Raising Private Investment Funds for Museums

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Introduction

Museums play a significant role in society. They acquire and exhibit works of art for various audiences to appreciate. In Europe, they tend to be largely publicly funded. Increasingly, however, public money is not sufficient to enable European museums to fulfil their intended role. Therefore these museums sometimes allow themselves to be sponsored by private firms. In such cases, the private firms often expect benefits in the form of brand or product recognition. In continental Europe especially, sponsoring agreements between firms and museums are subject to debate, sometimes even the focus of heated controversy. In the United Kingdom and the United States, private sponsorship is traditionally more acceptable in the eyes of the public.[1] In continental Europe, the standard response for museums in need of funding is still to turn to the local or central government for additional support.

In this paper we argue that museums, in co-operation with banks, can raise money for their public tasks by mean of an alternative method: a public-private partnership. In what follows we first describe the essence of our proposal, then indicate the key elements of the prospective partnership, and finally discuss some foreseeable practical problems. We hope that this approach will one day turn out to be useful for museums, banks and arts lovers wanting to co-operate in the raising of investment funds for the arts.

The role of money in the world of the arts is much debated both among scholars and within the arts world itself. Many argue that money should not encroach on the arts, as it may contaminate them. This argument is made by Klamer (1996), for instance, and is in line with the ideas of the German philosopher Georg Simmel (1990) in his *Philosophie des Geldes*. Pierre Bourdieu (1986, 1992), a renowned scholar in the arts world, takes a somewhat different and more nuanced perspective. His argument is that although money necessarily plays a significant role in the arts, the parties involved must, paradoxically, deny that role. With the sociologist Vivianne Zelizer (1997), Bourdieu claims that the effects of money on the arts depend on how those with money behave. If funding for the arts comes from respected institutions such as our proposed arts fund, the influence of the money will be positive. We hope that the institutional innovation we propose in this paper satisfactorily combines the artistic values and financial needs of the arts sector.

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Outline of the Proposal

Our proposal is for a private bank – for example, a commercial bank or investment banking firm – to set up an investment fund, the shares of which would be initially sold to individuals and institutional investors and thereafter traded on a stock exchange or in the over-the-counter market. The capital gathered in the initial offering would be used to acquire works of art of any kind, but in the discussion that follows we shall use paintings as an example. These paintings would be exhibited, on a contract basis, in one or more of the museums that co-operate with the investment fund.[2] After some predetermined time, the fund may decide to sell some paintings, or it may decide to display the paintings for another period in the same or another museum, or to have the paintings stored. Although the museum that has exhibited paintings that are to be sold has, strictly speaking, no say in their disposition, it may be useful to give this museum the first right of purchase, at a fair market value.

A committee consisting of relevant art connoisseurs and financial experts from the investment fund decides which paintings to acquire. Any purchase will need support from both the fund and an exhibiting museum. The fund will support the purchase advice if it expects the value of the purchased paintings to increase sufficiently. This decision thus reflects the expectations that the paintings have artistic value and that they are attractive from a financial point of view.

The shares of the fund are publicly quoted in the securities markets and can be bought and sold freely by shareholders. This proposed "arts fund" informs its investors about the specific pieces of art it owns, displays, buys and sells, and about its overall policy. This information could be made available through a regularly updated Web site. The arts fund may pay its stockowners a dividend but need not do so, as investors may invest in the fund solely on the expectation that the share price will rise.

The Market Value of an Arts-Related Investment Fund

Ideally, the total market value of the shares of an arts fund will equal the intrinsic value of its holdings. The intrinsic value of art works is often difficult to determine, however, since each piece of art is unique. Nevertheless, various organizations are in the business of estimating the intrinsic value of art works. Museums must already estimate the value of their holdings for insurance purposes. Auction houses such as Sotheby's and Christie's provide an indication of the intrinsic value of art prior to auction. Using these and other methods, the management of an arts fund can estimate the value of its art works. The results can be checked by an independent auditor specializing in the field and then published in an annual report. All stocks fluctuate in value, but the value of an arts fund may fluctuate even more than most. Economic "portfolio theory" suggests that this is not a serious problem for investors with a relatively large and diversified portfolio. With such portfolios, countervailing fluctuations in the prices of other assets may counterbalance the fluctuations in the value of the arts fund (see Modigliani and Miller, 1958). Therefore, the risk of investment in an arts fund need not be cause for great concern. But what about the expected rate of return?

