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Costs, Benefits, and Masterpieces in Detroit

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Most of the paintings on my walls are by artists I know personally. And although some of these works are hauntingly beautiful, they wouldn't command much on the open market.

But the prices fetched by famous artists have spiked sharply in recent decades. That is not because their paintings have become any better. Rather, it's that these works have become trophies in bidding wars among the superrich.

The Wedding Dance," by Pieter Bruegel the Elder, has long been part of the collection of the Detroit Institute of Arts. One estimate put the painting's value at up to $200 million.

That fact has implications for museum policies in general, and in particular for the valuable collection in the Detroit Institute of Arts. That collection includes canvases by van Gogh, Picasso, Rembrandt, Rivera, Gauguin, Degas and many others. The city of Detroit, which owns many of the paintings, filed for bankruptcy last year, citing its inability to service its many billions in debt. The presiding judge authorized the city to explore the possibility of selling assets, including those paintings.

Since then, worried creditors have been eyeing those treasures. Christie's, the auction house, has estimated that the core of the collection would sell for $454 million to $867 million. But those figures cover only a fraction of the museum's art; others have put the total value much higher. Foundations and individual donors have already pledged hundreds of millions to keep the collection off the auction block, but whether they will succeed remains uncertain.

With Detroit's sense of history and civic pride on the line, how much should its boosters be willing to pony up? It's an emotionally charged question, and few people would want the institute's art to leave the city. Yet officials cannot responsibly ignore the costs and the benefits of the choices ahead.

One way to think about the decision is to imagine Detroit as a new municipality about to build a museum stocked and operated at taxpayer expense. Which paintings should it display?

Perhaps the most important principle of economics is that an action should be taken only if its benefit, broadly construed, exceeds its cost. This principle counsels that a painting should be displayed if the resulting gains — primarily, the pleasure that museum visitors take in seeing it, in addition to any indirect benefits, like those for civic pride and tourism — add up to more than the corresponding costs.

Some people say that because it's so hard to put a dollar figure on such benefits, this principle is of little practical use in Detroit. But the benefits must be substantial — how else to explain the extraordinary efforts of private donors to save the collection?

Fortunately, costs are easier to estimate, and those for displaying a painting derive largely from its market value. Consider "The Wedding Dance," a 16th-century work by the Flemish painter Pieter Bruegel the Elder. Detroit museum visitors have enjoyed this painting since 1930. How much would it cost to preserve that privilege for future generations?

A tidy sum, as it turns out. According to Christie's, this canvas alone could fetch up to $200 million. Once interest rates return to normal levels — say, 6 percent — the forgone interest on that amount would be approximately $12 million a year.

If we assume that the museum would be open 2,000 hours a year, and ignore the cost of gallery space and other indirect expenses, the cost of keeping the painting on display would be more than $6,000 an hour. Assuming that an average of five people would view it per hour, all year long, it would still cost more than $1,200 an hour to provide the experience for each visitor.

Notwithstanding the crudeness of these approximations, we can say that even a very wealthy taxpayer would be reluctant to pay anything close to $1,200 an hour for the privilege of viewing this painting. And that suggests that most taxpayers think the same money could deliver much greater value if spent in other ways. Of course, the painting might still justify its cost if other indirect benefits were large enough.

Yet the point remains that prices affect the options we face. Relative to famous art, lesser-known works have become much cheaper in recent years, despite no evidence of any decline in their quality. In a rational world, this change would encourage curators to invest more heavily in emerging artists.

Many of these artists produce works that are deeply affecting, yet surprisingly affordable. Talented curators could assemble collections of their art that would delight visitors and draw fulsome praise from critics. And as those works became better known, their value would climb rapidly.

Ownership by public or nonprofit institutions is also not a prerequisite for public exhibition of prized art. The superrich pay so much for these works largely because they are already so famous. Yet being chosen for prominent display in public spaces was how many of these works became famous in the first place. If fewer museums owned them, the rich would have good reason to lend them more often for public display, as indeed many already do, thus preserving and enhancing their value. If sold, many of the institute’s famous works would return as loaners, along with such works from other collections.

If billionaires choose to bid up the prices of trophy art, that’s their privilege. And because most of them will die with large fortunes unspent, they can buy what they want without having to buy less of other things they value. But because money for worthy public purposes is chronically in short supply, city officials and true philanthropists must grapple with agonizing trade-offs.

Yes, communities benefit from famous paintings, but they also benefit from safer roads and better schools.

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