

## Introduction

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IN THE MIDDLE of one of the interviews which I conducted for this study, I decided to give up, desperate as I felt about the respondent's reluctance to respond to my questionnaire. The art dealer, whose gallery annex print-making studio was located in the geographical periphery of the New York art market, refused to discuss what I was trying to understand: how art dealers set prices for contemporary works of art. This dealer had explained casually that the prints made in his studio were priced at roughly two-thirds the price of a work on canvas, and that revenues of sales were split on an equal basis between him and the artist. Apart from that, however, he did not elaborate on pricing strategies, the dos and don'ts of price changes, or the rationale of the vast price differences between different works that prevail on the market for contemporary art.

His unwillingness to answer my questions was not informed by anxiety to disclose business secrets, but by a sheer disinterest in prices; at least that was what he tried to convey when my tape recorder was running. The art dealer claimed that he did not want to be a factory, a marketplace, or a banker; he and the artists he worked with would not, as he put it, "demean themselves to what is called commerce." Instead, this friendly but stubborn man characterized his own enterprise as a family. He elaborated on the egalitarian basis of his gallery and on the moral responsibility he felt towards the arts community; he repeatedly spoke about the gallery as a "mutually enabling environment," and claimed that his own role was to be "co-involved" with artists intellectually. Acquainted with many of America's best known painters, he emphasized how his relationship with them was based on "equality, harmony, and partnership." Regarding collectors, the dealer said that he only sold art to people who expect to "grow from it spiritually"; the fact that hardly any work he sold in the past had subsequently appeared at auction proved that collectors of the gallery "purchase [art] for the right reasons." This apparently pleased him, since he maintained that art loses its "emotional value" and degrades into "capital" once it appears at auction. The dealer did not leave any opportunity unused to make clear that this was to be avoided at all times. The "boom" of the art market in the 1980s, when prices for art rose steeply and works of art became popular as investment objects, had therefore done lasting damage to the art world, according to him.

After I had turned off the tape recorder, the dealer offered me a glass of white wine, and took me to his living space behind the gallery. He showed

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me his own, private art collection, which consisted of works by modern masters I had only seen in museums before. Then, as he described the background of his collection, and how he had put it together passionately throughout the years, his wording changed dramatically. The same dealer who had so carefully avoided invoking mundane interests before, turned out to remember precisely how much he had paid for the works in his collection in the past, and was also up to date about their present price level. Moreover, he eagerly and proudly emphasized that the current market value of his collection surpassed the past acquisition prices dramatically.

It seemed that my respondent stood the world on its head: in his commercial role as a dealer, when I expected him to be concerned about prices and profits, he refused to talk numbers. Instead, the metaphor he used to characterize his business was a “family” and a “community” rather than a marketplace—reflecting on his own enterprise in terms of commerce, marketing, or business strategies seemed out of the question. In his living space, however, the same dealer apparently felt inclined to discuss the value of his precious collection in bare economic terms. Since I expected that explicit monetary measurement is avoided in the private sphere, especially regarding goods with a strong symbolic value like art, this attracted my attention as much as his earlier avoidance of prices did.

Other dealers whom I interviewed for this book claimed likewise that they had not entered the art business to make a profit, but because they loved art, or because they wanted to help artists make a living from their work. References to commerce, such as price tags or cash registers, were conspicuously absent from their business spaces. They said that they would never allow their artistic priorities to be compromised by commercial objectives and that they did not let financial matters interfere with the way they conducted relationships with artists and collectors. At the same time, however, when they were casually describing their daily lifeworld, including social interactions, prices surfaced prominently in their discourse.

### THE CULTURAL CONSTITUTION OF ECONOMIC LIFE

To make sense of the way art dealers talk about their business, we need to go beyond conventional understandings of markets. According to one of those understandings, instigated by mainstream, neoclassical economists, but also endorsed frequently in the media, markets are about individuals who pursue their self-interest ruthlessly and who exchange goods without regard for others. Within this understanding, the dealer’s discourse can be safely ignored, since economic life is ultimately structured by some underlying universal principle such as the “laws of supply and

demand,” the “price mechanism,” or the “invisible hand of the market.” Cultural economists who study the art market have emphasized time and again that the buyers, sellers, and distributors on the art market are, like their counterparts on other markets, rational individuals who permanently strive to maximize their profits (see, e.g., Frey 2000; Grampp 1989). For such an economic analysis, the empirical evidence which interviews generate is fragmented, unsystematic, and anecdotal. Neoclassical economists prefer to look at outcomes like actual market prices, which directly reveal the behavior and preferences of economic agents.

According to another understanding, which has been put forward by economic sociologists since the mid-1980s, markets should be understood in network terms. Increasingly dissatisfied with the “undersocialized” perspective of neoclassical economics, these sociologists have argued that market exchange is invariably embedded in social networks. The emphasis that the art dealer put on his intimate social ties attests to the existence of such networks in the art market; these networks, the argument goes, can be formalized and have a decisive and measurable effect on the dealer’s survival in the art market, on prices, on profit rates, or on some other indicator of success (Giuffre 1999). Within a third understanding, markets are the antithesis of social and cultural life. This view of markets, which can be found in social science as well as the humanities, and counts classical thinkers such as Karl Marx and Georg Simmel among its ranks, stresses the contaminating or corrosive effects that the market has on social and cultural life. When it comes to art, the market alienates artists from their work, their labor, and their public, while failing to recognize artistic values; moreover, through the price mechanism, which supposedly reduces all qualities to quantities, the market commensurates what is considered to be incommensurable.