Rate of Return

Although returns on investments in the arts are difficult to determine, they tend to be

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ABSTRACT

The authors propose the notion of an "arts fund," a publicly traded investment fund for the purpose of acquiring increasingly costly art works to be displayed in museums. Public as well as private museums stand to benefit greatly from such an approach to financially supporting the arts. A well-managed public-private partnership is likely to bring both material and public relations rewards to all the shareholders and stakeholders involved.

KEYWORDS

Arts investment fund, public-private partnership, arts financing

1 to 2 percentage points lower, on average, than those in stocks or bonds (see Frey and Eichenberger, 1995; Fase, 1996). Of course, certain types of art have experienced price increases well above average. For instance, 19th-century paintings were a lucrative investment during the period 1946–66, with an average annual rate of return of 11%. However, the point remains that, on the basis of past experience, the average prospect for an art investment is moderate.

On the other hand, there are a number of reasons why an investment in an arts fund may yield a higher return. First, the value of paintings (and other art works) is known to depend on their ownership history.[3] To the extent that this is so, the value of a painting owned by an arts fund and exhibited in a well-known museum may well increase more than that of a privately owned painting.

Second, the committee deciding on the purchases for an arts fund is composed of art and financial experts. This combination of different types of knowledge may enhance the fund's financial performance, while the involvement of art experts could help prevent the purchase of low-quality art or even forgeries.

Third, many investors may get a psychological reward from participating in an arts fund, as their money is invested for the good of society and the arts. In this context, an arts fund can make special efforts to strengthen its ties with investors. It may provide them with non-monetary benefits, such as lectures discussing the fund's paintings. Investors with an emotional interest in the fund's holdings and activities will not impulsively sell their shares even if the fund's market value decreases. Fluctuations in the stock price may for this reason be dampened.

Fourth, the image of any private bank that affiliates with an arts investment fund may be positively affected. The setting up of an arts fund suggests social commitment. Thus, the bank may realize a public relations benefit.

Fifth, an arts fund offers affiliated museums the opportunity to exhibit more art works of high quality and international repute. These museums are thus more likely to fulfil their mission, attract visitors – domestic and foreign – and increase their income.[4]

The distribution of the benefits should be left to negotiations among the parties involved. Paradoxically, the parties would be wise not to try to maximize their own profits at the expense of others. Total returns will be higher for all if the different parties are not motivated only by the prospect of their own monetary gains.

Getting Started

How might this form of public-private partnership be started? A bank or one or more museums may take the initiative. A government body could also play a stimulating role. Alternatively, a philanthropic or other not-for-profit entity might take the initiative. Individuals who are privately involved with the arts but who are not formally part of a museum, such as the "Friends of the Art Museum," could also act as mediators between a museum and a financial firm. Art is a sector in which public-private partnerships offer special advantages. These advantages justify an initiative such as the one proposed here.[5]

Key Elements of the New Financial Approach

We will now discuss in some detail what we believe to be important elements in the financial approach we propose for the arts world, in particular for museums. Actual implementation will involve many more

RÉSUMÉ

Les auteurs lancent l'idée d'un « fonds des arts », soit un fonds de valeurs négociables pour l'acquisition, à l'intention des musées, d'œuvres dont les prix ne cessent d'augmenter. Les musées publics et privés auraient avantage à ce que soit adoptée une telle approche du financement des arts. Actionnaires et autres parties intéressées tireraient vraisemblablement profit, sur le plan matériel et en termes de visibilité, d'un partenariat public-privé bien géré.

MOTS CLÉS

Fonds des arts, partenariat public-privé, financement des arts

issues, depending on the idiosyncrasies of particular legal and financial environments. To avoid becoming distracted from our main idea, we will not discuss these contextual factors in detail.[6]

Introduction

We will now highlight a number of practical issues that will be encountered by managers within museums and banks who wish to put this idea into practice. We hope that by doing so we will give more insight into how the proposal could work. Additionally, we have clear notions about how a number of key problems can be solved. We emphasise that we are merely presenting elements of a possible plan. Those putting the idea into practice may well come forward with better solutions.

We will focus on co-operation among three parties: a museum such as the Kunstmuseum Bonn, a private company in the financial sector such as Commerzbank and an arts fund. Since the initiative described here has not yet been implemented, we are not in a position to illustrate our points with concrete examples. We can only illuminate the possible working of an arts fund.

