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Introduction: the contemporary art market between stasis and flux

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Publication date

2012

Document Version

Final published version

Published in

Contemporary art and its commercial markets: a report on current conditions and future scenarios

[Link to publication](#)

Citation for published version (APA):

Velthuis, O. (2012). Introduction: the contemporary art market between stasis and flux. In M. Lind, & O. Velthuis (Eds.), *Contemporary art and its commercial markets: a report on current conditions and future scenarios* (pp. 17-50). Sternberg Press.

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introduction

the contemporary art market between stasis and flux olav velthuis

The contemporary art market is in flux, or so it seems.¹ Predominantly in the last two decades, new institutions have emerged, while the power dynamics between existing ones have changed. Artists and collectors from emerging economies in Asia and Latin America are rapidly making inroads into the global art field, resulting in a deterritorialization of the art market. New digital technologies are in the process of reconfiguring the ways art is marketed: the first online art fairs are operational, as Noah Horowitz discusses in this volume, and, especially at the top end of the market, sales are regularly taking place through dealers sending jpegs to anonymous collectors. Moreover, the role of experts within the art market has been amended. The influence of public museums and other institutions whose stake in the art world seems to be untainted by monetary interests has declined, while the grip of ever-richer private collectors on the careers of artists and the art world's valuation regimes is becoming stronger.

In this introduction I review these changes critically. The evidence pointing at flux is pervasive: I will show that the interrelated trends of commercialization,

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globalization, and financialization have produced new regimes of value within the market and have reconfigured pre-existing market logics. Nevertheless, I will subsequently make the case that the art market can be seen as a market in stasis as well. First of all because key elements of its structure have remained intact since the modern art market was established in the second half of the nineteenth century; and secondly because the recent reconfigurations of this structure are reincarnations of the past. In order to bring the equally valid accounts of flux and stasis in line, I will propose the notion of cyclical change towards the end of this introduction.

commercialization

As in other markets for cultural goods, commercialization is the dominant force driving change in the contemporary art market.² This force is, in turn, embedded in, and the result of, wider societal developments which are beyond the scope of this introduction, such as neoliberal policies directed at deregulation and privatization, a waning autonomy of fields of cultural production, and an erosion of cultural hierarchies such as the one between high and low culture.³

Commercialization manifests itself in many different ways in the art market. The motives of artists, collectors, and their intermediaries have supposedly become more profit-oriented and less dedicated to creative or artistic goals. As the American cultural sociologist Diane Crane put it: “[Until the 1990s], artists were motivated less by financial gain than by their aesthetic goals and assessments of their works by

their peers.”⁴ In pursuing this financial gain, contemporary artists have become increasingly savvy, often in conjunction with art dealers, about developing their careers, aligning themselves with powerful taste makers, constructing a market for their work and cranking up prices. Artistic autonomy has slipped from their minds, while the traditional taboo on catering to pre-existing demand has gradually eroded.

The increasingly commercial motivation of artists is reflected in the type of work they make: easily recognizable and digestible, iconic or provocative images, often borrowed from popular culture, have come to dominate the market in the 2000s. A significant part of the artist’s production is now directed at one of the many art fairs his dealers are frequenting. These works, referred to bluntly as “art fair art,” are moderate in size, which makes them easy to transport and fit into the fair’s booth, and are in tune with dominant market trends. In order to efficiently increase production, artists are organizing their studio in a businesslike manner, with large numbers of studio assistants executing the master’s ideas. This enables these artists to free up time which can be devoted to marketing their work, exploring commercial ventures, and maintaining a strong presence in the media. Artists who exemplify this commercialization trend include Jeff Koons, Takashi Murakami, Richard Prince, Maurizio Cattelan, or Damien Hirst. Except for Cattelan, all of them are in the top ten list of best-selling contemporary artists, computed on the basis of their auction revenue (2010–2011).⁵ Hirst, who at one point employed more than 120 assistants, is on the chart of the wealthiest individuals in

Britain and Ireland, *The Sunday Times* Rich List, with an estimated net worth of £215 million. The art critic Robert Hughes characterizes the artist: “Hirst is basically a pirate, and his skill is shown by the way in which he has managed to bluff so many art-related people, from museum personnel such as Tate’s Nicholas Serota to billionaires in the New York real-estate trade, into giving credence to his originality and the importance of his ‘ideas.’ This skill at manipulation is his real success as an artist.”⁶

Buyers have likewise become increasingly profit-oriented. Traditional collectors, who acquire art with their eyes rather than their ears, follow an artist throughout his career, and who don’t repudiate art with complex, multi-layered meaning structures, have been crowded out by new collectors who see art as an investment or as a status symbol. These new collectors have typically earned their fortunes in the financial markets or the luxury goods industry. They often lack in-depth knowledge of art, and frequently need to be assisted by art consultants to navigate the market. At times, their interest in art predominantly serves business purposes. Hedge fund managers, for instance, may select works of art that enable them to construct, as Tom Wolfe put it, “the pose of a pirate”: the image of a daring, fearless financial market trader. Art should, in other words, assist them in attracting new clients to their funds.⁷ Think of Hirst’s shark suspended in a tank of formaldehyde, which was bought by hedge fund manager Stephen Cohen for \$8 million.