The alternative understanding that I propose in this book is that markets are, apart from anything else, cultural constellations. Like any other type of social interaction, market exchange is highly ritualized; it involves a wide variety of symbols that transfer rich meanings between people who exchange goods with each other. These people are connected through ties of different sorts, whose emergence, maintenance, and possible decay involve complex social processes. What I argue, in short, is that just as culture infuses other social settings that sociologists and anthropologists have studied, it infuses market settings. This infusion is of such a degree, that it may be virtually impossible to separate market and culture analytically (DiMaggio 1994, p. 41).

Within the understanding of markets that I propose, even prices, which have long been considered to be devoid of any meaning at all, can be thought of as cultural entities. Indeed, the New York art dealer’s sudden change of discourse when he showed me his private collection, from

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denying to emphasizing them, makes sense once it is recognized that prices have symbolic meanings apart from just economic ones. Referring to the difference between the original acquisition price and the present market value of the works of art he owns, the dealer in question expressed noneconomic values and sketched his capabilities as a collector of art. During the interview, he had referred to similar price differences of works by one of his artists as follows: “When I first worked with Sam Francis in the 1970s, his reputation had slipped away a bit, and we could not give the works away for \$8,000 or \$9,000. However, not so long ago his work was traded on the market for \$195,000. . . . It’s interesting, it’s a story. The figures describe a story that is not about the money.” What I infer from these comments as well as those made by other dealers is that the price mechanism is not just an allocative but also a symbolic system: impersonal and businesslike as prices may seem, they are the numbers artists, collectors, and dealers live by (cf. Friedland and Alford, 1991, p. 247).

In advocating the role of culture in economic life, I do not mean to subscribe to a “culturalist” point of view, in which culture is the only or the prime explanatory concept (see Hannerz 1992). Neither do I think of culture as a stable, coherent set of values that decisively sets one group of people apart from another. Instead, building on recent strands in cultural sociology, I will show how culture simultaneously restrains and enables action on the art market (see DiMaggio 1997). Culture is *restraining* in economic life insofar as cultural values codetermine which types of goods can be exchanged, which social and cultural contexts are legitimate for conducting this exchange, and which business practices this exchange should be accompanied by. For instance, when it comes to the architecture of galleries, an avant-garde art dealer can hardly afford to deviate from the austere, white, spartanly furnished spaces that have dominated Western art markets for at least half a century. Doing so would, in most cases, seriously compromise his legitimacy within the art world. To give another example: when it comes to setting prices, ostentatious price decreases need to be avoided because such decreases harm the status of dealers and reputation of artists significantly in the eyes of their peers.

At the same time, culture is *enabling*, since it provides economic actors with the tools to shape markets, social relationships, and contexts of commodification, in legitimate and meaningful formats. I will refer to these tools in terms of a repertoire or a menu of possibilities (see DiMaggio 1997, p. 267). For instance, within the restriction of the so-called white cube, dealers can construct and fortify their identity by means of details inside of the space, by its location, or by the transparency of the gallery architecture. And when it comes to decreasing prices, dealers have an emergency repertoire at their disposal to carry these through less ostentatiously but more legitimately.



Avant-garde gallery in Chelsea, New York. Photo: author.

The conception of culture in economic life that I endorse differs from the toolkit notion of culture which was developed by Ann Swidler in the 1980s, and has become increasingly popular in recent years. According to Swidler, culture can be thought of as a toolkit which individuals can fall back on in order to find strategies of action of their own liking.<sup>1</sup> Instead, the account of culture that I provide is a relational account, according to which artists, collectors, and dealers mutually construct the landscapes of meanings they inhabit. The term I use for these landscapes of meaning in economic life is “circuits of commerce.” Randall Collins originally proposed the term “Zelizer Circuits” to denote the dense exchange patterns studied by the economic sociologist Viviana Zelizer. Zelizer herself subsequently coined the phrase “circuits of commerce” to illuminate that exchange is invariably accompanied by “conversation, interchange, intercourse, and mutual shaping” and gives rise to “different understandings, practices, information, obligations, rights, symbols, and media of exchange.”<sup>2</sup> Social ties are not uniform within these circuits, but are instead subject to differentiation. People may, for instance, mark the manifold exchange relationships they engage in, whether relatively intimate or relatively impersonal, by means of special names, the use of particular media of exchange, or the giving of appropriate gifts. The transfer of goods and

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services within circuits is in other words not restricted to either market or gift exchange, but often involves a combination of both.

Rather than being solely motivated by utility maximization, members of these circuits may be inspired by concerns of status, care, love, pride or power. In daily economic life, they not only need to collect information and make decisions on its basis, they also need to make sense of the behavior of the partners they engage in trade relationships with. This behavior may not be universally rational, but it does make sense within the circuits that economic actors inhabit. On the one hand, then, the notion of circuits serves as an alternative to the reductive notion of exchange that prevails in neoclassical economics; on the other hand, it suggests that there is more to markets than social structure.