Board of an Arts Fund

An arts fund in which private parties own shares will have officers who are fully committed to working in the interests of the shareholders (in a one- or two-tier system, depending on the legal obligations). The board of directors will comprise art experts, innovative entrepreneurs and representatives from the financial sector. Both investment experience and arts experience will be mandatory. The relations between a bank and its arts fund must be such that the independence of the fund's board is guaranteed. In other words, board members must be selected with care. It may be necessary for them to be independent, having no formal relationship to the bank or the museums involved. The board will establish whatever advisory committees are necessary. These committees could include experts of various kinds: members of the board, independent experts, and representatives from the banking and museum worlds. The two most important committees will be the committee that deals with art acquisitions and divestments and the committee that makes recommendations regarding the issuance of new shares and dividends. It should be noted that committees are advisory only; they cannot make decisions. For instance, the acquisitions and divestments committee may propose the purchase of a certain painting, but that painting can be bought only if both the museum and the board of the arts fund approve. In exceptional cases (for instance, the purchase or sale of a very famous painting), the proposal might be submitted to a meeting of arts fund shareholders, thus increasing the involvement of the shareholders in their fund.

The exhibiting museum in the partnership co-operates with the arts fund by means of the purchase and sale of paintings. The museum must also handle the transport of paintings to and from the museum and such related matters as their possible restoration. In those dealings, each party involved (museum, bank and arts fund) has its own interests. The structure of co-operation should be such that conflict of interest is avoided, or at least is manageable within the board and through careful contracting.

Flotation

An arts fund provides private parties with the opportunity to invest in art without spending large sums of money for expensive pieces.

RESUMEN *Los autores proponen la noción de un "Fondo Artes", es decir un fondo de inversiones cotizado en bolsa, creado con el objetivo de permitir la adquisición de obras de arte cada vez más onerosas para exponer en los museos. Todos los museos, tanto públicos como privados, pueden beneficiarse de esta manera de enfocar el apoyo financiero a las artes. Bien administrada, una alianza entre el sector privado y el público puede traer, a accionistas y partes interesadas por igual, importantes recompensas tanto en términos materiales como de relaciones públicas.*

PALABRAS CLAVE *Fondo de inversión de las artes, alianza entre el sector público y el privado, financiación de las artes*

After flotation of the initial public offering, the arts fund can start buying paintings. It is undesirable to use all of the fund's money immediately for the purchase of paintings (as will be discussed later). The fund could put the part of its resources that is not initially used into short-term deposits.

The issue price of the shares should be set neither too high nor too low. A value of 200 euros might be suitable, based on the following considerations. An arts fund may offer special incentives, even to shareholders with only one share, in the form of complimentary tickets, free lectures and so on. A stock price of 200 euros would be within the reach of most art lovers. Thus, many small investors may buy at least one share, and the undesirable situation of most shares being owned by large institutional investors becomes less likely. Small shareholders may have partly idealistic motives and will thus be less likely to sell shares even if they could reap capital gains. The share price will be more stable as a result. Shareholder meetings with idealistically motivated investors discussing the policies of an arts fund may further enhance the solidarity of shareholders with the arts fund and also the fund's reputation. Thus, it is advisable to set some limit on the voting power of institutional investors or other large investors (e.g., by issuing different classes of shares).

The flotation ought to be accompanied by a promotional campaign in the newspapers. The recommendations of prominent people in the art world are also crucial. Finally, various networks in the art world could be used to bring the new arts fund to the attention of a wider audience.

Dividend Policy

An ideal dividend policy for an arts fund has the following elements:

– Every year, the shareholders of the arts fund receive a certain "dividend" in kind, in the form of complimentary tickets for exhibitions and access to lectures and other museum activities – some perhaps held exclusively for shareholders. Such perquisites strengthen solidarity among shareholders and between shareholders and the fund. Parties that have bought a large number of shares may use the museum at a reduced rate for receptions and other networking events during evening hours when the museum is normally closed.

– Apart from the dividend in kind, shareholders do *not* receive an *annual* dividend. However, after a period of, say, 10 years, the arts fund is obliged to pay its shareholders a dividend. This could be equal to, say, 15% of the intrinsic value of the fund's holdings, as estimated by independent experts. Investors can choose to receive either a cash dividend or a stock dividend. To give investors an incentive to choose stock, the value of the stock dividend could be made somewhat higher than that of the cash dividend.

