Price—Art Appreciation: The value of nothing trapped in a room

Being an art buyer these days is comprehensively and indisputably vulgar. It is the sport of the Eurotrashy, Hedge-fundy, Hamptonites; of trendy oligarchs and of art dealers with masturbatory levels of self-regard.

— Charles Saatchi

A carrot is as close as a rabbit gets to a diamond.

— Captain Beefheart

One thing running through this as a subtext, and possibly the above quotes is: do artists share the values of the market place?

In 1975 Andy Warhol told us: “I like money on the wall. Say you were going to buy a $200,000 painting. I think you should take that money, tie it up, and hang it on the wall. Then when someone visited you, the first thing they would see is the money on the wall.” But how would such an investment appreciate i.e. increase in monetary value: who would want Andy as a dealer—he doesn’t understand the retail price index. The whole point in buying an expensive painting is that its price will magically become worth more than its initial price. Its price supposedly reflects an interaction between supply and demand: an equation of the quantity being supplied and that being demanded. But the classical economists such as Adam Smith came across the Art Market while developing their theories of value and price formation, and they all agreed that it was an exception that went beyond the limits of their theories.

Recent sociological analysis of the price mechanism in the market for contemporary art, based on in-depth interviews with art dealers in New York and Amsterdam, outlines two pricing norms: one inhibits art dealers from decreasing prices; the other induces them to set prices according to size. Price ‘setting’ is not just an economic but also a signifying act: despite their impersonal, business-like connotations, dealers express a range of cognitive and cultural meanings through prices. Prices, price differences and price changes convey multiple meanings related to the reputation of artists, the social status of dealers, and the quality of the art works that are traded. But the study found that they never talk about ‘price’ as having a contaminating or corrosive meaning. Neither do we find the term price fixing in the study’s long examination (Velthuis, 2003).
Are artists alienated from these price processes? Do they get swindled by it, what are its effects?

'Has Money Ruined Art' was the title of a 2007 *New York Magazine* article that laconically tells us that the M.F.A. is the new M.B.A. (that’s a marketing degree) and in a vague reference to the mafia that: “the system […] is making people offers they can’t refuse when it should be making them offers they can’t understand.” It also added that artists were now: “P.T. Barnums, showmen and women who have become part of the show,” part of the spectacle. Amy Cappellazzo, who sounds like a character from a mafia file, but is the international co-head of Christie’s contemporary art department, says that auction houses were “the big-box retailers putting the mom-and-pops out of business … After you have a fourth home and a G5 jet, what else is there?” Tobias Meyer of Sotheby’s tells us: “The best art is the most expensive, because the market is so smart.” Is the market (i.e. Amy and Tobias) so smart? Or as the article’s author, Gerry Saltz points out: “is it so dumb that it believes almost anything put in front of it?” For Saltz it is self-replicating: if the market sees one artist’s work selling well, it buys more by that artist, driving up prices: “Thus, the rush to buy third-rate product from second-rate artists, like the kitschy paintings of Martin Eder, whose prices have hit $500,000.”

The article asks a rhetorical question: when we learn that a Richard Prince photograph fetches over $1 million or that a Marlene Dumas canvas sells for $3 million: **does this affect the way we think about these artists’ work?**
It qualifies this with: "Money is something that can be measured; art is not. It’s all subjective." The Molotov defence we have already encountered: a little later it says: "do we think less of an artist whose art sells for less or doesn’t sell at all?" These questions are left hanging: what the worry is concerns mediocre artist being hyped to such a blatant extent: “that it'll be like the housing market” (this is 2007 after all, Lehman bros. have a little surprise for people in a few months). There's another line in it that caught my eye: “Are the forces turning New York into a giant mercantile exchange too great to overcome?” ‘Turning?’

On that line ‘we can measure money but not art’—obviously art is measured, appraised and evaluated: clearly money is the measure of art in this process. This is either willful ignorance or just hiding behind some form of mercantile transcendentalism: a commodity fetishism that ignores the effects of neo-liberalism? Goetzmann, Renneboog & Spaenjers (2011) quoted from a paper that investigated the impact of equity markets and top incomes on art prices. Using a long-term art market index that incorporated information on repeated sales since the eighteenth-century, it demonstrated that both same-year and lagged equity market returns have a significant impact on the price level in the Art Market. They found empirical evidence that an increase in income inequality may lead to higher prices for art and the existence of a long-term relation between top incomes and art prices. If the rich get richer and the poor get poorer: prices go up; this is where the money comes from. Possibly Adam Smith could now get his head round it.

