

ART FOR SALE

A CANDID VIEW OF THE ART MARKET

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For BSV

An Historical Overview

Art—its creation, presentation, and reception—is in the limelight. Attendance numbers at museums, galleries, art fairs, and auctions have swelled. As if in counterpoint to the increased attention, public debates have examined the societal value of the museum and its classic tasks of collecting, preserving, and researching art. Despite the prices paid for masterpieces, public sector budgets have shrunk and more than a few skeptics have questioned the value of cultural spectacles. Not only has the discourse on art taken on even more political controversy, the controversy itself has been duly echoed in the media, garnering art both more attention and more opprobrium.

Because art *is* for sale. Many observers perceive the commercial art market as an expanding system that is gradually gaining total control over the public reception of art, while at the same time setting aside the hegemony of museum or academic experts. Large art fairs and auctions serve as windows on these processes, simultaneously drawing attention to the changes in power relations within the market—namely, the relationship between two competing distribution systems: the gallery/art dealer and the art auction.

In other areas of the economy, the technological development of the Internet has brought about greater transparency, above all because the Internet makes it considerably easier to access information. The art market is also accelerating, leading to an increase in the number of events. As a system, however, the art market has always understood how to maintain control over the flow of information. This book begins with a description of the structures, participants, and parameters—or, in other words, a candid view of the art market.

At the same time, it is clear that, over the past ten years, the parameters and distribution of roles in the art market have undergone changes that have caused serious questions about the usual way of allotting functions. Originally, art auctions were primarily intermediaries and the main source of art for art dealers. As late as the nineteen-thirties, retail buyers were obviously in the minority at auctions.

For about thirty years now, auction houses have been rethinking their roles. The limited number of artworks available makes it difficult to employ modern planning methods of buying and selling. Since profits cannot be maximized by increasing the number of objects sold, the only alternative is to increase demand and achieve the concomitant rise in prices. In order to do this, however, more retail buyers must take part in auctions. More competition among bidders raises the price level; also, buyers acting on their own behalf are not obliged to secure

a profit by reselling a work at a price in line with the market. So it is now clear that auction houses have begun the move from wholesale to retail.

In recent years this development has only strengthened; the competition between auction houses and art dealers, which has been going on since the mid-nineteen-eighties, can be described as a predatory competition. Meanwhile, more than half of all of the objects sold on the market are sold at auction. The 1990-91 and 2008-09 crises in the art market have exacerbated the situation. Large, financially sound auction houses in particular sought market niches that they could fill with their own goods or services. Art dealers already established in these niches realized that the foundation of their business was increasingly insecure.

Will the changes in parameters and fundamentals of the art market—along with the expansion of auction houses into sectors of the business formerly occupied by art dealers—drive dealers further into niche markets? This might turn out to be the case at the top echelons where the growing lack of items to sell will shut out other types of intermediaries altogether; on the other hand, at the level of inferior quality, where the average price is so low that auctions are not really a sensible business option, sales made through Internet platforms are tightening the competition to an extreme degree.

The Art Markets

The art market examined here deals with fine and applied arts. Between the artist (the producer of the commodity) and the buyer (the consumer) are the art market intermediaries. Commercial intermediaries that sell art as a commodity—meaning (gallery) dealers and auction houses—have their counterparts in content mediators. As far as the process of handing down cultural values and creating social identity is concerned, the museum is the mediator. As for the role that social discourse plays in defining art and culture, the intermediaries are the media, and art criticism and theory.

The art market can be divided into primary and secondary markets. The artist and his representative sell the artist's work on the primary market, while galleries, art dealers, or auction houses resell these commodities on the secondary market.

In past years and decades, the art market has not just changed a great deal overall, but the rate at which changes are taking place is constantly accelerating. There is no model, no analytical instrument, for making prognoses about the art market. The reason for this is that commerce and structures here are commonly perceived within the parameters of art, not economic parameters. It is not possible for any sort of economic analysis to depict the connection between the content of a work of art and its value. Unlike most other areas of commerce, there is not much reliable empirical data about total sales on the art market. There is little public information about art market

sales figures; the subject is not specifically addressed by government statistics offices or by the European Union.