– Four possible methods could be used to pay investors who opt for a cash dividend. First, liquid financial assets of the arts fund could be used, such as short-term deposits and government bonds. Second, paintings could be sold – a process that should be started long before the dividend payments are to be made, in order to prevent forced sales at depressed prices. Third, new shares could be issued, with the proceeds going towards the cash dividends. Finally, under special circumstances money could be borrowed on the capital markets.

Paying no cash dividends would have a negative effect on the market price of the shares. Investors may (wrongly!) think that the paintings will remain in a particular museum forever, never to be sold. (The theoretical monetary value of the shares, if they were never to generate a return, would then be perceived to be nil.) If dividends were not paid and the assets never divested, investors might wonder whether intrinsic-value estimates of the fund's holdings are correct. If dividends were paid with some regularity, investors would have confirmation of the published estimates, which will generate trust. After all, if the estimates were systematically too high, an arts fund would not be able to pay out cash dividends amounting to 15% of the estimated value of its holdings. If large numbers of investors choose stock dividends, the total monetary payment will be less than 15%. That way the effect of the dividend payment on the arts fund will be minimal.[7]

Purchase of Own Shares

If the fund believes that the market price of its shares is significantly lower than their intrinsic value, the fund may be tempted to buy its own shares on the open market. Such purchases should be financed through the sale of paintings. If the paintings were sold at or near their estimated intrinsic value, the fund's purchase of its own shares would increase the intrinsic value of its shares in the market; the market price would be supported. An arts fund should *not* buy its own shares at a price that merely equals the intrinsic value of its holdsings (as estimated by independent experts). The fund's paintings are illiquid to a certain degree, since there is moral pressure to not sell too many of these unique objects. In other words, selling objects owned by the fund in order to purchase the fund's own shares will undermine the long-term viability of the fund, as it runs counter to the social objectives of many investors. After all, the fund was formed in order to buy paintings to be displayed in museums, not sell them. Investor trust in the fund may diminish if paintings are sold too often.

New Issues

Once an arts fund has existed for a time, it may want to consider issuing new shares, to enlarge the collections of the museums and to achieve economies of scale. Part of the revenues from the new issue could be used to finance the monetary dividends to shareholders. This would mean that no paintings need be sold to finance dividends. As the confidence of investors in the fund increases over time, and if the fund has bought a number of distinguished paintings, the issuance of new shares could be very successful.

We distinguish three methods of generating additional money through the issuance of shares. The new shares can be offered to the public at large, or additional shares might be issued only to existing shareholders. The third option is the flotation of an entirely new fund. The proceeds of this stock offering could be used to buy new paintings, but could not be used to pay dividends to the shareholders of the original arts fund.

When the first option (a public offering) is considered, the main question is what the issue price should be. As is true of many investment funds, such as those for real estate, the intrinsic value of the holdings of an arts fund, and therefore a reasonable stock price, is difficult to estimate. In addition, the market value can differ from the intrinsic value. As these problems have arisen and been solved in the context of other investment funds, the bank may well find reasonable solutions to them.

Under the second alternative, for every share they already possess, shareholders may be given an option or warrant to buy one new share. To make the offer attractive, the fund may set the price below the current market price of the existing shares. This could be done, for instance, at about the time when the 10-year dividend is paid. Shareholders could exercise their options and acquire new shares or sell their warrants on the open market.

Arts Fund II

The third alternative is the flotation of a new fund – say, Arts Fund II. Many of the considerations discussed above apply here. The issue price can be set simply at 200 euros. Most of the resulting revenues can be used to buy paintings, in co-operation with the museum(s) associated with Arts Fund I or possibly with one or more other museums. Economies of scale may be achieved through co-operation between the two arts funds. For example, by using the legal structures and other elements of Arts Fund I, Arts Fund II can benefit from the good reputation of Arts Fund I. The two funds will have to be legally separate. Over time, a variety of arts funds, each focusing on a specific niche in the market, may emerge. Thus, additional investment opportunities with different risk profiles may develop. This variety may attract both art lovers with a preference for specific museums or types of art and investors who simply want to minimize their risk by means of diversification.