They use the term ‘price appreciation of art’ and the ambiguity here tells us something. A great deal of people simply appreciate art because of its potential or recent price, really because that is the way some people appreciate everything—there is no reason to assume a billionaire who effectively won their money in a vicious game is capable of sensitivity of feeling: that is usually ruled out as a weakness. An appreciation of art along the lines of Louis Armstrong’s statement: “Making money ain't nothing exciting to me. You might be able to buy a little better booze than the wino on the corner. But you get sick just like the next cat and when you die you’re just as graveyard dead as he is,” is possibly unfathomable to those devoted to the accumulation of wealth. We cannot see all collectors as the same, and possibly Saatchi is a rare exception, but he thinks he describes a trend.

Price appreciation of art is related to the returns on financial assets: is its price going up the next time it comes to an auction? Interpretation relates only to its collateral value. There is relatively little work on the link between the Art Market and the broader economy, despite the anecdotal evidence that highlights the importance of the relationship. Goetzmann et al. say that many authors have investigated whether there is a “masterpiece effect,” in the sense that better art makes a better investment, but the evidence is oddly conflicting. Recent research has considered more how the concentration of financial wealth in a small, wealthy cohort may affect asset pricing. Since a high share of the consumption of these households typically concerns luxury goods, this would imply a solid link between stock market wealth fluctuations and luxury spending. So there is evidence that such a “luxury consumption hypothesis” is valid in the Art Market.

But what price do artists pay here?

Most of us are left with a quasi-religious immaterial consolation that a relationship exists between the low incomes of most artists and the high symbolic value of art—somehow eventually a high price (pie in the sky) will validate our worth as servants of market forces too complicated for us to understand. But low incomes in the arts contradict this high value worship right before our very eyes. In spite of the high value of art the majority of artists are poor. Now if the symbolic value of art is high and artists are poor, the implication here is that if the symbolic value would go down, artists would become less poor. It might all even out—but we’d rather be bought for millions thank you.
But what is happening when someone buys art for millions? Is it some sort of romantic ethic of consumerism: a longing and search for individuality and authenticity: a vicarious thrill? Or are collectors as aesthetically and spiritually numb, as blind and soulless as Charles Saatchi insists. We are back to the fact that very high returns on investment are the carrot that makes the thing that pulls the cart of the Art Market—dealers and collectors—go along. If as an artist you want to look at things like Captain Beefheart or Louis Armstrong you will be thoroughly ripped off by this business imperative—but they are creatures of the past. The sheer height of the potential wages attracts aspiring artists just like Heaven: not everyone gets to go there either. For the rich the rich are a tiny select elite that are somehow thought of as having been favored by God, whereas the rest of us have not. But it ain’t necessarily so. Various forms of fetishization and attempts at re-enchantment, are an artificiality that masks the rationalization, bureaucratization and disenchantment of the modern Art Market. High art prices are simply part of the ethic of capitalism. Prices are kept high not because art is rare—and why leave things to chance so the market is rigged.

Arguably most artists are poor because of these high prices, but from the Art Market point of view, the great thing about artists being poor is that when you buy something off them, the chances are it will be worth much more than the meager price the poor artist parted with it (minus the dealer’s 50% cut). You might even get it for nothing and turn it into several thousands in the space of a few years. What reason is there for capitalists to change the wholesale exploitation of a vulnerable target group? Why shouldn’t they tell artists what to paint?

Hans Abbing, the Dutch economist in his ‘The Exceptional Economy of the Arts’ argued that less public spending on the arts would mean artists would not be nearly as poor. For Abbing there is something odd about the economics of art that complicates a straightforwards economic analysis. Abbing’s figures say that in the Netherlands the overall income of 77% of the visual artists is less than the official minimum income, while 45% are poor. Moreover, 75% cannot make a living from their work in the arts, while 40% cannot even cover their costs. The latter are professional artists who pay to be able to work as artists. Nevertheless, a few artists, much less than 1%, earn very high incomes. So we are paying to be an artist—firstly in art school, and then, for the most of us, from there on in. Artists earn much less than others with a similar level of previous education.