Ambivalence surrounds the identities of some of these new collectors, since they are so quick to

turn acquisitions into cash once “their” artists’ star rises, that many in the art world refer to them as dealers rather than collectors. Because of the public, spectacular character of an auction, and because their own low status within the art world prevents them from getting access to coveted works of art at the gallery, these collectors tend to do business at Sotheby’s, Christie’s, and Phillips de Pury.

The auction houses themselves, which have traditionally hardly been interested in contemporary art, are now aggressively pursuing works that were made only a few years ago. They have recognized that more money is to be made with contemporary art, whose supply is infinite and whose prices have been rising more steeply than those of old or modern masters. Christie’s therefore bought its way into the primary art market through the acquisition of the art gallery Haunch of Venison. The successful Hirst sale at Sotheby’s in September 2008, where he auctioned off 223 works which came straight out of his studio for almost \$200 million, warned art dealers that the days of the old division of labor between the auction houses and the art galleries may be numbered. This was the first time that an auction house had manifested itself so clearly on the primary art market and an artist had decided to bypass his art dealers so publicly. *The Economist* noted that with the sale, Hirst was “breaking the art market’s traditional rules.” Art critic Roger Bevan warned: “The final frontier protecting contemporary art galleries from the relentless encroachment of the auction houses has been emphatically breached. ... Now that Damien has demolished the moral barrier of using auctions for distribution and profit, other

artists will follow suit.”⁸ While hardly any European or American artists have actually followed suit since Hirst’s sale at Sotheby’s, in the emerging art markets of China and India it has been common practice for artists to sell new works directly at auction.⁹

Other organizational changes which have contributed, along with the increasing dominance of the auction houses, to the commercialization of art are the rise of the art fair and the Internet as a sales venue (whether directly from the gallery’s website or through popular platforms such as artnet.com). The contribution of these three institutions to commercialization has been social and cultural as well as symbolic.

Socially, the auction houses, the Internet, and the art fair have weakened the importance of social ties and have promoted anonymous exchange. The networks between artists, dealers, and collectors that the art market used to be embedded in, have, in other words, been partly dissolved by these institutions.¹⁰

Culturally, the auction house, the art fair, and the Internet have decoupled art from the evaluations by cultural experts, conversations among peers, and direct interactions between market participants, which in the past defined a work of art and contributed to its meanings. As one artist remarked on a popular art market weblog: “You simply cannot truly experience complex artworks in an auction house. It’s just about selling, and nothing else.” Instead, the artist continues: “[I]t’s also important to actually look at the stuff, yourself, out of the studio, in a clean white space, and present your ideas to the world.”¹¹

Symbolically, the art fair, the auction house, and the Internet have derailed the art world’s traditional at-

tempts at “decommodifying” contemporary art. When a jpeg of a work is sent to multiple collectors who respond by asking for its sales price, when a work of art is presented as a fetish while the auctioneer standing next to it calls off prices, or when a dozen works are crammed into the booth of an art fair, art’s commodity-character is hard to deny. As art critic Jerry Saltz put it in critique of the art fair: “These days art fairs are perfect storms of money, marketability, and instant gratification tent-city casinos where art is shipped in and parked for five days, while spectators gawk as comped VIPs and shoppers roll the dice for all to see.”¹²

It would be naïve, however, to see commercialization as a struggle between the contemporary art market’s new institutions and its traditional intermediary: the art dealer. The latter have themselves contributed to commercialization. Dealers have become more aggressive in marketing the work of the artists they represent; they are accused of dropping artists more quickly once their work no longer sells and seducing artists away from their competitors once their careers take off. As if they were players in the baseball or soccer leagues, transfer sums or hefty stipends are sometimes paid to accomplish these moves.

And while successful art dealers have relied on the resale of consecrated works of art on the secondary market for a long time as a major source of profit, these sales were usually conducted in the back rooms of the gallery, hidden from public view. Now dealers are more open about it and regularly bid at auction in person, which suggests that their commercial activities on the secondary market have gained legitimacy.¹³ As a

result, in order to run a successful gallery, access to the financial resources which secondary market dealing requires is becoming more important than a good eye for artistic quality.