Hence, the only way to ascertain developments on the art market is to examine the indices and sales figures of individual firms. And here, in turn, only auction house sales figures can really provide any meaningful information, since dealer sales usually just encompass individual microtransactions and are, as a rule, not public information. Nevertheless, it is true that, in terms of sales figures alone, the art market is the smallest sector in the whole culture industry. The art market's share in the world's gross national product is around 0.15 percent; Karl Marx called it a "*quantité négligeable*." All the same, art is not necessarily a luxury commodity, but instead, art sales hold a key position in popularizing the arts in general. About sixty percent of all art sales in Europe cost less than four thousand euro, while forty percent of sales are made for less than two thousand euro.

There is another reason why prognoses for the art market are vague and not particularly meaningful: this market is, *de facto*, the sum of various micromarkets, each of which comes with its own set of rules. Of course, there are basic parameters that are valid for the contemporary art market, the porcelain market, the antique furniture market, and the print market—to name just a few. At the same time, each of these micromarkets is subject to unique influences and trends. Predicting developments in the art

market—that is, the sum of these submarkets—is not, therefore, a precise science.

A Question of the Right Place

When discussing the art market and its role as intermediary, there is always the question of how to deal with the commonly held idea that every work of art belongs in a certain place, and that, in the best-case scenario, the market will take it there, while in the worst-case scenario, it withholds it.

Since the artist intends to achieve an effect with his work, the right showplace for it determines, to a great extent, the way that a work can reveal its effect and be perceived by viewers. It is also indisputable that, depending on where it is exhibited, a work of art takes on a different context, becomes a new benchmark, and thus is capable of founding a new tradition. However, it cannot be forgotten that modern criteria of law, nationalism, or national legacy are frequently applied to a past based on different foundations, a past in which national states or organized international law did not exist. In addition, we have to distinguish between the cultural and geographical uprooting of the work of art (balanced out by the founding of public museums) and removing a work of art from the reach of society—something that does not occur in the museum, but on the market.

Since the market is blind to the question of the right place, the debate is about the issue of how much of the

market art can actually bear. The perspective of author Heiner Müller—who thought that the art market robs art of the tranquility that it needs in order to reveal its subversive power—was refuted, even before the rise of Modernism. Instead, the market is a place where art is liberated from religion and from the authoritarian homage of the academy and museum. Today, saving art from the art market no longer simply means taking away its material foundation, but rather, it means demanding too little from it, in terms of intellect—even though, for a long time, it rose often enough to this challenge with zest. By contrast, the market indisputably proves rather helpless when confronted with old art, and that justifies state regulatory intervention as a corrective to the “blind” market, in order to protect cultural heritage and promote an active art collecting policy.

A Short History of the Art Market

Beginnings

Ever since art has been made, there has been a market for it. Even as early as 1500 BCE, Egyptian art dealers took their wares to Crete. At shrines in ancient Greece, images of the gods were sold to believers. Artists themselves, however, did not rank very high in society; a creative artist was merely the tool of the gods, who communicated through him. As a rule, works of art were not private property, but instead took the form of ornamented temples

and altars. There are no known incidents of private, secular art collecting.

Nevertheless, there were early, important “political” collectors: the kings of Pergamum and the Egyptian pharaohs gathered works of art—whether purchased, received as gifts, or looted—in collections and treasure chambers. Still, there were no private collectors until the rise of the ruling class in Rome. Works of art were considered spoils of war, and if only for this reason alone, they were displayed in order to make an impression and subsequently sold. However, because Greek art was particularly admired, a different practice of collecting soon developed outside the display of military success. By the Imperial era, at the latest, it was important for every educated, wealthy Roman to have his own art collection. In order to serve the demand, a limited art market soon evolved. There was a street known for its large numbers of galleries and art dealers, the Via Saepta Iulia. Dealing in art, however, was frequently just an ancillary business for merchants mainly engaged in other types of trade. Artists themselves were the primary sellers of art, offering their own works for sale.

The Early Modern Market

After the fall of the Roman Empire and the rise of the Christian Church, which became the authoritative determinant of culture in Europe, the production of art was so heavily influenced by the Church that it would be

difficult to say that there was an art market. The close relationship between patron and artist did not actually require any sort of intermediary. It was not until conflicts over dogma arose that a broader spread of knowledge became necessary, and this brought with it a growing demand for pictorial works. Still, this demand was essentially met by merchants, who not only sold art objects, but also hired their own artists. At this time, the professional artist came into being and gradually separated himself from Church patrons and guild regulations; his burgeoning self-confidence is honored in the writings of Albrecht Dürer and Leonardo da Vinci.

