A plea for a more sustainable art market

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New York is the center of the international contemporary art market.[1] Local actors are tightly interconnected, and one can understand strategies and mechanisms of the market in a much more traceable way than in anywhere else. The city has major museums and institutions; the significant auction houses host their 'record auctions' here; the most successful galleries are surrounded by an unparalleled density of galleries; and art fairs, art magazines, and art schools are abundant. The network of people working in this local art world is therefore incomparable to other cities: artists, artist assistants, art handlers, writers, art advisors, curators, gallerists and their staff are part of a tightly knit and highly social network that spans art production and collecting. Private collectors have a major influence in this network and have changed the art market in the past five years significantly.

The following will describe the most notable mechanisms responsible for a change in art production in this time period. I will use the term *emerging* to point to actors in the art world that, in the past 5 to 8 years, appeared for the first time in institutional presentations, art fairs, auctions, and art magazines. *Emerging* therefore indicates a performance or realization within the art market and is shaped by the network that produces sales, reviews, and institutional recognition of the produced artworks.

Art prices then and now

Emerging contemporary art on the primary market has never been as expensive as it is today. Only five years ago, the prices for new work were significantly lower. Rather than focusing on statistics of the market here, it is more important to understand a change in pricing in emerging galleries. Pricing is a 'fuzzy science', and indeed, there are no strict guidelines for how to price a work of art. The two factors that are significant for creating prices are intrinsic and external comparables. The intrinsic factors are the collector base a gallery establishes, as well as the costs of art production, exhibition production, staffing, and rent that the gallery will cover using their 50% of each work of art sold (discounts on works, I should note, are taken from their 50%, not

[1] Contemporary art is here referred to art of living artists or art produced after 1980.

the artist's share). Two factors the gallerist works with are sustainability and growth. Sustainability means that the gallerist understands the maximum capital that its gallery's collectors are willing to spend for a work of art, and that it has a space that allows the work to become exponentially more expensive depending on external factors such as institutional presentations and market comparables. Growth means that the collector base and prices can adjust according to the expansion of the sales network. Nevertheless, pricing according to the intrinsic qualities of the work (its production costs) and the spending capital of the collector base of the gallery is only one side. External factors—market comparables and the influence of auctions and recognition—are a bit more complicated and make possible the explosion of prices.

The influence of auctions has been discussed, for example, by Eileen Kinsella (artnet news)[2] in reference to creating market-darling artists and an overcommodification of art as capital. This discussion is important, because it asks what art should do and how we can critically understand the uselessness in art. However, it also points to a chain reaction that develops following the first sale of a work at auction on the primary market from a gallery, then resold on the secondary auction market in the same year of production. The standard components of sales that 'flipped' in the same year of production were: That the works were affordable for a blue chip buyer, with a price point between $5,000 and $10,000; that the works were mostly paintings; and that they came from galleries known to work with collectors with an influential network or that just started to appear on the art market in institutional presentation, significant reviews and other performances. Auction houses started to create a sense of 'false scarcity' around the works they offered to their clients at auction, and they guaranteed that the works could not be bought on the primary market. Auction houses oversold new art stars by advising clients to buy works on the secondary market, rather than develop a sustainable interest in an artist's career and a long-lasting relationship to the gallery. This false scarcity was partially developed through gatekeeping mechanisms on the primary market that, in certain circumstances, depend on a highly socially coded vouching strategy before sales are made. This is done to avoid private re-sales by dealers and 'flippers', and to place works in collections with institutional or critical prestige and connections. False scarcity and factual gatekeeping generated a market in which new works (under one year old) could sell at auction for a 200%, and later a 600%, increase in price. In return, auction results became a market indicator for the potential

[2] Kinsella, E, 2015. 'Has the Market for "Zombie Formalists" Evaporated?'
'Why no artist wants to be a market darling', *Artnet News*. Available at https://news.artnet.com/market/zombie-formalism-market-cooling-337170

price points of these works. Some gallerists reacted by raising their prices as they saw fit to avoid the high speculation of low-risk purchases of works for a low price point. Interested buyers who did not buy at auction started buying at higher prices from galleries. This demonstrates the concrete influence of private collectors in a feedback game with the price-makers.

High prices without a collector base

Two problems evolve from the new form of this reaction play: often institutions cannot afford to purchase emerging artists' work from galleries, even with a significant institutional discount, and, secondly, galleries that represent the same or comparable artists (comparable in material, discourse, institutional representation) without a collector base with a high purchase capital cannot sell work. Some emerging galleries are even now setting prices according to external market pressure without consideration of the spending capital of their collectors. Sales are seldom made from random new introductions, and so the calculation for a selling exhibition often considers potential buyers that the gallery established as clients. Personal relationships that sales directors have with collectors and advisors give each gallery a fair understanding of potential interest in works. This is not to say that emerging galleries are commodifying works in the sense that they only show what they know they can sell; it is quite the opposite. The private collector became so demanding of seeing quick developments in an artist's body of work that taking 'risks' in the development of new work now heightens the interest of collectors. The rise in exhibitions of emerging, but market performing, artists in artist's studios and garages in the past two years is an indicator that the critical exploration of non-market or 'complicated' work is still very important for the artists themselves, but that it best takes place in an artists-for-artists environment, rather than at art fairs, institutions, or galleries.

It is important to note that collectors are here thought of as gallery clients who are interested in fostering critical reception of an artist's work through institutional recognition and the preservation of their collection (art storage, insurance, and conservation are costs that the collector is willing to invest in long-term because she *believes* in and *loves* the work she bought). A self-interest in promoting the work of an artist, allowing their practice to sustain and grow, is inherent to a collector who preserves and exhibits an artist they invested in. Art-world rituals such as gallery dinners, opening parties, and receptions serve to establish a more personal context for sustainable clients. Galleries that do not strike a balance between intrinsic and external factors for price making cannot establish a sustainable model for their artists. Prices are often set too high to avoid speculation and to meet comparable market standards because a low primary market price could indicate that the artist has not yet established a strong market—for example, that the work has not been bought by important collections, or that its prices were not raised following institutional presentation. These speculations and interpretations of the market and its prices are again connected to the principle of 'false scarcity' or 'undervalued' work. We are at the point where galleries are closing because they cannot cater to their collectors anymore, because this torn logic of low price points indicates an undervalue or stagnation in the artist's career, and because works at high prices cannot be sold because the gallery's collectors do not meet the spending capital dictated by the market. It is important at this point that private collectors do not fall into this trap, and for emerging galleries to set prices in line with their pattern of growth, as well as in conversation with how their artists are producing.

The past five or so years saw the art market flooded with emerging work that is too expensive for sustainable growth. The interpretation of the market needs to balance an understanding of the way artists produce work today with the sincerity of their making. Galleries like to work with collectors who develop a personal interest in the sustainability of an artist's career, and therefore the anger against 'art flippers' goes beyond simply anger over the commodification of art works. The gamble for the highest price also creates a situation in which institutions, invested collectors, and, not so rarely, artists themselves cannot afford to purchase artworks for their collections anymore.

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