A final manifestation of the art dealers' commercialization is their development into multinational enterprises with "showrooms" in many of the world's major art capitals. By doing so, they are now trying to monopolize the global market for the artists they represent and cater to the demands of the new wealthy collectors in emerging economies.

globalization

Until recently, the art market was dominated by artists and art dealers from the United States and Europe (Germany in particular). Since the late 1990s, however, its territories have vastly expanded, most notably to the new, large emerging economies of Brazil, Russia, India, and China. The upper middle classes of these countries, who accumulated vast amounts of wealth, have rapidly recognized art as an object of desire, a status symbol, or a potential investment. Between 2004 and 2009, the number of buyers from the Middle East at Christie's rose by 400 percent. Nowadays, the share of high-net-worth individuals from Latin America and Asia buying art is higher than that of their American counterparts.¹⁴

By and large, due to this newly accumulated wealth, local art worlds have developed or have been reinvigorated in these countries, albeit in some, such as China, more dynamically than in others, like Russia. The artistic profession has become recognized as a potential

road to richness. Moreover, in China visual art has enjoyed relative freedom from government interference, at least compared to other forms of artistic expression or to the oppressive cultural policies under Mao.

A global market architecture has enabled the new wealth of buyers in emerging economies to flow to contemporary art produced in the West as well as the old wealth of buyers in Europe and the United States to find its way to new art produced in emerging art worlds. Sotheby's and Christie's now organize sales dedicated to art from India, Russia, China, or Latin America, and have opened branches in, among others, the Middle East and Hong Kong. According to some estimates, in 2010 the auction market for fine arts in China surpassed the American one, accounting for 33 percent of the world's auction revenue. And while in 2002, only one Chinese artist was part of the list of the world's top 100 contemporary artists (computed on the basis of auction revenue), in 2010, half of the artists in the top ten were Chinese.¹⁵

Apart from the auction houses, the art fairs have played a key role in matching global demand and supply. European and American fairs have seen new participants and visitors from emerging markets, while a host of fairs have been established in emerging art capitals such as Shanghai, New Delhi, São Paulo, Moscow, or Abu Dhabi. In 2011, Art Basel recognized the long-term potential of the Asian art market when it announced the acquisition of Art Hong Kong.

While the globalization of contemporary art has in general been applauded because of the waning hegemony of Western art worlds, some have been skeptical. They characterize the European and American

interest in art originating from emerging countries as neocolonial, because it emphasizes and essentializes ethnic and cultural differences between regions. This means that artists from regions other than Europe and the United States are not fully appreciated for their own artistic merits and are denied a stake in existing art historical canons. Others have criticized art market interest in new “geoaesthetic regions” because it is driven by art investors seeking to broaden their collections in order to spread risk, analogous to the portfolio approach in financial markets.¹⁶

financialization

In the first decade of the 2000s, fine art evolved into a recognizable asset category, which is implicated today in a wide range of financial transactions. Works of art are used as collateral in order to secure multi-million-dollar bank loans, they are or have been part of the portfolios of pension funds, and numerous investment funds that focus on art have been announced. As the cultural economist Clare McAndrew claims, “[t]he growth of art funds and other professional art investment vehicles bears out the fact that both individuals and institutions have now fully embraced the notion of art as an asset class for investment.”¹⁷ In short, the art market has become financialized.

The investor’s interest is puzzling since a large number of economic studies suggest that art performs poorly if compared to “ordinary” investments in stocks and bonds. However, a small number of studies claim that art actually outperforms its alternatives, is a good hedge against inflation, or can be used as

a risk management tool: buying art allows investors to diversify their portfolios. The founders of art investment funds have been keen on referring to these studies in their prospectuses, while some of their authors, such as the financial economist Michael Moses, have been actively involved themselves in building up an investment market for art.¹⁸ In this volume Suhail Malik and Andrea Phillips point at a different motivation for speculators to turn to art: the attraction of the market’s “game of hide and seek,” which allows these speculators to adopt a creative role themselves, while searching for the best-performing “blue-chip” artists.

The financialization of art has, however, been far from smooth or automatic. The process lacks legitimacy in both the art world and the financial community, albeit for different reasons. In the art world it has been opposed by art dealers, collectors, and artists, who seek to shield art from financial concerns in order to preserve its “sacred” character. For these actors, the art world and the financial markets are an instance of what Viviana Zelizer calls “Hostile Worlds”: they assume that an intrinsic conflict exists between art and finance and that the incommensurable value of art is at risk once it is standardized and transformed into a speculative object.¹⁹ As one dealer put it, investment funds are “dangerous, and unsafe for the market. They have not been set up for the right reasons and are destroying the notion of what art stands for, aesthetic beauty, and to be admired in one’s private collection or in a museum.”²⁰