Art dealers do not reappear in the annals of history until the Renaissance. In Italy, from the late fifteenth century into the sixteenth, the aristocracy's passion for collecting was served by a network of agents and art dealers. During this period, auctions were increasingly regulated by the state—most heavily in France, owing to an edict issued by Henri II in 1552, which created a separate profession known as the *Huissiers-Priseurs* (bailiff-auctioneer), who were permitted to transfer property by auctioning it. This profession retained its special status in France until the harmonization of European Union laws abolished it in 2001.

A flourishing art market existed in the Netherlands in the sixteenth and early seventeenth centuries; the wealth created by Dutch trade could not be invested in real estate, because of the limited amount of land available. In addition, Calvinism, which prevailed in the country, favored

a free art market, since the Calvinist ban on religious images eliminated the Church as a patron of the arts; hence, artists had to look for other avenues of profit. Consequently, this led to the establishment of trade relations (and not just in art) among all European countries, while artists who no longer worked exclusively on commission built up an “inventory” to sell. Works of art could be bought from studios, art dealers, and at an art market with more than one hundred stands set up in the Antwerp stock exchange, or at markets, auctions, and even lotteries.

This new kind of contextual and commercial brokering of art led to an artistic and economic boom in the Netherlands. For the first time, increasing demand from a large public determined the art market; it is said that, during this approximately hundred-and-fifty-year period, known as the Golden Age, around ten million paintings were produced. Additionally, the artists responded to this demand in a new way: instead of traditional and Biblical themes, production focused on popular genre pictures or landscapes. The Dutch art market was an exception in Europe and quickly acquired fame outside of political or economic boundaries, so that, for members of the English gentry, a visit to the studio of a Dutch artist became an established part of the so-called Grand Tour.

From the sixteenth century on, these tourists formed an essential group of buyers on the continental art market, at least until the Commonwealth, under Oliver Cromwell,

arose in England. Puritan law forbade the importation of art from abroad. In contrast, when this law was lifted in 1680, the English aristocracy went on a spree. As the nation began its ascendancy in European trade, a great deal of money flowed into the country, while the Italian nobility became impoverished and had to sell. Last, but not least, the impressions gathered on a Grand Tour became the basis for individual collections, which soon became an indispensable part of a gentleman's social prestige. Due to the demands of the court in London—as well as the extreme increase in interest that arose somewhat later in Paris, especially among the wealthy bourgeoisie—these two capitals developed highly specialized, efficient art markets that outranked every other European cultural center.

The Auktionsverket was founded in 1674 in Stockholm, becoming the first of the international auction houses still surviving today, while Sotheby's, founded in London in 1744, is the second; Sotheby's, however, sold only books until well into the twentieth century. James Christie founded his company in 1766 in London; because he specialized in paintings and furniture, Christie's was the first real "art auction house" in the world. Christie was not only a charismatic auctioneer, but he was also acquainted with important public officials. His auction rooms in sophisticated Pall Mall quickly became a meeting place for the ruling elite after he sold the art collection of George Walpole, grandson of the British prime minister, to Catherine the Great of Russia, bypassing the "market"

altogether. Christie was the first to recognize the potential in developing a loyal customer base by turning auctions into social events, which not only provided valuable entertainment, but also a place to enjoy art and have intellectual discussions. No longer was the auction house merely a place where money was exchanged for commodities, as they had been before. To this day, Christie's and Sotheby's still dominate the market, but this does not belie the fact that, throughout the centuries, there have been many competitors offering their services to clients. In the eighteenth century, there were about sixty other auction houses in London alone.

Early Expertise

During that period, ways of dealing in art altered greatly. Up until the mid-eighteenth century, paintings were generally attributed to famous painters, in order to boost the chances of selling them. Almost all of the Old Master paintings on the market were sold as works by Rembrandt, Veronese, Titian, et cetera. It was not until around 1740 that an art dealer in London, Arthur Pond, began noting his opinion on the back of each canvas he sold, as to whether or not the painting had actually been executed by the painter to whom it was ascribed. This practice gave him credibility, which turned out to be a great advantage, and countless others took up the practice (→ *The Modern Art Market*). This development was in line with the spirit of the age, which witnessed the rise of lexicography, the

encyclopedia, and literature. Many sales catalogues were produced, and these proved that their authors were experts who could vouch for the quality and authenticity of their wares.

At the same time, a French art dealer, Jean-Baptiste-Pierre Lebrun, began to think about the discovery of forgotten artists from earlier eras. He realized that, even though many of these artists were unknown, the quality of their pictures equaled that of famous paintings. This insight led to a permanent change in the role of the art dealer. Before, he was just a merchant, or, at best, a specialist in his field, but now, he was an art historian—and a speculator, since he could recognize a good painting and possibly purchase it inexpensively, and then, by applying his expertise, sell it at a higher price.