Have Western artists always been poor? In the middle of the nineteenth-century artists’ incomes were not particularly low. Since when did artists’ incomes go down—and why? After the middle of the nineteenth-century something odd happens: the deterioration of incomes is accompanied by a growth in the number of artists. For Abbing it is likely that it has grown more than corresponds with the growth of the population and prosperity. Abbing has it that if there were so many accountants that their income was as low as artists, then fewer people would start to study accountancy and many would leave the profession (he didn’t factor in that they may take up art). Income would then rise and the oversupply would disappear. But this is not what happens in the arts. People do not behave rationally. Of course artists get more out of working in the arts than money: there is fame and attention. But it cannot explain the exceptionally low incomes in the arts.
Why do we not have pro-capitalist art: would it be any different?  Liberace-inspired kitsch like Koons’ work is not ‘spiritual’—the only moral concern is if it does not sell and becomes less valuable.  Vast expensive ornaments are what a lot of rich people want.  If you go to ‘high class’ hotels like the Dorchester it’s completely tacky: a mirrored piano in the bar that would look good in Liberace’s bathroom: we are back to people with no need for taste but lots of money that attracts more money: back to rococo and Late Baroque and the same ornate nonsense that the rich will always want.  Abbing’s work on ‘why are artists poor’ turns out to be a crusade against subsidies for artists—a kind of cull that goes along with this uncritically because the free market does not want this type of thing: Abbing is a spin on the libertarian dogma that everything wrong with society is produced by government meddling in the free market, only applied to the visual arts. Since when did free market forces favour the majority of artists? Abbing is a cultural Malthusian. Thomas Malthus made the same argument about the poor, to the acclaim of the nineteenth-century British ruling class. This is not even a ‘let them eat cake argument’: it argues that any attempt at social welfare just slows down the process of thinning out the herd, leading to more poor mouths to feed and worsening their conditions through overcrowding. In this theory all those millions lavished at artists (i.e. ‘public funding’) making avant-garde rubbish will: “never increase income levels but merely increase the number of practicing artists.”  So the argument is made (by those who are already against it ideologically) that the actual role of subsidies is in sustaining unproductive artists: it works as a symbolic “signal” that falsely tells artists that art is a viable career. Yes: funding bodies’ budgets cut to the bone, the relentless closure of arts organizations and what he admits is over-crowding somehow sends a “signal” that art is a career with a booming future. This also ignores that funding is not given to bastions of avant-gardism (you get funded if you comply with criteria set by idiots), rarely falls into the hands of an individual artist and is used to prop up anachronistic institutions visited by the elite. Most of the money funds the wages and expenses of a cultural cabal of upper middle-class liberals and who are quite happy with the Art World and Art Market status quo, who operate as if they owned a private gallery—which they go on to run—really because no one can imagine any other way.

One other way of looking at things is that as societies become more affluent, more people tend to move towards ‘arts’ careers—I did not become a soldier and fight in WWII, those who did might have wanted their children to study mathematics, philosophy, geography or natural history and perhaps to have the time and liberty to study art rather than war. It is not for the young to have to re-fight the battles of old—unless the exact same social conditions emerge again.

But what of Price: well it is a kind of language—the language of marketing. And a lot of these studies are dependent on ‘Economics’ as if that did not include political, ideological or moral judgment: politics and economics are allocative processes. But what we all want to know here is what are the most expensive paintings! bring it on: let’s see those long strings of zeros, that necklace of pearls.
The ‘Card Players’ by Paul Cézanne is currently the most expensive painting ever sold: $268,100,000, the next two are a Pollock and a De Kooning, both sold by David Geffen the record producer who sued Neil Young for being creative. Looking beyond the figures you will see who owned them. I noted the presence of Walter Annenberg and that Roman Abramovich owns a scary Francis Bacon triptych. We can easily use the old saying that behind every great fortune lies a great crime; or recollect Harold Lasswell's (1936) definition of politics: as: ‘Who Gets What, When, How.’ The title is his famous mapping sentence for the study of politics:

**How**—requires us to cope with the power aspects of any situation.

**When**—suggests the need to chart the results through time.

**What**—raises the question of which value conditions are being sought, gained, and lost.

**Who**—poses the task of identifying elites —that is, those in any situation who have the most of what there is to get.

If we hypothesize how prices for contemporary art come into being we have to take into account that the buyers of contemporary art face a problem of uncertainty. It is difficult to determine how a specific piece of art will perform as an investment. For the average oligarch it’s bad enough trying to work out whether what you've purchased has any artistic value at all, let alone long-term economic value: but they enjoy competing with each other in auctions. So let's speculate that the value of an art work (or artist) originates in an inter-subjective process of assessment—with all these opinions and multiple interactions the chances are the intentions of the artist are entirely lost and eventually unwanted. The *confering of reputation*—as much as it can be said to exist—to determine price is by *experts* in the art field: gallery owners, curators, critics, art dealers, journalists and collectors. Together or partly together, organized or semi-organised, they establish the artistic reputation and ultimately to some degree the price of a work of art. These quality signals by ‘authentic messengers’ (people who can be trusted based on past example) are substantive: they emerge or can be deduced from the art field so that buyers can assess the economic value or potential of art works. You would test this hypothesis out against two datasets: one containing data on art prices and another on information from the biographies of artists. This is what Beckert & Rössel (2013) did and found that the possibility of market exchange cannot be based on individual calculations of economically rational actors alone, but must be attributed to the social contexts in which actors are ‘embedded’ that also shape their expectations (Velthuis, 2005). Other accounts, such as *Bourdieu* hold that Art and the Market are ‘hostile worlds’ opposed to each other (so what about the Art Market?). For Bourdieu, artists and other agents possess certain capitals, of which Fowler (1999) explains in four basic types:

1. Economic capital—stocks and shares but also the surplus present in very high salaries.

2. Social capital—the network or influential patrons that you can use to support your actions.

3. Cultural capital—including the knowledge of the artistic field and its history, which in turn serves to distinguish the naïve painter from the professional, and including also scholarly capital of a formal type (a postgraduate degree, the award of a Rome visiting scholarship etc.)
Symbolic capital—your reputation or honour, as an artist who is loyal to fellow-artists and so on.

If we combine these with Lasswell above we can see the desire for ‘control’ of the Art Market and thus art. If these things are conceptualised as ‘capital’ does it not mean that this makes it easier to put them up for sale? Markets are the most important institutions of capitalist economies. How to price a seemingly priceless object—such as a work of art—from an institutionalist perspective presents an uncertainty for buyers that has to be reduced. Initially the economic value of a work of art is primarily determined by its artistic value, which is constructed within the Art World and Art Market as exchange value, rather than the expensive materials used in its production, or its scarcity of supply. Art is like religion in terms of status hierarchies: in fields where no underlying measure of quality ‘exists’ or where quality is difficult to observe, status hierarchies are mainly based on socially provided assessments of quality, which give rise to a self-reinforcing process of quality judgments. The less underlying measures of quality are observable the more important this self-reinforcing process of quality judgment is for the establishment of status hierarchies. The more status hierarchies are exaggerated the more experts become priests who give their blessing that ascribes something worthy of a specific price—or simply ignored.

Known artists in comparison with their unknown peers—regardless of their status as eccentric outsiders—have better connections to other artists in social networks, and a wider range of contacts with galleries. The selection of an artist is by these prominent establishments for these prominent establishments. According to Velthuis’ qualitative study gallery owners follow quite specific cultural scripts in their pricing decisions. It’s all a bit obvious: they start with relatively low prices for art works by young artists, they increase prices based on the length of the artists’ careers, changes in their reputations, and past sales. They usually do not price works of the same size but of different quality from the same artist differently: “Hey how come that big one's cheaper than that small one—this is a con!”

This is connected to the idea of a Primary Art Market, where an artwork is sold for the first time and a Secondary Art Market(s) where you compete in a resale market for art works, usually through an art dealer or at auction. So the hypothesis that the price of art correlates with artists’ access to institutions in the art world that grant reputation seems sound. The price for contemporary art is thus formed through a social process in which mutually acknowledged recognition by institutions that pass judgment on art delivers the decisive data to determine price to the collector.