Moreover, investments in art may destabilize a market that is characterized by uncertainty regarding artistic and economic value. Art dealers seek to

stabilize the market by setting prices according to widely shared pricing scripts. These scripts prompt them to increase prices in a piecemeal fashion. In addition, price decreases should be avoided at all times because they signal a lack of quality to collectors and harm the self-esteem of artists. The stabilizing efforts that dealers make through these scripts can be hampered by investors reselling their holdings at auction, which in turn produces price volatility. Because of the signaling effect of prices and price decreases in particular, art dealers seek to avoid this volatility.²¹

The financial community has not recognized art as a valid asset class either. Investors point at structural barriers to the financialization of art, such as the art market's lack of liquidity and its non-transparent character. However, with the growing financial interest, these barriers have been partially removed in a process of standardization, scientization, and professionalization. As happened in the past in "ordinary" financial markets, passion and intuition have slowly been replaced in the art market by calculated, informed decision-making assisted by increasingly abundant flows of information, increasingly sophisticated market devices, and new stocks of knowledge.²² This process has involved a wide range of actors, such as academic economists, pension funds, auction data providers, art market research companies, art appraisers, legal services, insurance companies, and accountants. Their often concerted efforts have rendered the art market more transparent and predictable. Moreover, by adopting organizational blueprints from the world of finance, these actors have sought to legitimize the financialization of art.

Propelled by commercialization, globalization, and financialization the regimes of value of the art market have changed as well. These regimes govern the way value is established, which people have the authority and credibility to partake in this process, and which criteria and tools they apply.²³ Value in the art market used to be established by what Lucien Karpik has called "an expert-opinion regime," which "rests on choices made by experts entrusted with selecting the best singular products." Who those experts are, and how power is distributed among them, has historically been subject to change. Harrison and Cynthia White have argued that the art critic by and large determined art's value when the modern market came into being in nineteenth-century France. According to Raymonde Moulin, curators became the main experts in the twentieth century. By selecting an artist for a group or solo show, by singling out works of art to be acquired for a museum's permanent collection, or by awarding prizes at events such as the Venice Biennale, these experts enhance the reputation of artists. Or to put it in the terms of the late French sociologist Pierre Bourdieu, they produce belief in the artist's work.²⁴

While the experts do not have a direct interest in the market themselves (or at least are not supposed to), their judgments and selections do have an important impact on the market: they determine the artist's commercial credibility.²⁵ Symbolic value can in other words be exchanged for economic value, as Isabelle Graw's contribution to this volume explicates in detail.

Recently, however, the market's regime of value has come under pressure. The role of the (public) expert has been gradually replaced by the (private) collector. In Europe and the United States super-wealthy collectors such as Charles Saatchi or François-Henri Pinault now determine artistic reputations through the acquisitions they make. As a result, the dealer-critic system, which rests on a distinction between artistic valuation by experts and economic valuation by dealers, has been replaced by what Graw calls a dealer-collector system or what Nachoem Wijnberg and Gerda Gemser call a market selection system.²⁶ Within the new regime, expert judgment no longer has a significant impact on the market. Economic values now determine artistic reputations rather than the other way around. Unsurprisingly, experts themselves have lamented this. As the art critic Adrian Searle put it in *The Guardian*: "Never has money been so powerful. Never have so many artists got so rich, and never has there been such alarming stuff on sale. Never have critics felt so out of the loop."²⁷

The main explanation for the regime change is the large influx of private money in the last decade. Art markets may not have been directly affected by neoliberal policies directed at deregulating markets (if only because the art market is one of contemporary capitalism's least regulated markets to begin with). But an indirect effect has been that budgets of public institutions have been, at best, frozen, while those of private collectors have rapidly increased. These collectors now have acquisition budgets for contemporary art which easily surpass those of public museums. In fact, they have been

able to establish their own museums and to hire a professional staff, which assists them in manipulating the market's wheels of fortune.

The shift to a dealer-collector system has been reinforced by globalization: in many of the new emerging art markets a dealer-critic system was never established to begin with. Countries like China and India, for instance, until recently lacked public, non-profit institutions with a focus on contemporary art and had few independent experts who were not directly tied to the market.²⁸ In Brazil and Russia, such public institutions have existed for a long time, but nowadays they find themselves in dire straits because their governments set different priorities.