#### ORGANIZATION OF THE BOOK

This book is not about colorful biographical details of artists, dealers, and collectors, about “the powers behind the scenes,” about chivalrous and mischievous behavior of dealers, about amorous relationships with dramatic endings, or other juicy stories that the art world has come to be associated with in the popular press. The aim of the book is to understand how contemporary art is marketed in western societies around the turn of the twenty-first century, and how art dealers determine prices for contemporary works of art. In the first chapter, I show that by reducing all values to price, or by radically separating the categories of price and value, dominant strands within economics and the humanities have failed to understand how dealers operate in two worlds simultaneously. Their disciplinary separation notwithstanding, the worlds of art and economy need to be negotiated in the daily practice of the art dealer. In order to do so, art dealers rely on an intricate business repertoire. For instance, a sharp distinction is made between the front room of the gallery, where artworks are exhibited and references to commerce are suppressed, and the back room, which can be seen as the commercial nerve center of the gallery. In order to separate art from commerce, dealers also make a sharp distinction between “right” and “wrong” acquisition motives on the part of collectors, and between an active and a passive marketing scheme. They furthermore try to control the biography of artworks in order to prevent these works from coming into contact with money again. By doing so, the “disentanglement,” as Michel Callon has called it, of the artwork from its producer, remains incomplete on the art market (Callon 1998).

In chapter 2 I elaborate on the social fabric of the market. The art market is characterized by a dense network of intimate, long-term relation-

ships between artists, collectors, and their intermediaries. As the dealer suggested at the beginning of this introduction, at times these relationships are framed like or grafted onto family ties and hardly look like the anonymous interaction assumed in neoclassical economic theory. I show how dealers, collectors, and artists maintain these relationships by marking, defining, and framing exchange; by doing so they actively manage the meanings of the transactions they engage in. A *quid pro quo* exchange between a dealer and an artist may, for instance, be framed both as a hostile act and as an act of care. Also, whereas some scholars are keen on making a sharp distinction between an (ideal) gift economy and a (corrosive) market economy I argue that this distinction is untenable, for circuits within the art market are characterized by economic transactions that are not *quid pro quo*, but involve mutual gift giving and delayed payments.

In chapter 3, I discuss the way this dense network of social relationships interacts with the price mechanism that is used on the art market. Since dealers want to have control over the future biography of the artwork, it is not always in their interest to sell art to the highest bidder. They prefer to sell new artworks by means of fixed prices, rather than by means of an auction mechanism, and sharply distinguish their own gallery prices from the hostile, parasitic prices established at auction. Apart from the fact that the auction mechanism results in price volatility, which can harm trust in the value of an artwork, the structural positions of both parties in the market differ. Whereas auction houses do not work with artists on a long-term basis, dealers see themselves as patrons who seek to establish a firm market for their artists. In order to prevent artworks from appearing at auction, dealers erect moral and sometimes even quasi-legal boundaries between the gallery and the auction circuit. As a result, an auction price may not be fully fungible with a gallery price. The art market, furthermore, gives rise to definitional struggles between dealers and auction houses, in which the dealer wants to suppress the commodity character of an artwork and sees these efforts obstructed by the auction house.

If not by means of an auction mechanism, how do art dealers arrive at the prices they post in their galleries? The book does not propose a new, grand theory of value, but those who are looking for the definite answer to the enigma of high prices for artworks, which has long aroused the curiosity of both academic and lay observers of the art market, will find bits and pieces of that answer in chapters 4 and 5. The crucial issue here is that feeble constructions of value, and a permanent awareness that these constructions may collapse, hide behind the impressive gallery spaces and the charismatic personalities of their owners. Therefore, dealers work hard to establish a sense of structure when deciding about

prices. In chapter 4 I explore this structure by means of a statistical model, which estimates the price of a contemporary work of art in terms of characteristics of the artist (e.g., age, reputation, sex), of the work of art (technique, size), and of the gallery (e.g., affiliation, age). Building on institutional currents in sociology, I explain these statistical regularities in chapter 5 with the help of what I call “pricing scripts.” A script is a set of rules which enables dealers to set prices systematically. These rules circumvent the subjective, disputable issue of quality, and focus on measurable entities such as the size of the artwork or the age of its maker. Scripts not only structure the market by establishing a common pricing framework for different artists, but also create consistency within an artist’s career, since they contain rules for different events that occur in the course of this career.

In chapter 6 my account of this scripted decision-making process is enriched by showing that the concept of price itself, unproblematic as it is in economic theory, turns out to be fluid, underspecified, and subject to (re-)definition in the discourse and practice of art dealers. As dealers distinguish different types of prices and attach moral significance to these, prices not only differ along quantitative but also along qualitative lines: they embed prices in different narratives of the market such as an honorable, a superstar, and a prudent narrative. In making these distinctions between different narratives, dealers identify themselves with some business practices and distance themselves from others. Also, they cancel out the commensurating effect of the price mechanism to some extent by means of these distinctions.