The Private-Equity Variant

An alternative to a publicly listed investment fund is a private-equity fund. In this case, the private bank raises the money by contacting a small group of wealthy investors, who buy shares in the fund. Apart from the fact that the market for buying and selling the stock would be more limited, this alternative can essentially function in the same way as the publicly offered arts fund discussed earlier.

The main advantage of the private-equity variant is that its set-up costs are lower than those for a public offering. In addition, the risks for the initiating bank are lower. The bank can simply approach a number of its own wealthy clients, and possibly some other investors who are not yet clients, to see whether the idea raises enthusiasm. If sufficient support is not forthcoming, the project can be cancelled at an early stage with little expense involved. If the support is there, the bank can then proceed with this low-risk project.

A disadvantage of the private-equity variant is that only a small group of select, wealthy investors is able to participate. The absence of a broad base of participants, as well as the related lack of transparency compared to that in a public offering, might prevent museums or future investors from co-operating. This lack of openness might prevent a larger group of investors from stepping in if the private-equity fund is transformed into a publicly listed fund.

Whether or not the cons of the private-equity variant outweigh its pros is a matter for further discussion. But even if a publicly quoted arts fund is preferable in principle, the private-equity variant, with its relatively low set-up costs, may still be a useful instrument for getting the arts fund started. Thus, the bank could start with a private-equity fund at relatively low cost. If, subsequently, this fund turns out to be successful, new shares of the fund could be brought to the stock market (possibly together with some of the existing shares of the pioneers). Thus, in any case, the private-equity variant is worth considering. To simplify the exposition, however, in the discussion below we will not pay explicit attention to the private-equity variant, although many of the costs and benefits may also apply to that variant.

Summary of Costs and Benefits

The proposed public-private partnership brings together parties with different goals and interests. For each of the parties involved, the costs and benefits related to the publicly traded fund will be different. Ideally, each party benefits. The exact distribution of the costs and benefits would be negotiated among the parties. It is useful, however, to sketch a prospective distribution of costs and benefits, as a result of reasonable negotiations. In Table 1, all parties pay part of the costs of starting up and continuing the partnership (i.e., negotiating and formulating the contracts, legal advice, etc.). Clearly, some of the costs and benefits cannot be expressed in monetary terms.

Conclusion

Arts funds as outlined above can be economically viable even though the expected rates of return on art works are 1 to 2% below the average rate of return on government bonds. The proposed form of public-private partnership yields a number of additional benefits to the parties involved. The paintings owned by a fund can be exhibited in prestigious museums for a number of years. Their appearance there may contribute to further price increases. The combination of financial and art expertise is likely to result in good investment decisions. A participating museum has the opportunity to exhibit additional, possibly renowned, paintings that it would otherwise be unable to do, resulting in increased ticket sales, a higher profile in the community and greater fulfilment of its public role. A participating bank enhances its image by virtue of being affiliated with an arts fund. Finally, investors receive both tangible and intangible personal rewards for contributing to the arts fund.

A disadvantage of the arts fund approach is that it involves risk. But that is true of any investment. Fortunately, this danger can be offset by the risk characteristics of other assets in an investor's portfolio. From a broader perspective, one could even argue that the introduction of an arts fund is advantageous for investors in general, because it provides additional investment options that could enable them to invest in a more diversified portfolio with lower overall risk. Such a broad perspective leads us to another advantage of the arts fund: investing in art and the pleasure it gives would be available not only to wealthy connoisseurs but to every art lover who has at least some financial room to invest.

The enhanced public role of a museum and the positive effects sketched above could