Can you spot what's wrong with this tiny self-serving elite? One thing is that historically their process has got things spectacularly wrong from about 1850 to the 1940s and beyond, or put it another way—if this is as unaccountable as it seems—how could we tell if they did get it wrong? What redress is there? And this rich-man's club—might it be prone to corruption?

One can see the problem in Beckert & Rössel’s approach: “For both the gallery data and the auction price data, we chose the price of an art work per square centimeter as a dependent variable.” Well Marcel Duchamp once cut a large chunk off a Jackson Pollock (who he hated) so that it would fit over the door of one of Peggy Guggenheim's apartments. How much is that chunk worth precisely? (Aphrodite of Milos, the Venus de Milo’s arms what am I bid?). Experts come from the same class, have much the same values and outlooks, socialise together (OK there is fallings out and destructive rivalries) but how does that contribute to understanding something as supposedly vastly different and varied as art is supposed to be? Wouldn't these people tend to shy away from some things and be drawn to others? Would they have a neo-liberal attitude towards their own power in this relationship? This is largely why the artistic field tells us it operates so ‘autonomously.’

How could those obsessed with accounts be made more accountable?

What price do artist's pay?
Mark Rothko was found lying dead in a pool of his blood on the morning of February 25, 1970. He had cut very deep into his arms at the elbow. Now for your dealer the artist dying (preferably in a blaze of glory) is not a huge problem: the greatest hits album will soon be on the way. Like many of his generation Rothko hated the rich Art Elite: when the paintings, that are now in the Tate, were first designed for an exclusive dining place where the New York Art elite raised their forks Rothko said: “I hope to ruin the appetite of every son of a bitch who ever eats in that room,” with paintings that would make those: “rich bastards feel that they are trapped in a room where all the doors and windows are bricked up.” Amongst its crimes the Marlborough Gallery (the first Gallery to bring ‘a twentieth-century-multinational style’ to art sales in New York) had sold more than 100 Rothko's at less than market value to favored clients while it collected inflated commissions as high as 50%.

We can see Marborough’s methodology in the criminal trial of Sotheby’s former Chairman, who was accused of price fixing, as the case demonstrated the collusion with Christie’s, the other great public auction house and supposedly the opposition in a free market. Sotheby’s was fined £13m in a price-fixing scandal with Christie's that lasted for most of the 1990s. They conspired to fix the fees paid by clients selling art the same as Marborough’s scam with Rothko. Sotheby's saw its elderly super rich former chairman Alfred Taubman jailed for 10 months and fined £5.4m. According to Forbes, Taubman, a Michigan shopping-mall magnate with a net worth of $770m, bought Sotheby’s in 1983 as a wedding present for his wife Judy, a former Miss Israel. Then he injected the ‘American business methods’ alluded to above into the firm’s staid British stuffiness. His opposite number at Christie’s at the time, Sir Anthony Tennant, of the Guinness family, refused to go to America for the trial, and could not be extradited since price fixing is not a criminal offence in the UK (it’s a Civil offence). The fine was 6% of Sotheby's annual turnover. How this was actually engineered is in Kathryn Graddy & Orley Ashenfelter (2004) study and elsewhere. So a record price for art in the 1990s was a record price fix—few involved in the process have expressed much surprise and no one can be bothered to re-write the history or consider a criminal process to have any lasting corrosive effect. The effects of the auction institution on price formation are obviously problematic: the judge called Christie’s and Sotheby’s alliance as: “a deceitful, secretive criminal scheme which had swindled an unsuspecting public” and that the motives were: “not desperation and need but arrogance and greed.”
If we go back to Andy Warhol’s suggestion that we just hang a $200,000 on the wall and leave it at that; in 2009, forty-seven years after Warhol (or one of his assistants) made the screen print called ‘200 One Dollar Bills,’ it went up for auction at Sotheby’s. It was expected to fetch up to $12m, but the ‘Dollars’ sold for $43,762,500 to an anonymous buyer—the absentee owners who can pay these prices. Crunching the numbers, that comes out at $218,812 per screen-printed dollar and presumably rising. Warhol’s advice to hang money on the wall lacked creative thinking.

References


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