRGF scrambled to find funding, Adelson and Goldstein began envisioning alternate uses for the space. These businessmen had little interest in the preservation of art and culture. They concerned themselves instead with the bottom-line figures, and it was apparent that their multi-million dollar investment in the Las Vegas Guggenheim (albeit miniscule in terms of the Venetian's net worth) was not producing any

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[125] Solomon, "Go-Go," 36.

[126] Ibid.

[127] Liane Hansen and Flo Rogers. "Las Vegas closes its doors." *Weekend Edition Sunday.* NPR, May 18, 2003 (1:00 PM ET) Academic Search Premier. LexisNexis (February 23, 2005).

returns. Adelson and Goldstein decided to renovate the space once again. The museum was converted into a theater for stage shows. The SRGF was forced to announce the permanent closure of the Guggenheim Las Vegas in May 2003.

Unfortunately, it was a familiar situation for Krens who had recently closed the Guggenheim SoHo branch due to insufficient attendance. In both cases the museum projects were fueled by misguided yet enthusiastic speculation. Critic Herbert Muschamp presented one possible reason for the consistently weak reception plaguing recent Guggenheim projects in the United States. He argued that the institutions and corporations involved in structuring culture as a commodity underestimate the intelligence of their public.

> The art of the deal is what the museum is practicing now, and one does not care to see the ideas of artists presented in such surroundings or to feel that the public's attendance serves mainly as a form of credit for leveraging the next deal. We end up feeling used, and to no purpose of overarching cultural value.[128]

Krens put forth a more practical statement regarding the failure of the Las Vegas branch, "We didn't have whatever magic it took to bring the audience and the support that we needed for the big space . . . the cost of mounting exhibitions in that space is very expensive and the audience there just doesn't justify it."[129] These words spoken in an interview just days after the humbling announcements were hauntingly similar to

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[128] Herbert Muschamp. "When Art Puts Down a Bet in a House of Games." *New York Times* sec. 2 (April 14, 2002): 29.

[129] Hansen and Rogers, "Guggenheim Las Vegas."

statements put forth by Krens upon closing the SoHo branch. How many more blows to the budget could the SRGF absorb while striving to fulfill Krens's lofty expectations of solidifying an international chain of Guggenheim museums? Peter B. Lewis, then SRGF chairman, made no attempt at discretion when he delivered his verdict: absolutely none.

THE FALTERING BOTTOM-LINE OF THE GUGGENHEIM EMPIRE

As the 2002 fiscal year drew to a close, it was apparent to Lewis once again, that the SRGF was in the red. During his time serving on the board, SoHo and the Las Vegas branch had failed, time-consuming negotiations with various international locations had disintegrated, and substantial layoffs and downsizing had occurred within the institution. The Bilbao effect, which had served as the momentum for Krens's continued expansion, was definitely an accomplishment for Krens; yet Lewis remained skeptical. Although the Guggenheim pocketed a large sum initially, the post-1997 revenues were decidedly less. Since his first year on the board in 1993, it seemed that Lewis was continuously bailing Krens and the SRGF out of numerous and increasingly substantial financial dilemmas. By 2002 he had already donated $50 million to the institution making him the largest benefactor on the board by far and eventually securing him chairman status. Lewis used his position of power against Krens, threatening to fire him if he did not agree to balance the 2003 budget. He demanded that Krens refocus his energy on the existing museums, especially the Fifth Avenue Guggenheim, rather than continuously looking abroad for future branch sites. Lewis softened the blow by offering Krens the $12 million it would take to pay off any remaining debts that year. The goal was to create a clean slate in which to start 2003. Left with little choice, Krens agreed to the conditions of the agreement. In a public announcement by Krens, he explained that Mr. Lewis's generous offer was one the SRGF could not refuse.

In no time at all, Krens was back to his old habits, negotiating possible contract terms with Taichung, Taiwan and Guadalajara, Mexico and plunging the SRGF further into debt. To reiterate his sentiments regarding Krens's expansionist behavior, Lewis notes, "He had first used yesterday's reserves and then used tomorrow's optimism." Lewis had donated his last million to the SRGF, and in January 2005, he resigned from the board completely.

Krens continues to pioneer uncharted art world territory. He is a believer and advocator of a future museum system that will have "great collections, great architecture, a great special exhibition, a great second exhibition, two shopping opportunities, two eating opportunities, a hi-tech interface via the internet, and economies of scale via a global network."[130] But many are still left scratching their heads wondering exactly how great 'great' really is.

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[130] Hansen and Rogers, "Guggenheim Las Vegas."

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