Making distinctions between different types of prices is not the only signifying act in markets. In chapter 7, I show how dealers convey social and cultural meanings to their colleagues, artists, and collectors through price levels, price changes, and price differences. High prices for art may not make sense in absolute terms, but they do make sense when seen within the context of other prices for art. Also, for the lack of a better alternative, prices are “read” as an indicator of artistic value by collectors. Moreover, my ethnographic material suggests that prices are not just about works of art, but also about the people who produce and consume them. Prices serve as a ranking device when it comes to artists. Although dealers may be able to use this ranking device to their advantage, for instance when high prices go to symbolize the extraordinary talent of an artist, meanings of prices may also turn the art market into a symbolic minefield: not all participants of the market, not the entire art community, and certainly not the entire society the art world is embedded in, interpret prices in the same way; outside of the art world people may see high prices for art not as a symbol of genius, but as a symbol of fraud. A price that is understood as cautious or modest in one circuit may be

interpreted as a sign of arrogance in another one. Also, some artists see prices as a source of self-esteem, which induces them to demand prices that are hardly “real” in the eyes of dealers. In short, meanings of prices are always multiple meanings. Neoclassical economists are likely to dismiss the relevance of such meanings when studying prices. Nevertheless, I will incidentally make claims that the stories which prices tell and the meanings which they convey have repercussions for economic outcomes as well. For instance, paying attention to meanings of prices will enable me to account for some anomalies of the price mechanism, such as the existence of a strong taboo on price decreases and the golden rule of pricing according to size rather than quality.

### THE HOLLOW CORE AT THE HEART OF ECONOMICS

Although the reader will notice that my perspective on the art market is largely grounded in empirical data, it builds on recent strands in sociology and older strands in anthropology, as well as heterodox strands within the discipline of economics, which advocate the constructive role of culture in economic life.

In spite of the fact that markets are one of the central institutions of our society, the question of how they function has been largely ignored by neoclassical economics, as several economic sociologists have claimed. Richard Swedberg, for instance, has argued that since the end of the nineteenth century, economic theory of the market has been thinned to the abstract concept of the price mechanism that mainly served analytical interests of a highly mathematical kind (Swedberg 1994, p. 259). In a review of recent literature, John Lie notes likewise that economists have used the concept of the market as an ontologically indeterminate abstraction: it is the “hollow core at the heart of economics,” as Lie puts it (Lie 1997, p. 342). The reason is that neoclassical economists have long analyzed markets as autonomous, de-contextualized mechanisms, which are devoid of an institutional grounding and are not disturbed by any social or cultural interference. The problem is not just that these markets do not exist in reality, but also that economic actors would most certainly feel at a loss in them (Castells 1996, p. 172).

Economic anthropologists like Marshall Sahlins, Mary Douglas, Arjun Appadurai, and Stephen Gudeman have countered the neoclassical economic notion of universal, acultural markets by arguing that economic value relies on cultural beliefs as much as on material practices, that consumption is at once determinant and expressive of identity, that economic goods can be seen as having a life or biography of their own, or that love and care may manifest themselves in economic activities as unlikely as

shopping. Economic sociologists have likewise argued that we should pay attention to the different ways in which economic life is socially constructed, and to the role that culture plays in the design of economic institutions.<sup>3</sup>

This book builds in particular on the work of economic sociologist Viviana Zelizer. A recurring theme in Zelizer's work, which deals with, among others, the marketing of life insurance in the nineteenth century, the use of money within domestic settings, and the changing economic valuation of children, is how actors transgress the boundaries between the marketable and the non-marketable, between the sacred and the profane, or between legitimate and illegitimate exchange. By actively modifying the morals of markets, economic actors manage to establish legitimacy for transactions in contested goods. They succeed in supplying seemingly homogeneous economic entities such as money with a human dimension. Also, Zelizer shows that a commercial setting does not keep economic actors from building up meaningful, intimate social relations.<sup>4</sup>

Apart from advocating the role of culture in the everyday functioning of markets, the main contribution of this book is a sociological analysis of prices. Although some sociologists, starting with Max Weber, have paid attention to the price mechanism, a full-fledged sociological alternative to the neoclassical perspective of prices is lacking. Some sociologists even contrast socially embedded action with the "atomized market governed by the price system," implying that price formation is essentially a nonsocial activity (Uzzi 1997, p. 49). Weber, however, saw "money prices" (*Economy and Society*) as the expression of the market struggle between relatively autonomous economic units. They were "the product of conflicts of interest and of compromises" and resulted from "power constellations" (Weber 1922 [1978], p. 108). Recently, a number of economic sociologists have also started analyzing prices in terms of the social structure of the market that produced them. They show that prices do not "mysteriously emerge from 'the market,'" as Harrison White has phrased it, but are instead social formations or social constructions, and form part of the established rules of the game that producers tacitly obey (White and Eccles 1987, p. 985; White 1981; White 2002). The uniform pricing schemes which came about in the late nineteenth-century electricity sector, for instance, reflected intra-industry political struggles, power configurations, and social networks rather than economic pressures propelling towards increased efficiency. Thus a suboptimal rate system for electricity came into being, which was subsequently locked in for the century to follow (Yakubovich et al. 2001); also, in a by now classical article, Wayne Baker has shown how volatility of stock prices depends on the social structure of the market and the size of networks in which traders operate. Whereas mainstream economists postulate that markets with

larger numbers of buyers and sellers show less price volatility, Baker shows that the opposite holds on the financial markets he studied. His explanation is that small groups of market actors are able to keep each other's market behavior in check, thus setting boundaries to price volatility (Baker 1984).<sup>5</sup>

Privileging the role of social structure, these studies have left cultural aspects of markets by and large unexamined. In particular, they do not recognize that prices are embedded in webs of meaning rather than just in social networks. Conversely, in cultural sociology, a wide range of vehicles of meaning have been recognized, including beliefs, ritual practices, art forms, and ceremonies, as well as informal cultural practices such as language, gossip, stories, and rituals of daily life; the symbolic content of economic entities such as prices, however, has hardly ever been considered. In that respect, this book contributes to opening up a new field for cultural analysis.

