New analysis of the Detroit Institute of Arts responds to creditors and unions

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A leading New York art advisory firm issued a report July 8 on the value of the collection at the Detroit Institute of Arts and the feasibility of a sale of the artwork, as well as its effect on the art market. The study concludes that while the DIA collection is worth between $2.8 billion and $4.6 billion, a sale of the work would only bring in between $1.1 billion and $1.8 billion under present market conditions.

Artvest Partners, which advises “private clients, art professionals, and Fortune 500 corporations” on art values, projections of market performance, art purchases and sales, was hired jointly by the City of Detroit and the DIA. In large part, Artvest’s study was commissioned to rebut the claims that the city was undervaluing the DIA’s collection, claims included in the catalogue drawn up by investment bankers Houlihan Lokey this spring, on behalf of various creditors and AFSCME, Detroit’s largest municipal union. (See: Creditors, unions renew effort to loot Detroit Institute of Arts)

Those creditors and the unions are unhappy with the so-called “Grand Bargain” proposed by Detroit’s unelected Emergency Manager Kevyn Orr. Under the terms of this proposal, twelve regional and national foundations, the state of Michigan and the DIA itself have pledged $816 million over twenty years to “save” the museum, through privatization, as well as to bolster pensions. The “bargain” includes major cuts in pensions for city employees. The solution of the disgruntled creditors and AFSCME, on the other hand, is the liquidation of the DIA, Detroit’s cultural center.

All the parties engaged in the various legal and public relations battles reject the idea that the art in the DIA belongs to the people of the Detroit area, not the rich. None of them consider for an instant that access to the museum’s remarkable collection is an elementary social right. Therefore, the arguments, including those opposing the immediate sale of the collection, proceed within the narrowest of frameworks.

The new study’s author, Michael Plummer, a principal of Artvest, previously worked as an executive for both Sotheby’s and Christie’s art auction firms, the “duopoly” that dominates the global art auction market (with a 36 percent share). He was employed from 2007 through 2009, for example, as Senior Vice President and Chief Operating Officer of Christie’s Financial Services.

Plummer’s report is an effort to pour cold water on Houlihan Lokey’s assertions that the sale of the DIA’s collection would rapidly bring in billions of dollars, for the benefit of creditors and pensioners, and that such a sale would be culturally beneficial for the city of Detroit.

Some of the material in the study is quite interesting. In his discussion of the dynamics currently at work in the art market, Plummer first points out that value in the market is concentrated in a relative handful of “rare, high-quality items.” Works sold for more than $14 million account for only 0.02 percent of the volume of sales, but 15.5 percent of the value. Items sold for over $1.4 million represent 43.8 percent of the value, but less than half of one percent of market volume.

Plummer further explains that of the four sectors constituting 98 percent of the value of the fine art market, European Modern Art, Impressionist and Post-Impressionist Art, European Old Master Paintings and Post-War and Contemporary Art, three have declined in value since 2011. Only sales of the last category have continued to increase in value. He writes that “the remainder of the art market has plateaued and will rise and fall from year to year within a range of 10% or so, continuing along the lines of its performance since 2011.”

He asserts, “The significant growth in the size of the art market from 2002-2011 is a once in a life-time event (due to the sudden addition to the global art economy of Russia, China, India and other countries that previously had not been active art collectors). This burst of growth is not likely to be repeated over the next five years.”

In a cautionary manner, Plummer points a number of times to the crash of 2008-09: “When a market sector or the entire market ‘crashes,’” as it did in 2008, “it creates an illiquid marketplace where values often fall by as much as 50%, and

[art] property, especially that of the highest caliber, becomes either difficult to sell, and/or sells for a fraction of its previous value. From the previous market peak in 2007, to its nadir in 2009, the fall in sales was 54.6%."

As noted above, by a complicated calculation, Plummer arrives at a low estimate for the 60,000 works in the DIA collection of $2.8 billion and a high one of $4.6 billion. (He excludes the famed Diego Rivera "Detroit Industry" murals from his evaluation, since "they are frescos applied directly to the walls" and thus "cannot be removed without cutting them off the wall and inflicting serious damage, and incurring significant cost.")

The report then proceeds to explore the factors that would prevent a sale of the DIA's artwork from realizing anything close to those estimates, high or low, including possible legal obstacles and prolonged litigation, the various economic disadvantages of immediate liquidation, the possibility of entire categories of the collection having to be sold at a discount, the potential nervousness of both Sotheby's and Christie's about involving themselves in such a controversial sale, etc.

Plummer makes one of his most revealing points about the current situation almost in passing. Were the DIA collection to be sold, he points out, "few sales would be to other museums," both because those institutions would likely boycott such a sale and because they couldn't afford to bid on much of the art, in any case.

He points out, remarkably, "Public Institutions, primarily art museums, purchased only 9% of property sold in 2013. … Museums are unable to compete against the formidable spending power of today's wealthy private collectors. Even the largest and most prestigious museums have limited purchasing power relative to [the] size of the market or to the size of the liquidation of all or part of the DIA collection." Plummer cites the *New York Times* in July 2013: "The Museum of Modern Art spent $32 million to acquire art for the fiscal year ended in June 2012; the Metropolitan Museum of Art, $39 million." These figures are a drop in the art market bucket.

He goes on, "A collection of the quality and range of art in the DIA would be impossible to recreate in current times. Given the fierce competition from Private Collectors and the level of today's prices, it would be impossible for the City of Detroit, or any institution in the world, to recreate the quality and scope of the DIA collection. Take for example the Getty Museum in Los Angeles. While it sits on the largest endowment ever provided to an institution in modern history, it has a collection that does not even begin to rival that of the DIA." This speaks, of course, on the one hand, to the sharp jump in art prices, but, on the other, more tellingly, to the immense tilt in economic and cultural life generally, not only in the US, but globally, in favor of the tiny super-rich elite.

Plummer argues, no doubt correctly, that selling the DIA's most valuable works would "ultimately force the closure of the DIA due to a loss of economic sustainability, resulting in a full liquidation." After subjecting both the Houlihan Lokey analysis and Christie's earlier recommendations for "monetization" of the DIA collection to fairly sharp critiques, the Artvest study concludes, "The DIA could serve as the centerpiece and symbol of the City's restructuring," and "Rather than being a source of cash to creditors or a burden on the current city, in fact the DIA is the single most important cultural asset the City currently owns for rebuilding the vitality of the city."

Plummer perhaps means well, and the immediate preservation of the DIA's collection may also coincide with the political agenda of certain sections of the establishment, both in Detroit and nationally. After all, the liquidation of the museum would have serious repercussions.

However, first of all, the spin-off of the museum, a city-owned institution since 1919, to private foundations under the "Grand Bargain" is already a major assault on the right of Detroit's population to have access to the art work. No one will spell out what the implications of that action are.

Furthermore, if the most powerful economic forces in Detroit determined that the sale of the DIA's artwork were in their interests, they would close down the museum without a second thought or the slightest regard for its role as "centerpiece and symbol" of the city's supposed renaissance.

None of the official parties, neither those like the municipal unions who scandalously support a fire sale of the art nor those like the DIA management and various middle class patrons of the arts who oppose it, can be relied on to fight for the cultural needs of the population. Again and again, the DIA crisis has demonstrated that the only social force capable of defending access to art and culture—and every social right—is the working class, organizing itself independently of the Democratic Party and the trade unions.