Most Museums Don’t Put Their Money Where Their Values Are

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By Abby Schultz July 8, 2022

https://www.barrons.com/articles/most-museums-dont-put-their-money-where-their-values-are-01657309252

Museums in recent years have been under fire for a whole host of things, from a lack of diversity

in collecting, programming, and staffing, to unfair labor practices, to so-called toxic philanthropy from donors who amassed wealth through opioids, fossil fuels, or private prisons.

But few who challenge museum practices and donations are also examining how these institutions invest the endowments that allow them to operate, says Tom Finkelpearl, former commissioner in New York City’s Department of Cultural Affairs and former executive director at the Queens Museum of Art. Many of these endowments actually were seeded by the “robber barons” of the turn of the 20th century, wealth that today would be considered toxic, Finkelpearl says.

The reality is many of these museums invest in industries that run counter to their stated missions. “You can have a mission that relates to climate change or social justice but in your endowment, [you] are actively investing in petrochemicals, in for-profit prisons,” he says. “Most museums don’t take this into consideration, but they are beginning to.”

Just how few museums consider the ethical implications of their investments was revealed in recent survey results conducted by Upstart Co-Lab, the Association of Art Museum Directors, and the Black Trustees Alliance for Art Museums.

Of 61 independent art and design museums in the U.S., only a third have “moved from conversation to action” via impact investing—the practice of investing for positive social and/or environmental impact alongside financial returns, according to the survey report “Cultural Capital: The state of museums and their investing.”

The institutions surveyed have a combined US$10 billion in endowed assets, which is 32% of the endowments held at 81 independent art and design museums across the country, according to data tallied by Upstart, a nonprofit organization in New York focused on investing in the creative economy.

While a third of those surveyed may be investing for impact, only 5% overall have at least half of their portfolios overseen by fund managers who are women or Black, indigenous, or people of color and only 10% have invested at least half their portfolios in line with impact strategies.

At the same time, 47% of those surveyed aren’t sure if their funds are invested with diverse managers or not and 18% know that they don’t have diverse managers. In addition, 34% of those surveyed aren’t sure if they have assets in impact investing strategies and 34% know that they don’t.

A notable exception is the National Gallery of Art in Washington, D.C., which began focusing on gender and racial diversity throughout the institution—including the investment portfolio—when Kaywin Feldman became the director in 2019.

“To attract our national population, we need to reflect the nation,” Feldman says. “We see that in staffing and in the art in our permanent collection that is enjoyed by millions of Americans, and in our exhibitions, and across our institutions, and that also [means] our investment portfolio.”

In the report, Feldman noted there is “strength in numbers,” and that “we are looking to collaborate with our peers to create effective outcomes through the alignment of our values and pursuit of our mission with our long-term capital.”

But Feldman—who is also now leading the gallery to focus on environmental sustainability—says in an interview that she was disappointed in the survey results showing “there aren’t more of our peer institutions that are farther along in this work.”

These results may be discouraging for those who want to see museums extending their cultural missions to their investments, but it does show that it can be done and it provides evidence that socially responsible investing and financial returns can go hand-in-hand. Feldman also credits Upstart for providing a framework for arts institutions “to embark on this work.”

One of the persistent roadblocks to investing with concern for society or the environment for museums is a misconception that this approach will lead to poor financial results, according to the report. The survey found 80% of museum boards and 84% of investment committees question the ability of impact investments “to achieve targeted financial returns.”

That’s despite the fact that institutional investors—which increasingly includes universities and foundations—have recognized they can invest responsibly and hit their financial targets.

“We have to get to this point in the museum world [where] the whole museum—from top to bottom—is aligned in something we all believe in,” Finkelpearl says, adding that to be able to do that without sacrificing returns is “a unique win-win.”

Feldman recalls her husband, Jim Lutz, a retired architecture professor whose specialty is sustainable design, telling her the term “sustainable” would be dropped one day as “good design would just be sustainable design.” She thinks the same change will happen eventually with investing. “Good investing is an approach that’s simply rooted in your values,” Feldman says.