## CONTEMPORARY ART GALLERIES IN AMSTERDAM AND NEW YORK

The empirical focus of this book is on dealers that are active on the primary art market in Amsterdam and New York, and who show contemporary art on a regular basis in commercial exhibition spaces. The primary art market is the market for the first-time sale of contemporary art. I have excluded dealers on the secondary or resale market for art from my analysis as well as other actors on the primary market such as artists who sell their work directly out of their studio, intermediaries who operate via the internet, through furniture stores, on the sidewalks of busy, touristy streets, at Friday afternoon company gatherings or at Sunday afternoon society parties in chic private houses, or with the help of young, good-looking salesmen who go from door-to-door with a portfolio of images. According to previous research on the Dutch art market, 56 percent of all sales are made through galleries, 30 percent directly from the artist's studio, and 14 percent through other intermediaries (Brouwer and Meulenbeek 2000).

Although art has been produced for a dealer-mediated market from at least the sixteenth century onwards, the history of art galleries as we find them in New York, Amsterdam, or other art cities in the Western world dates back to nineteenth-century Paris. Art galleries developed out of shops for artist's supplies, out of print shops, as well as out of premodern dealerships that were often affiliated with the French salons.<sup>6</sup> The defining characteristic of the modern art dealer as he arose in the nineteenth century is that he shifted the attention from selling individual canvases to selecting a limited number of artists and actively promoting their careers.

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In order to do so, art dealers heavily relied on, and in many cases even actively tried to entice, critical appraisal for the artist's oeuvre. Thus, in their classical book in the sociology of art, *Canvases and Careers*, Harrison and Cynthia White have named the system that governs the modern art market the "dealer-critic" system (White and White 1965). Up to this day, art dealers are not only concerned with making sales, but also with stimulating critical attention for the artist's work by having critics write about "their" artists, and persuading curators to include them in future museum shows and other noncommercial exhibitions. This means that while dealers, collectors, and artists are the main parties engaged in economic exchange on the art market, the value of the goods that they exchange would not be realized without a political economy of taste, constituted by a variety of noncommercial institutions. Arguably, if compared to the past, the dominant role of the critic in this economy has been replaced by the curator who either works for a museum or is independently in charge of highly regarded exhibitions like the Documenta in Kassel (Germany) or the Venice Biennial. Apart from curators and critics, private collectors have allegedly come to influence the rise and fall of artistic careers.

Paris has long remained the geographical center of the art market since its inception in the nineteenth century; illustrious dealers like Paul Durand-Ruel, Daniel-Henry Kahnweiler, Léonce and Paul Rosenberg, and Ambroise Vollard had their seat there. After the Second World War, however, when dealers and artists left Europe, and the art that commanded most attention was produced by American abstract expressionist artists, New York took over (Guilbaut 1983). The city managed to hold on to this position for more than four decades, and although some have argued that the international art market lacks a clearly identifiable center since the early 1990s, New York probably still outranks any other city when it comes to the number of galleries, collectors, and artists. The city hosts many of the largest art dealers in the world, as well as the headquarters of the world's three main auction houses, Sotheby's, Christie's, and Phillips, de Pury & Luxembourg. Nonresident collectors fly into the city in order to buy new works for their collections, while foreign artists seek to be represented by a New York art gallery.

Although Amsterdam is, like New York, the national center of the art market, its position on the international art market is peripheral at best. The Dutch art market is, to a much lesser extent than neighboring countries like Germany, Belgium, or the United Kingdom, part of the international art market; this means that the collectors that Amsterdam dealers sell to are by and large restricted to the Netherlands. In international art fairs that have come to play a crucial role in the global art market, like Art Cologne, Art Basel, or the New York Armory Show, only few Dutch

dealers tend to take part. Also, since foreign artists with an international reputation are usually selling their work for prices that are significantly above the customary level on the Dutch market, their work is hardly being exhibited in and sold by commercial Dutch galleries. Conversely, when a small number of artists like Rineke Dijkstra left their Dutch dealers for an English or American representative after making a breakthrough on the international art scene, this was widely deplored and considered to be a sign of the sorry state of the Dutch market.

No clear-cut explanation has been provided for this apparent weakness. Some have argued that the government is to blame; because of the stranglehold it supposedly has on the Dutch art world due to its extensive subsidy schemes, it would prevent private initiative from flourishing (Simons 1997). Others have argued that the Netherlands lacks a well-developed culture of art collecting, which may be due to a combination of socioeconomic circumstances such as the relatively equal distribution of income, or to cultural factors such as the originally Protestant taboo on ostentatious display of wealth (see Gubbels and Voolstra 1998).