The rise of a dealer-collector system has not only been lamented by experts because of its cultural consequences, but also because of its social preconditions. This new regime results from a persistent rise of inequality in both developed and developing countries. Andrea Fraser notes, for instance, that the art market has performed best in countries where income inequality has risen strongly, such as the US, the UK, and China. Fraser relates the increased inequality to neoliberal, anti-tax, and anti-government politics, deregulation of financial markets, and "attacks" on organized labor in these countries. She concludes: "what has been good for the art world has been disastrous for the rest of the world."²⁹

art market logic

Along with its regime of value, the art market's logic of action is in flux. As a rich sociological literature shows,

these logics serve as sense-making constructs for the market's participants, guide them in decision-making processes and stipulate which market strategies are considered reasonable and appropriate. One source of change is the gradual imitation of the logics of other markets or societal spheres. In the case of the art market, the entertainment and the fashion industry have recently served as templates.³⁰ The boundaries between these fields have become blurred in at least three ways.

First of all, the life cycle of a contemporary artist has shortened to such an extent that the art world now resembles the fashion industry, where styles change every year, along with the artists who are considered to be in vogue. The fairs have evolved as the art market equivalent of the fashion industry's weeks in Milan, Paris, and London. They are a response to a more general event culture, which is exemplified by the proliferation of film festivals or art biennials.³¹ Within this event culture, the consumption (not necessarily acquisition) of contemporary art is packaged as a social and cultural experience, livened up by the artistic performances and round-table discussions of experts, which have now become a standard element of the art fair format. The fairs, along with the auction houses, have contributed to the construction of the market's new logic of action: they have provided incentives to artists to focus on short-run profits, creating art that is fashionable, and establishing a quick career rather than on producing an independent oeuvre of lasting quality.

Secondly, contemporary art has taken over the role played by pop music as a locus around which fan cultures and celebrity worlds develop. As Lucia van

der Post wrote in the *Financial Times*: "Today art and artists are attracting the fans, the adulation, the attention and the bank balances that were once the terrain of rock stars."³² "Hot" artists as well as their dealers have become a mainstay in lifestyle magazines and have actively cultivated an aura of celebrity around themselves through the provocative statements they make, the extraordinary outfits they wear, or their extreme behavior. At the same time, celebrities from the movie industry such as Gwyneth Paltrow, Leonardo DiCaprio, or Brad Pitt have taken an interest in contemporary art and mingle with members of the art world at gallery openings or art fair parties.³³

Thirdly, the art market has adopted the fashion market's logic of branding: appreciation of an artwork's visual aspects or its meanings have been replaced by an obsession with the name of the artist, which functions analogous to a commercial brand.³⁴ The contemporary artist has transformed into a brand manager whose main occupation is the production and diffusion of commercial propaganda. Not coincidentally, one of the market's most successful artists, Murakami, has collaborated intensively with super-brand Louis Vuitton. Fashion moguls such as Pinault, Bernard Arnault (CEO of LVMH, the parent company of Louis Vuitton and dozens of other luxury brands), and Miuccia Prada are now among the market's most important collectors. And within many art districts in New York, London, or Berlin, galleries intermingle with fashion boutiques whose frosted-glass exteriors, minimal interior design, and lack of price tags attached to the goods on display make them hard to distinguish from their neighbors.

But there is another tale to be told about the contemporary art market. Countering the manifold accounts by scholars and journalists as well as market participants of profound, irreversible change, I will now defend the thesis that the underlying structure of the art market has nevertheless remained largely intact. The market's principal actors continue in their roles while two key intermediaries, art galleries and auction houses, vie for market share. New York is still the center of the art market, where the largest and most influential art dealers are headquartered and the main contemporary art auctions are organized. Since at least the 1990s, Art Basel's role as the market's most important art fair has not been challenged. And while many new auction houses have emerged in local art markets,³⁵ the reign of the two dominant ones on the global market, Sotheby's and Christie's, has been undisputed for decades if not centuries.

Although it is certainly true that auction houses have become more aggressive in pursuing contemporary art in the last decade, for most artists this development is hardly relevant since their work has no resale market whatsoever. Auction houses are simply not interested in selling it, since it lacks a liquid market with a price level high enough to cover the marketing and auctioning costs. And for the small group of artists whose work does come up at auction, it would be hard to maintain that their markets are all subject to a celebrity or fashion logic or that the critical acclaim for these artists is predominantly based on their market prices, as the flux-

account holds. Think, for instance, of Christopher Wool, Cindy Sherman, Anish Kapoor, or Gerhard Richter, whose work regularly sells for seven-digit prices. The latter is currently the best-selling contemporary artist at auction. Incidentally, during a press conference at the opening of his 2011 retrospective in London's Tate Gallery, Richter called the art market "daft" and the price level for his own work "just as absurd as the banking crisis."³⁶

Even the way new works of art are marketed is by and large identical to the way this happened throughout the twentieth century. Art dealers continue to represent a limited number of artists on a more or less permanent basis, and try to make a market for their artist's work by inserting it into the taste-making machinery of the art world. They emphasize that, along with the role of private collectors, the attention and interest of public museums, independent curators, and critics working for international art magazines such as *Artforum* or large national newspapers, or the inclusion in international curated shows such as the documenta or the Venice Biennale, continue to shape an artist's career. Indeed, recent research on art markets bears out the role of experts in the simultaneous construction of artistic and economic value, of reputations and prices.³⁷ In short, a modified version of the dealer-critic system still seems to be operational. While systematic evidence for a shift towards a dealer-collector system is lacking, anecdotal evidence suggests the opposite: many of the new super-wealthy collectors buy works of art when the careers of their makers are already firmly established. In other words, they behave more as taste-followers than as taste-makers.