The French Revolution and the Napoleonic Wars considerably strengthened London's position as an art market, since it was here that aristocratic émigrés sold their only transportable property: works of art. Jewelry and precious stones were also in greater supply, so James Christie expanded his business to include this field. At the same time, numerous art dealerships were founded, where British collectors bought works of art rescued before the Revolution; these included Colnaghi and Sulley, dealers in Old Masters, and the Agnew Gallery, founded in 1817.

During this period, the growing economic power of the middle class contributed significantly to the development of the European art market, as did the founding of the first

public museums and art associations in the early half of the nineteenth century. At last, the middle class was able to participate in the public collection and exhibition of art. Clubs specializing in history and antiquities also helped reinforce the bourgeois milieu's interest in private art and collecting. Beginning with the Great Exhibition at the Crystal Palace in London, answers were sought to aesthetic questions concerning such topics as the beaux arts or *arts utiles* décor of upper-middle-class interiors. Thus, the concept of the trade fair was born, and it has continued to the present day in the form of art and antiques fairs.

The Modern Art Market ←

Today's art market mainly has its roots in three almost contemporaneous developments: the economic rise of the United States after the Revolutionary War, the influence of the French Impressionists, and the reformation of British inheritance law in the second half of the nineteenth century.

In 1882 the passage of the Settled Land Act reformed inheritance law in Great Britain. As a consequence of industrialization and the flooding of the European market with cheap American wheat, the fortunes of British landowners were in decline. After bankruptcies began to mount, the inheritance laws were changed, making it possible for landowners to save their estates by selling their art treasures. Before 1882 estates were strictly settled, meaning that the head of the family did not actually

own the land and chattels, while each member of the family was just a trustee of the family property. This was meant to hinder large estates from being sold off in sections. The Settled Land Act made it possible to sell individual portions of an estate in chancery court, in order to save the real estate. The treasures of the British nobility began to flow into London auction houses, shoring up their dominant position. At the same time, the United States' economy had progressed to the point where rich Americans could go to Europe to buy these goods. Besides the passage of this law, the early eighteen-eighties marked the public acknowledgment of French Impressionism. Prior to this, the Impressionists had been regarded as lunatics who painted under the influence of the delirium tremens and had declared war on beauty. But in 1881 Édouard Manet was named a Knight of the Legion of Honor; in 1882 Paul Cézanne was allowed to exhibit for the first time at the Salon de l'Académie des Beaux-Arts in Paris, which had been the most important exhibition forum in the world since 1830, as well as a gathering place for contemporary art. In 1874, the annual group exhibition, which counterbalanced the official salon, featured only Impressionist works.

With the advent of Impressionism, the modern art market was born. Since most collectors rejected the Impressionists, the usual paths of distribution were closed to them, and they had to find other ways of selling their pictures. The rejection, however, meant that the artists

were not dependent on the tastes of potential patrons, and, hence, they began to see themselves as autonomous masters. This approach also awakened a newfound respect for the art dealer, since he had access to genius and could open up the path to it by mediating and explaining it. In the early twentieth century Cubism arose and representationalism slowly began detaching from art—something that also strengthened the notion of the artistic genius, as well as that of the art dealer as intermediary. On one hand, the content of art became more complex, and on the other, it also became more difficult to understand and communicate.

One of the most successful dealers in contemporary art of the period was the Frenchman Paul Durand-Ruel. He was the first to sell the works of the French Impressionists, and, through his gallery in New York, he also introduced Impressionism to the American market. In Germany, it was publisher and dealer Paul Cassirer who recognized early on the quality of the French Impressionists' work. However, he also showed Max Liebermann and Ernst Barlach at his art salon in Berlin. In contrast to his European "centralist" colleagues abroad, he had only a small market, since sales took place in the various major cities of the German states (which were not officially unified until 1871), mainly in Munich, Düsseldorf, Hamburg, and Berlin. This is the reason why the structure of the present-day German art market remains polycentric.

Around 1900, though, the center of contemporary art was Paris. Besides Durand-Ruel's establishment, there were only two other galleries showing contemporary works: Ambroise Vollard and Berthe Weill. In 1907 Daniel-Henry Kahnweiler, originally from Stuttgart, opened his gallery. Through his friendships with Pablo Picasso and Juan Gris, his gallery quickly became the center of an illustrious group of artists. As part of his collaborations with artists, he tried to secure them a steady income, so that they would be able to work independently.