Reliable and comparable figures on the Amsterdam and New York art market are hardly available. Table I.1 does give an overview, however, of



Booth of 303 Gallery at The Armory Show 2004, an annual fair for contemporary art in New York. Courtesy The Armory Show, Inc.

TABLE I.1  
Key data on the American and Dutch art market

	<i>Netherlands</i>		<i>USA</i>	
(a) Number of dealers	500–600	(3.1–3.7)*	5,698	(2.0)*
(b) Annual turnover per dealer (\$ thousand)	80–240		497	
(c) Size of dealer market (\$ million)	40–144	(2.5–8.0)**	2,834	(10.1)**
(d) Number of artists	11,500	(0.7)***	191,160	(0.7)***
(e) Size of auction market (\$ million)	26	(1.6)**	1,298	(4.6)**
(f) Share of global auction market	0.97%		49.14%	
(g) Average auction price (\$)	6,189		71,035	
(h) Government expenditure (\$ million)	714	(46)**	1,530	(6)**

*Notes* \*per 100,000 inhabitants.

\*\*per capita.

\*\*\*per 1,000 inhabitants.

(a) Dutch figures for intermediaries on primary market only; American figures include secondary market dealers. Low Dutch figure: CBS (Central Bureau of Statistics), *Hedendaagse Kunstbemiddeling 1996*, Heerlen: CBS (1998). High Dutch figure: press release Dutch Gallery Association (NVG), 2000; see Gubbels and Janssen 2001.

(b) Low Dutch figure: CBS. High figure: average of 141 galleries who participate in a subsidy arrangement to stimulate the art market, 1999; see Gubbels and Janssen 2001. Note that the average \$1.8 million/gallery for the New York City metropolitan area (including New Jersey) is much higher than for the rest of the country.

(c) Low Dutch figure: CBS. High Dutch figure: estimate based on maximum number of galleries and maximum average turnover. In the NYC metropolitan area, total sales of all dealers was \$853 million.

(d) Dutch figure for 1998 (Brouwer 2000); American figure for 1990, including craft artists (see Alper et al. 1996).

(e) <http://www.art-sales-index.com>, auction season 2000/2001; figures do not include photographs and prints under \$3,000, paintings, watercolors, drawings under \$400, and sculpture under \$2,000; net of premium to be paid by buyer to auction house and tax.

(f) For size of the global market, see <http://www.art-sales-index.com>, auction season 2000/2001.

(g) As (e) above.

(h) *International Data on Government Spending on the Arts. Research Division, Note #74*, Washington: National Endowment for the Arts, 2000; the figures include direct subsidies to the arts on a national and local level in 1994 (Netherlands) and 1995 (U.S.).

the national art markets that Amsterdam and New York are embedded in. The table shows that the average turnover of American galleries is at least twice as high as the average turnover of their Dutch counterparts. Depending on the definition used, the size of the American gallery market is up to 70 times as large as the Dutch market, whereas the American auction market is 50 times as large as in the Netherlands. Another striking difference regards the involvement of the government in the art world, which is, in relative terms, much larger in the Netherlands than in the United States. The per capita number of artists is roughly the same in both countries, however.

Whereas New York galleries are in some cases large, profitable enterprises, employing over 25 people, the majority of galleries in Amsterdam do not even provide a living wage to their owners (see Gubbels and Janssen 2001). In spite of this, the density of galleries is higher in Amsterdam than in New York (see table I.1). Depending on the definition of a gallery and on the source that is used, the number of galleries in New York lies between 470 and 1,294, and in Amsterdam between 121 and 288.<sup>7</sup> The most widely used gallery guides of New York and Amsterdam list 536 and 165 galleries respectively. Based on the latter figures, the number of galleries per 100,000 inhabitants is 6.7 in New York, as against 22.5 in Amsterdam.<sup>8</sup> Discussing the ecology of the art market, the economist Richard Caves notes that the art market may be relatively overcrowded because art dealers have other objectives than just maximizing profits (Caves 2000, p. 44): whereas firms with a similarly low profit level would have folded shop in other sectors of the economy, galleries stay in business. Given the higher density of art galleries in Amsterdam, this seems to hold to a greater degree there than it does in New York.

## THE STRUCTURE OF ART GALLERIES

When it comes to the primary art market's structure, one may argue that there is really only one market, since all dealers are, in the end, competing for the scarce resources of a group of people who are willing and able to spend money on art. At the same time, however, one may hold that each gallery is a monopolist that, with a relatively stable set of artists on the supply side and collectors on the demand side of the market, hardly faces competition from its colleagues.

Presently, the primary art market in both Amsterdam and New York is a free market with relatively low start-up costs and no barriers of entry like licenses or diplomas. The backgrounds of gallery owners can hardly be generalized. Before opening an art gallery, owners of a gallery may have been businesspeople, art historians, artists, art consultants, or art

collectors (cf. Gubbels 1999); in New York in particular, many of them have worked as a director, dealer, or assistant for another gallery. Systematic data are not available, but the average lifespan of galleries seems limited. According to one estimate of a well-known art dealer in the mid-1980s, 75 percent of all contemporary art galleries do not survive more than five years (Caves 2000, p. 44).