The economic power of these collectors may be enormous; their cultural power is limited.

To what extent the art market is truly global nowadays, is also up for debate, as the contributions to this volume by Alain Quemin and Stefano Baia Curioni exemplify. Although Western art dealers buy into the ideology of internationalism which predominates in the art world, and maintain that nationality does not factor in their selection of artists, their practices have remained by and large local: they have a local clientele and predominantly represent artists who have the same nationality as their own.³⁸ Likewise, the art markets that have emerged in, for instance, India and China are hardly integrated globally. While a small group of Chinese artists working in the styles of cynical realism and political pop, such as Zhang Xiaogang or Yue Minjun, have international reputations and a following of European and American collectors willing to pay six- and seven-digit prices for their work, the majority remains unknown outside of the country's national borders. Instead, they are bought by local collectors through local intermediaries such as Poly International Auction.

As far as a global art market does exist, artists, dealers, and collectors from Europe and the United States continue to dominate it. It operates through a small number of auction houses and powerful galleries such as Gagosian, Pace, David Zwirner, or Hauser & Wirth. At the most prestigious art fairs, such as Art Basel, the overwhelming number of art dealers still come from a small number of Western countries. Ulf Wuggenig notes in a recent study of art collecting that the United States and Europe continue to dominate ARTnews' annual list of the world's 200 most important collectors.³⁹

Another way to tell the tale of market stasis is by comparing recent developments in the art market to those in other cultural industries such as music or journalism. In journalism, blogs and other forms of amateur news gathering have become significant competitors to the traditional media. The latter are simultaneously struggling with their business models, now that content is available for free online. In both the movie and the music industry, amateur consumers who express their opinions on widely read websites have undermined the authority of professional critics. Other websites, such as YouTube, provide amateur producers with a platform for the distribution of their own creations.

In some cultural industries, demand is increasingly shaped in new ways through digital technology, such as collaborative filtering, which has revolutionized the consumption of, for instance, books and music: recommendations are made on the basis of algorithms which match one consumer's taste patterns with those of others.⁴⁰ Peer-to-peer services and new platforms such as iTunes have broken the power of a limited number of global distributors in the music industry.⁴¹ What all these trends point at is an erosion of the status of traditional intermediaries within the market, a process of disintermediation which allows for direct exchange between producers and consumers of cultural products and new patterns of taste formation within cultural industries.

In the art market, however, the equivalents of these trends are by and large absent. The Internet has so far hardly had a profound impact on distribution practices—amateurs have not questioned the authority of

cultural experts nor have they found new legitimate platforms for their own creations. And although the functioning of curators has been scrutinized and current intermediation practices have been criticized, on the art market there are no signs whatsoever of disintermediation.⁴² Taste may now be shaped in part by new agents such as private collectors, but that development has done little to weaken the art market's elitist character. At most, the type of elitism has changed, from cultural to economic.

circuits of commerce

While these two accounts of the art market's recent history—flux versus stasis—seem contradictory, there are at least two ways to partially reconcile them. First of all through the notion of circuits of commerce: rather than conceiving of the art market as a single, homogeneous entity, one needs to recognize that it is in fact composed of a plethora of smaller circuits, which each have their own actors, business practices, regime of value, and logic of action.⁴³ The flux-account is by and large an account of the top circuit of the market, which is widely covered in the media. It revolves around a small number of art stars such as Koons, Prince, Catellan, and Hirst, whose works achieve top prices at auction and are coveted by a new global economic elite. The trends emerging in this circuit do not reflect the wider art market, nor have mechanisms been identified within the flux-account which allow trends in this circuit to spill over or trickle down into other circuits. In fact, these trends may have inspired so-called boundary work by artists

and dealers in other circuits, who seek to resist the superstar circuit and want to avoid being identified with it.⁴⁴

Commercialization, financialization, or the adoption of a celebrity logic are much harder to trace in, for instance, a circuit for video art (which has its own, much less spectacular art fairs in New York and London: Moving Image) or in a circuit for large-scale installations, discussed in this volume by Karen van den Berg and Ursula Pasero. The rise of the latter circuit has partially been made possible by the art market's boom of the 2000s, but its business practices and production models far from coincide with those of the market's top circuit.⁴⁵