TABLE 1	COSTS AND BENEFITS OF A PUBLICLY TRADED ARTS FUND	
	Costs	**Benefits**
To the museum	• Displaying, storing, maintaining and insuring the art works • Transport of art works to and from the museum • Complimentary tickets for arts fund shareholders (revenues forgone) and costs of other shareholder activities • Salaries of museum experts who advise on arts fund purchases and sales • Costs of contracting with the arts fund	• Opportunity to show additional art works and thus better fulfil its mandate • Increased ticket sales • Revenues from the possible lease of arts fund holdings to other museums • Depending on the negotiations with the arts fund, a (possibly small) percentage of the profits from the sale of the art works subsequent to the exhibition
To the arts fund	• Purchase of the art works • Possible restoration (the process of restoration itself may well be the museum's responsibility; however, the arts fund should cover most of the costs, as restoration increases the intrinsic value) • Periodic estimation of the intrinsic value of holdings (carried out by independent experts) • Salaries of the experts associated with the arts fund • Promotion and administration	• Increased value of holdings (the value may also decrease, but this is not likely in the long run) • Revenues from the sale of the list of shareholders to the bank • The value of complementary activities carried out by participating museums for the benefit of the shareholders and/or the arts fund • Positive attitude among shareholders because of their involvement in something useful for society and the arts
To the bank	• Fees for experts and other banking services put at the disposal of the arts fund	• Income from the arts fund in payment for the bank's expertise • Access to arts fund shareholders as potential clients for the bank's other services • Enhanced image (In this context, publicity campaigns run by the arts fund could be a valuable tool. If the fund buys a Kandinsky, for instance, the day on which the painting is first exhibited would be a suitable time to bring the bank's participation to the attention of the public. This could be done through the media at no cost or by means of paid advertising. When paintings of the arts fund are exhibited, a small plaque near the work bearing the names of the arts fund and the bank would serve to enhance the bank's image.)

be reasons for government bodies to support this initiative. A former Dutch State Secretary, Van der Ploeg, has proposed tax exemptions for a number of investments in the cultural sector (Ministry of Education, Culture and Science, 2002). The type of arts funds we propose would certainly qualify for such an exemption (see also O'Hagan and Duffy, 1988). However, the new Dutch government, as of spring 2003, seems to be less interested. Although the absence of tax exemptions may be unfortunate (in the eyes of art lovers at least), public-private arts investment funds can still help the public sector to play its role.

If managed well, such funds will be beneficial for all parties (museums, banks and investors in the fund). Of course, this presupposes that negotiations among the three parties will lead to a distribution of costs and benefits that is acceptable to all.

From a "Baumolian" perspective, arts funds can be regarded as having a so-called privatization advantage. According to Baumol (1993), labour productivity in the service sector (which includes the arts) will increase at a lower rate than that in other economic sectors. In addition, because of employee demands, salaries in the arts will tend to keep pace with those elsewhere in the economy. This is not a good situation for the arts. Since many European cultural services are provided through the government, tax revenues (as a percentage of the national and/or regional income) will have to increase if the government does not want its citizens to have fewer arts services or to have services of lesser quality. One possible way out of this squeeze, according to Baumol, is the privatization of public resources such as art museums. However, Baumol also observes that privatization may have disadvantages, most notably higher consumer prices. The arts funds discussed in this paper, with their privately owned paintings being exhibited in museums, may be regarded as a unique example of Baumol's brand of privatization. They provide the benefits of privatization without the corresponding disadvantage of higher consumer prices, because participating museums are not likely to raise their entrance fees. For this and the other reasons we have given, an initiative in this direction seems justified.

Notes

1. Controversies focus more on use and level of entrance fees as a means of raising income. Solutions are often sought through increased revenues from sponsors and visitors, and appropriate marketing approaches are attracting more and more attention. See Scheff and Kotler (1996).
2. European museums tend to be private foundations. They receive most of their money from local, regional and national governments. In that sense, they are public. See Dolfsma (2001).
3. The relevant literature calls this "provenance"; see, for example, Moulin (1978).
4. Professors A. Prinz and I. Metze, in commenting on earlier drafts of this paper, suggest that such funds should invest in paintings that, together with paintings from one or more co-operating museums, could form a coherent exhibition. The exhibition as a whole could then be rented out to various other museums around the world for limited periods. Prinz and Metze expect investments in exhibitions to have higher financial returns than investments in paintings that are not part of exhibitions, because a well-balanced exhibition can attract many visitors.
5. "Arts-related businesses are making a rapidly increasing contribution to our economic and social life. Being able to manage them efficiently and effectively has importance for the economy" (Francis, 1998, p. 346).
6. Many banks offer the public the opportunity to invest in an increasing number of other specialized investment funds, such as green funds. Thus, in terms of the appropriate governance structure for the arts fund, relations between the arts fund and the affiliated bank could be modelled after the legal forms chosen for, say, the green funds. Parallels may be drawn also between our proposal and experiences elsewhere. In the entertainment industry, for example, bonds or stocks are issued using future royalty streams or expected future earnings as collateral (e.g., *The Economist,* 2003).
7. Some technology-intensive firms are obliged by statute not to pay dividends if the payment would have harmful effects on the share price (Budwordth, 1996).

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