

Art Law Gallery

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[Bilbao Guggenheim Expansion Meets With Political Opposition](#)

Political tension concerning the Guggenheim Museum in Bilbao intensified following the museum's announcement in late 2009 that it planned to build a new museum in Urdaibai area. The Basque government, particularly Secretary of Culture Blanca Urgell, was strongly opposed to the extension plan allegedly because of a financial controversy involving the museum. Early in 2010, she commissioned Madrid law firm Ramón y Cajal to investigate the museum's financial management. In April, the firm reported on possible mismanagement by Juan Ignacio Vidarte, director of the Bilbao Guggenheim, involving the museum's financial transactions to acquire artworks.

Since becoming the museum's director in 1996, Vidarte aggressively collected major artworks. In order to finance the purchases, he made a number of foreign currency exchange deals. The museum started to buy the U.S. dollars at a fixed exchange rate in 2002, betting that the dollar would more likely appreciate against the euro. Because the currency in the international art market is typically the dollar, the museum might have feared that the appreciation of the dollar would make the artworks too expensive to acquire. As opposed to the museum's speculation, however, the dollar significantly depreciated against the euro, which eventually caused the museum more than €8 million in losses.

In the report, the law firm charged that Vidarte's engagement in such risky financial transactions with public money might have exceeded his authority as a museum director. The firm further criticized the museum's accounting practices, which seem to have been a cover up of the financial losses by calculating the museum's art collection in higher value, implying its accounting fraud. The report also indicated that Vidarte had a conflict of interest by acting on behalf of both the Guggenheim Foundation in New York and the Guggenheim Museum in Bilbao simultaneously; he accounted the financial losses on the Museum's book although he engaged in the currency deals for the Foundation. His interest as the Foundation's global strategist is to open more franchises in the world, while his interest as the Bilbao Museum's director is to serve the Basque government by defending the Museum's exclusivity from more competitions.

The museum was faced with similar political pressure in 2007-08. During that period, the Basque parliament members had already accused Vidarte of his misjudged currency deal to purchase Richard Serra's sculptures "[The Matter of Time](#)". That deal reportedly cost the museum €7

million in losses. The members also criticized the former director of the Solomon R Guggenheim Foundation, Thomas Krens, of overpayment—more than market value—for his favorite artists' works such as "[Large Blue Anthropometry](#)" by Yvez Klein and "[Puppy](#)" by Jeff Koons. To make the matters worse for the museum, government auditors discovered that the museum's financial director Roberto Cearsolo had embezzled a half million euro over the past ten years.

Against the criticism, Vidarte told the *Guardian* in 2008 that the opposition parties in the parliament targeted the museum in order to make the government look bad in the upcoming parliamentary election in early 2009. He also suspected that the opposition parties would like the government to take greater control over the Guggenheim's management. Since then majority party lost the power in that election, it now appears the government, most notably Secretary Urgell, is critical of Vidarte's conduct, while opposing party members are defending his management. It is reported that the government has threatened to veto the museum's expansion plan. According to the Guggenheim Foundation, the next step is the design selection process for the museum, which will take place over the course of 2010.