More generally, in the majority of galleries in Europe and the United States, works of art continue to sell for modest prices. These works resist commercialization because they enter the commodity phase, to put it in the terms of anthropologist Arjun Appadurai, only once: after the gallery sale, collectors hold on to them, if only because an active resale market for them is non-existent. Their makers need side jobs in order to make ends meet, and lead anything but a celebrity life. For the collectors buying in these markets, "love of art" continues to be the prime motive. In fact, Wuggenig notes in a survey of art collecting that commercial and prestige-oriented goals are still widely considered illegitimate.⁴⁶

A second way of reconciling the two accounts is by conceptualizing change in the art market in cyclical rather than linear terms: the market's recent reconfigurations are reincarnations of the past. Commercialization and financialization already had an impact

on the art market during the boom years of the 1960s and 1980s. In the latter decade, the German neo-Expressionists and the Italian Transavantgarde artists were featured repeatedly in lifestyle magazines.⁴⁷ Critics dismissed the work of Julian Schnabel as kitsch, while art market observers criticized the hyped nature of his career and predicted that he would soon be forgotten. The work of these celebrity artists was marketed aggressively by media-savvy art dealers like Bruno Bischofberger and Mary Boone. The market's boom was caused by the influx of new money from Wall Street and the emerging economy of Japan, not unlike the role of hedge fund money and BRIC-wealth in the production of the 2000s boom.⁴⁸

The influence of private collectors on the art market is hardly new either. In the past, supercollectors like German chocolate manufacturer Peter Ludwig, Italian Count Panza di Biumo, or New York taxi tycoon Robert Scull in the 1960s and 1970s, were key in establishing the careers of contemporary artists or even entire movements such as Pop Art. Charles Saatchi has been a presence in the contemporary art world since the 1970s, and so have his aggressive market practices. For instance, in the 1980s he sold a large number of works by the Italian Transavantgarde artist Sandro Chia, which he had acquired only years before. By doing so he depressed the artist's price level at auction and, according to Chia, ruined his career. Like Arnault or Pinault today, some of those collectors established their own museums (Ludwig eventually had a dozen of them). Others exerted their influence on the art world through tax-deductible donations to museums.

The interest in and framing of art as investment is a recurring phenomenon as well. In the early twentieth century, the forerunner of an art investment fund was established by French financier and art lover André Level, who pooled together money from twelve other investors to found the Peau de L'Ours (Skin of the Bear) scheme. The funds were used to buy more than 100 works of art from artists such as Picasso and Matisse, who were still in the early stages of their careers. In 1914, the entire collection was liquidated. The sales prices for the works were, on average, quadruple the original acquisition prices.⁴⁹

As early as the late 1950s, art was discussed in investment terms in popular magazines and newspapers such as *Fortune* and *The New York Times*. British scholar Gerald Reitlinger wrote in *The Economics of Taste*, a three-volume historical analysis of the art market, that “[b]y the middle of the 1950s, after two world wars, a world financial depression, and a world wave of currency inflation, ‘art as an investment’ had lost any stigma that it might once have possessed.” In the boom years of the 1960s a handful of art investment funds were established, while in 1967, *The Times* of London made art explicitly comparable to stocks by publishing an art index which tracked auction prices, akin to the Dow Jones index. As a journalist remarked with hindsight: “By demonstrating that pictures could be thought of in this way, the index guaranteed that they would be. It presided over a vertiginous rise in the value of art, as moneyed individuals, corporations, even pension funds found that they could justify the acquisition of a painting in exactly the same way that they could a block of shares.”⁵⁰ Likewise, the 1980s

saw a broad range of investment activity, aided by the influx of money from the financial markets.

Reflecting the further professionalization of the sector, international banks such as Citigroup became involved. These banks started to recognize the art collections of their wealthy customers as part of their financial investment portfolios and offered art advisory services as a tool in customer management for private banking. As the curators of the 1989 edition of the Whitney Biennial noted in their catalogue text: “[c]apitalism has overtaken contemporary art, quantifying and reducing it to the status of a commodity. Ours is a system adrift in mortgaged goods and obsessed with accumulation.”⁵¹

cyclical change

The upshot of this introduction is not to deny that the art market is in the middle of an era of flux. But its character may be more cyclical than linear. Moreover, the changes the market has been going through are concentrated in specific circuits. Their impact on the market in its entirety has been uneven. Instead of continuous, unambiguous processes of commercialization and financialization, we have seen periods of strengthening followed by periods of weakening and at times even a reversal of these processes throughout the history of modern art markets.