The most successful dealer in Old Masters, however, was probably Joseph Duveen, the son of Jewish Dutch immigrants in Great Britain, who arrived in New York at the age of seventeen, in 1886. After a brief apprenticeship under his uncle, the art dealer Henry Duveen, Joseph opened a gallery in direct proximity to the Waldorf-Astoria Hotel, which was already the meeting spot for the city's wealthy elite. Duveen's business strategy entailed the purchase of complete collections. In this way, a client would be unable to calculate the dealer's wholesale price and, hence, the percentage he kept for himself. If he made purchases at public auctions, he did not shrink from paying record prices, since this practice brought him a reputation and also raised the value of the pieces he already had in his inventory. In addition, he was able to stir up enthusiasm among many industrialists for the idea of an American national foundation, which led incidentally to more collecting—the railroad, coal, steel, newspaper, automobile,

oil, and bank millionaires regarded the acquisition of European masterpieces as an opportunity to assure the immortality of their names. Out of the original idea of a national foundation arose the National Gallery of Art in Washington, D.C., in 1937.

After Black Friday—October 25, 1929—the first great drop in the art market occurred. One result was that Sotheby's and Christie's considered a merger. For most of the art market, the recession lasted until the end of World War II. During the war, London's market profited from the fact that its main competitor, Paris, was occupied by the German army. The immigration of major artists affirmed New York's position as the new, international market for contemporary art. Many people gathered around one particular collector and gallery owner, a self-described "art addict" who brought the European and American avant-garde movements together: Peggy Guggenheim. Thanks to a large inheritance and the business experience she gained while operating a gallery in London (Guggenheim Jeune), she was able to open her gallery, Art of This Century, in 1942 in New York, where, until 1947, she exhibited works by artists such as Jackson Pollock, Max Ernst, George Grosz, Francis Picabia, Juan Gris, Robert Motherwell, Mark Rothko, Alexander Calder, and Willem de Kooning.

Postwar Developments

After the war, New York replaced Paris as the home of the avant-garde; many galleries came into being, including Leo

Castelli's. From 1957 on, Castelli represented the majority of important contemporary artists, from Robert Rauschenberg, Jasper Johns, Frank Stella, and Cy Twombly, to Roy Lichtenstein. One reason he was popular among artists was his introduction of the "European system"—meaning that he paid each of his artists a monthly salary.

In Germany, after World War II, the contemporary art trade was confronted with the long and difficult process of starting all over again. Countless artists and dealers had emigrated between 1933 and 1945. Despite all this, the first galleries began opening in big cities in the nineteen-forties, followed by more in the fifties. Most were concentrated in the Rhineland, since that region was experiencing an economic boom. The most important auctions of the Modernist art declared "degenerate" by the Third Reich, however, took place at the Kunstkabinett in Stuttgart; there, between 1946 and 1962, Roman Norbert Ketterer—also the executor of Ernst Ludwig Kirchner's estate—auctioned German Expressionist works.

In order to reintroduce the public to Modern art after the "dark years" of National Socialism, the first documenta was held in Kassel in 1955. Over the years the documenta, held every five years, has turned into the largest exhibition of contemporary art in the world. For the art market, the exhibition was more than just a way to introduce Modern art to a wider audience. For the works, the documenta functioned as a first step on the way to the museum and

had more than just a little influence on the prices of works by participating artists, however temporary.

An event that was to have a lasting effect on the art market was Sotheby's 1957 auction of the Weinberg Collection in London. It was the first time that an auction was professionally marketed as an event—even the Queen was invited, and she appeared at the preview, attended by a crowd of journalists. One year later the same firm auctioned eleven Impressionist paintings from the Goldschmidt Collection. It was also a premiere of sorts: the first evening sale in auction history. The bidders, clad in evening dress, were assisted by a catalogue of the works, the first such publication to contain color images.

Over the course of the nineteen-sixties, galleries established themselves as the place to acquire contemporary art, because of the generally high quality of shows as well as the great notice they attracted from an increasingly international audience. Due to their many connections to museums, which were backed by government-funded purchasing power, the galleries became a central focus for society. Openings were *de rigueur* for those who considered themselves part of the cosmopolitan elite.

From there, it was just a small step to the first contemporary art fair. Staged in Lausanne in 1965, the fair was organized by a group of gallery owners working together in a coordinated effort. Spurred on by their success, German participant Hein Stünke worked with