Although both in New York and in Amsterdam dealer associations exist, there is no formal regulation by governmental institutions or self-regulation by trade organizations (Gubbels 1999, p. 61). Art dealers in the Netherlands and the United States represent on average between 10 and 20 artists (a few large galleries, which have extensive financial resources as well as personnel, may represent up to 50 artists, as well as the estates of artists who have deceased); they schedule exhibitions for “their” artists on an annual or biennial basis which last six weeks on average. Before, during, and after the exhibition, the dealer tries to sell these works, which happens mostly on a consignment basis: when a sale is made, the dealer receives a commission which in most cases amounts to 40 or 50 percent of the selling price. Some of the works that are not sold during the exhibition may be kept in the gallery’s inventory, but unsold works usually remain the artist’s property. Some artists have a preemptor or primary gallery, who represents them exclusively and arranges all business affairs for them; if other galleries want to sell work by these artists, they get the works from the primary gallery; when those galleries make a sale, they not only need to pay a percentage of the price to the artist, but also to the primary gallery. Other artists do not allow a single gallery to promote their work exclusively, and work with several galleries simultaneously under comparable conditions.

As an organizational form, the art gallery hardly resembles the modern, bureaucratic organization. When Max Weber discussed different types of authority in his magnum opus *Economy and Society*, he distinguished traditional and charismatic authority from the rational-legal type that came to dominate modern organizations (Weber 1922 [1978], pp. 241–45; see also Biggart 1989). The art market seems to conform to the charismatic type, that is, the authority exerted by such people as revolutionaries, heroes, or spiritual leaders. The daily operations of art galleries are centered around the founder and owner of the gallery, whose name the enterprise usually bears: although she may be assisted by directors in the case of a large gallery, the key business activities, such as developing social networks crucial for the marketing of art, selecting the artists which the gallery represents, or setting the prices for the works for sale, are solely her responsibility. Only in a few larger galleries are employees of the gallery, rather than the owner himself, involved in making sales (cf. Szántó 1996). Depending on the size of the gallery, other

tasks are executed by different employees such as an art handler, a book-keeper, an archivist, and people responsible for contacts with the press, with artists, and with clients respectively.

In running their galleries, these charismatic dealers present themselves as visionaries of the artistic field, who “are playing for history,” as one of my informants put it. They say that they do not have an interest in selling what is economically viable in the present, but in what is of artistic importance in the future. In other words, dealers engage in a seemingly irrational form of commerce, which rejects a straightforward capitalist logic, but instead endorses the more profound goals of the aesthetic and the artistic. The charisma of an art dealer is not self-acclaimed, but is acknowledged and enhanced by the diverse followings the dealer has: by artists whose ultimate goal it is to be represented by her; by gallery visitors who, facing the abundance of shows they can visit, choose to return to her gallery repeatedly; and by collectors who rely on her taste and who frequently, if not exclusively, buy their art at her gallery. As Lucy Mitchell-Innes, former head of Sotheby’s New York contemporary art department, characterized the dealer-collector relationship at the Pace Gallery, founded by Arnold Glimcher: “Buying from Pace is rather like membership in a club. Glimcher has this group of subscribers who are committed to his aesthetic, and they buy works by each of his stable of artists.”<sup>9</sup> As a result of this pivotal role played by the founder of the gallery, the long-term continuity of art galleries is problematic, which accords with Weber’s characterization of charismatic authority: once the founder of the gallery retires or dies, the gallery often withers away. Rather than succeeding their employer, assistants or directors of the gallery tend to start a new gallery of their own. It is telling that the New York-based Wildenstein Gallery, one of the few galleries that have been in business for more than a century, albeit on the secondary rather than the primary art market, is a family dynasty.

When it comes to types of dealers, economists and sociologists have come up with different, albeit overlapping, distinctions between traditional and entrepreneurial dealers (Moulin 1967 [1987]), between dealers that are motivated by symbolic and those that are motivated by monetary rewards (Bystryn 1978), between dealers that sell popular and those that sell high art (Fitz Gibbon 1987), or between explorer and commercial galleries (Santagata 1995).<sup>10</sup>

To date, the French sociologist Pierre Bourdieu has proposed the most sophisticated taxonomy of what he calls the economy of symbolic goods. This taxonomy consists of two different types of hierarchies. First of all, there is the opposition between “large-scale” production directed at catering to the preexisting demands of a larger audience, and small-scale production meant for an audience that mainly consists of fellow artists,

experts, critics, and a limited number of other insiders; on different occasions Bourdieu has referred to this opposition as an opposition between the commercial and the noncommercial, between traditional and avant-garde, or between bourgeois and intellectual art, between the “immediate, temporary success of best-sellers” and the “deferred, lasting success of ‘classics’” (Bourdieu 1993, p. 82; Bourdieu 1992 [1996]). The second hierarchy concerns the circuit of small-scale, avant-garde production, in particular, and involves a young as yet unrecognized fraction, and a consecrated, well-to-do fraction of the cultural field, whose work has already been incorporated in the canon. This difference in degree of consecration, Bourdieu writes, “separates *artistic generations*, defined by the interval . . . between styles and lifestyles that are opposed to each other—as ‘new’ and ‘old,’ original and ‘outmoded’” (Bourdieu 1992 [1996], p. 122).