A detailed analysis of what drives these cycles is beyond the scope of this introduction. However, at least three potential determinants, with interrelated causal impact on the art market, can be identified: first of all, cycles in the real and in the financial economy.⁵²

The boom of the art market in the 1960s coincided with the European and American economies' miracle years, the (pre-crisis) 2000s, which has been called 'the great moderation,' a period of high growth combined with low inflation. Likewise, the slump of the art market in the 1970s coincided with the economy's downturn due to the oil crisis. And while the economy in the 1980s was far from buoyant, the stock market did boom, even after its short-lived crash ("Black Monday") in 1987. The economic explanation of cyclical change within the art market has its limitations however. The bust of the art market of the early 1970s, for instance, preceded the oil crisis, while in 2010–2011 the art market continued its boom in spite of severe economic and financial turmoil in Europe and the United States.

A second determinant may be identified in countervailing or self-correcting tendencies within the art market itself: trying to protect what they consider as the proper way to deal in art, market participants "correct" behavior by developing or returning to a more sober business repertoire in times of excess commercialization, or, conversely, exploit profit opportunities and pursue a more aggressive business repertoire in times of excess sobriety. For instance, during the 2000s dealers became increasingly critical of art fairs and tried to lure collectors back to the gallery's "home base" by organizing collective gallery weekends. Moreover, many started frowning upon the commercial success of Young British Artists or members of the Leipziger Schule. Such self-correcting tendencies make sense from a Bourdieuan point of view: the commercial exploitation of artists or artistic styles

devours them of their status-enhancing potential. As a result, some collectors and dealers are prompted to search for unconsecrated, non-commercial artists. By doing so, they accumulate symbolic capital.⁵³

Finally, we should not exclude that cyclical change within the art market is driven by artistic trends themselves. It is noteworthy that the boom eras of the art market were dominated by relatively accessible styles such as Pop Art in the 1960s, expressive, figurative painting in the 1980s, and the spectacular, popular culture-oriented art of the 2000s. The downturn of the 1970s coincided with the rise of less marketable styles such as Minimalism and performance art, while video art came of age after the market's bust in the early 1990s.

It would attest to economic reductionism (if not plain cynicism) to explain the rise of these artistic styles in economic terms exclusively, as an opportunistic response to latent demand (during a boom era) or absence thereof (during a downturn) within the art market.

The opposite also holds: new artistic styles, which are born out of contingent and relatively autonomous artistic developments, create their own demand. Minimalism and Conceptual Art in the 1970s engendered a different type of collector than neo-Expressionism and the Transavantgarde in the 1980s. They managed to induce their own logics of action and valuation regimes. Cyclical change in the art market is, in other words, intricately related to the rise and fall of artistic styles. The current fashion and celebrity logic make sense from that perspective. But as the careers of celebrity artists wane, so will the market culture that served them.

During the second half of the twentieth century, each art market cycle lasted approximately twenty years: ten years for a boom period, another ten years for the bust. Assuming that this trend continues (which it probably won't) and that we are now at the end of a boom era (which has already been interrupted by the short-lived crash in late 2008 and 2009), in ten years from now the art market will be recovering from the big bust of the 2010s. By that time its institutional architecture will seem to have been thoroughly reconfigured. The art market will surely be more global. But if globalization within other cultural industries may serve as an example, it is unlikely to resemble a "flat world," to speak in the terms of the American journalist Thomas Friedman, in which distance does not matter, artists migrate more or less randomly across borders, and works of art are bought and sold irrespective of the nationality of their producers and consumers. While the top circuit of the market may indeed become deterritorialized, the more likely scenario for the remainder (read: vast majority) of artists, collectors, and their intermediaries is the development of relatively autonomous regional art centers (think of São Paulo, Beijing, and Johannesburg), which are only partially interlinked through a global framework. In this multipolar art world, regional markets will each have their own logics, internal dynamics, regimes of value, and key players, not unlike centers for movie production in what used to be peripheral regions, such as India (Bollywood) or Nigeria (Nollywood).⁵⁴

Likewise, digital technologies will be more widely used and will be seen as legitimate within the art market, resulting in flourishing online art fairs and new commercial portals for contemporary art. But the tacit character of a work of art as well as the dense social interactions between artists, collectors, and dealers that are a *sine qua non* of art markets, will constrain the Internet's impact.

If the fate of dozens of art investment companies established since the late 1960s is an indicator—except for a handful, all of them failed—the financialization of art in ten years from now will turn out to be a cyclical phenomenon at best: talk of art as an asset class surfaces when rapidly rising prices attract gold-diggers to the market, and wanes after the market goes bust. In short, underneath a changing surface the art market's structure is remarkably resilient. In 2022, it will look like today, or for that matter, like it did a century and a half ago, when modern art as well as its markets were born.

introduction

notes

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