In this book I will by and large adopt Bourdieu’s taxonomy. The terms that I will use to denote the two opposed circuits within the art market are “avant-garde” and “traditional.” Note that such terms are to a great extent misnomers, since the empirical basis of these terms is disputable at best: from an artistic perspective, it may in many cases be difficult to classify the artworks for sale in different types of galleries without insider’s knowledge, especially once these artworks are lifted out of their gallery context. And when it comes to the economic dimension of the taxonomy, Bourdieu has rightly argued that the opposition between avant-garde and traditional or commercial does not concern economic success (profitability, price levels, turnover) per se; instead, the opposition coincides with economic success in the short run (in the case of traditional galleries) versus economic success in the long run (in the case of avant-garde galleries). What distinguishes both circuits, then, is not, or not only, the quality of the art or the economic success of the gallery, but the type of business repertoire that each endorses. This business repertoire manifests itself materially and symbolically in the way art is marketed, business is conducted, and prices are set. Surely each circuit may nowadays be too large for all its respective members (artists, dealers, and collectors) to actually engage in a day-to-day conversation with each other; nevertheless, they do share the same business culture, visit the same or similar shows, are interested in each other’s gossip and rumors and read the same arts magazines.

This shared culture notwithstanding, the avant-garde circuit harbors a wide variety of galleries, from small, idealistic enterprises which try to help beginning artists show their work, to large, global corporations with offices around the world; within the traditional circuit, some dealers represent the expensive and painstakingly realist work of artists who have a waiting list of collectors willing to buy their work, while others offer a wide variety of low-priced works made by artists without a reputation whatsoever, for sale.

## METHODOLOGY

With respect to empirical data, the analysis of markets and prices in this book largely follows Clifford Geertz's well-known dictum in *The Interpretation of Cultures* that “[i]t is with the kind of material produced by long-term, mainly (though not exclusively) qualitative, highly participative, and almost obsessively fine-comb field study in confined contexts that the mega-concepts with which contemporary social science is afflicted—legitimacy, modernization, integration, conflict, charisma, structure, . . . meaning—can be given the sort of sensible actuality that makes it possible to think not only realistically and concretely *about* them, but, what is more important, creatively and imaginatively *with* them” (Geertz 1973 [1993], p. 23; italics in original).

My field study included 18 semi-structured, in-depth interviews with art dealers in Amsterdam, and 19 interviews with art dealers in New York, which I conducted between April 1998 and March 2001. In both cities, the same questionnaire was used (see appendix A). The interviews lasted 45 minutes to an hour on average. I started with two pilot interviews in the Netherlands to test and improve the questionnaire.<sup>11</sup>

The selection of galleries was made on the basis of three criteria. First, diversity in terms of age and location of the galleries was maximized. Second, I made sure that “traditional” as well as “avant-garde” galleries were included; however, the sample is biased toward the second category (for a description of the sample, see appendix B). Third, the selection of galleries is partially based on a snowball method: interviews with some dealers were made on the basis of recommendations by gallery owners I had interviewed before (Arber 1993, pp. 73–74); I knew from previous research that access to prestigious dealers in particular can only be gained through these recommendations (Warchol 1992; Plattner 1996; cf. Abolafia 1998).<sup>12</sup> Apart from interviews, I conducted many informal conversations with dealers, artists, and collectors at openings, parties, professional meetings, art fairs, or public debates; during innumerable gallery visits, and especially during longer visits to dealers who provided me access to their archives, data were gathered by means of participant observation. My fieldwork has been supplemented with written material from eclectic sources such as reviews in art magazines; interviews with artists, collectors, or gallery owners published in books and magazines; biographies of art dealers; guidebooks to the art market for artists; and court materials.<sup>13</sup>

In some cases, I managed to triangulate my findings with the help of quantitative data. These data were derived from an arrangement of the Dutch government to provide individuals who buy visual art at a large

selection of galleries in the Netherlands with an interest-free loan (see Rengers and Velthuis 2002). The database contains data on prices of approximately 16,000 artworks, sold in the Netherlands between 1992 and 1998, and many potential determinants on the level of artworks, artists, and galleries. Comparable data for the American situation are lacking, but nonsystematic observations of prices in New York galleries strongly suggest that the average price level is higher in New York. Nevertheless, the patterns of marketing and pricing art that emerged from my interviews in both cities are striking in their similarity. Therefore, this book lacks an elaborate comparative dimension; the emphasis of this study will be on similarities rather than differences between the cities. However, different pricing patterns that result from local institutional factors, such as the influence of governmental subsidization schemes in Amsterdam or the strength of the auction market in New York, will be elaborated upon.

The type of knowledge about markets and pricing that I derive from my ethnographic material is less abstract, less rigorous, and more difficult to generalize than economists generally prefer. Nevertheless, I contend that it provides a richer understanding of the actual practices of dealers, of the way the art market functions, and the role prices play in this market. The book finishes with a conclusion in which I speculate about the extent to which my findings can be generalized to other markets. The art market may seem erratic when it comes to its prices, thin when it comes to the number of buyers and sellers that are active, almost irrelevant when it comes to its size as a percentage of GDP, and hardly part of the capitalist economy when it comes to its business practices. Still, the landscapes of meanings that make themselves manifest in the art market on a magnified scale are hardly exceptional. Those who have paid detailed attention to other markets have invariably run into similar meanings before.