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“Dealers in Art”

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Dealers In Art

“...he said to Bauer the antique dealer: ‘A man as scholarly as yourself shouldn’t be a dealer, it’s horrible to be a dealer.’ To which Bauer replied: ‘Between you and me there’s no difference; I’m an intellectual dealer and you’re a dealing intellectual’ Berenson never forgave him that.”

Gimpel, Dairy of an art dealer. P.248

Art has been collected by the elite since Babylonian times; there is evidence that it was sold either by auction (Shubik, 1983) or by dealers in ancient Rome. Possibly the emergence of modern dealers may be attributed to the Dutch dealers selling to a well-to-do middle class (Montias, 1996). Along with the post-1700 explosion of population and education, the size and nature of the art market has now enlarged and changed to the extent that there is a literature on the emergence of an international art market where the comparison of art as an investment commodity is considered. Its role as a suitable investment has been debated (Baumol, 1986, Goetzmann, 1993).

In the current world, art is sold by auction, by dealers or directly by artists. It is bought by museums, some institutions and many individuals (primarily by the well-to-do). As the appreciation of much art depends on education, fashion, culture and perception, critics and experts play an important role both in influencing taste and in providing expertise and evaluation.

How many art dealers are there? How is an art dealer defined? Are art dealers a breed apart or are they just ordinary merchants?¹ One does not need a special degree or a professional

¹ The direct interview, samples and counts presented here are based primarily on United States information, while most of the secondary source readings cover primarily Great Britain, France, the United States and Italy.

society certificate in order to become an art dealer. The appellation of art dealer tends to be self-selected. In the United States a quick rough estimate of the size of this selection is provided by The Yellow Pages of the local telephone book. A search of the listings of all 50 states (and DC) for the year 2000 yields around 29,200 institutions in the classified section under “Art Galleries, Dealers and Consultants.” These listings include sellers of souvenirs, whose business, for the most part is for items under \$100; and a large group of galleries handling new artists with differing emphasis on conventional or avant garde taste where typical prices (in the United States) range from \$500-\$4000. Many of these can be described as local (Plattner, 1996) hence, there are several natural taxonomic distinctions which are worth making. They include dealing with live or dead artists (financial analogy, primary and secondary market), high or low ends of the market and local, national and international markets.

A rough feeling for the distribution of dealers in the United States is given by looking at the top five states and cities. We note that California is first in number of self-proclaimed dealers, but in terms of monetary volume New York is still considerably ahead. The yellow pages yield: California, 4289; New York 2244; Florida 1997; Texas; 1464 and Illinois 996. The top five cities in the listing were: New York 1255; Chicago 459; Los Angeles 452; San Francisco 436 and Santa Fe 291. In terms of number of galleries Los Angeles, San Francisco and Chicago are not far apart and Miami with 287 is just behind Santa Fe.

Another and much more restricted form of definition of dealer is the affiliation of a gallery to special Art Dealer Associations. A perusal of the website of The Leading Art and Antique Dealers of the World lists over 50 associations such as the Fine Art Dealers Association with 32 members, The National Antique and Art Dealers Association of America with 42 galleries listed, The International Association of Dealers in Ancient Art and the Society of London Art Dealers.

Like many standard retail markets, entrance into competition is more or less open. The levels of employment are low, often only two or three employees to a gallery. Employees frequently work part time. The larger expenses are rent and inventory. The smaller galleries

{such as the artist galleries) often also serve as the artist's home. Both the level of entry and exit are high, although not as high as in restaurants. Granting this, from the viewpoint of economics, one might ask if there are any special features of the trade in art that make the study of the art market and its dealers basically different from that of grocery stores or dry cleaners?

Unlike the evaluation of many consumer goods, the problems in the evaluation of the worth of an art object are far more dependent on cultural norms and social acceptance than the perceived needs of the consumer. The demands by a consumer for baked beans, bread or clean laundry are reasonably well given. There is no need for tastemakers and experts and blockbuster exhibitions to promote old and to create new masters. The art market has a component of conspicuous consumption which is lacking in many other markets.

There are possibly five distinctions worth making about types of dealers in the art market. They are: 1. Souvenir merchants; 2. Artist-dealers; 3. Collector-connoisseur dealers; 4. Amateur-dealers who may operate at a loss and 5. Businessmen-dealers utilizing their own expertise or paying experts. These categories may easily overlap. For example a souvenir store and art gallery may be linked in a single site.

The souvenir market, be it in New York, Paris, London, Los Angeles or elsewhere may or may not stress the cachet of art in order to sell its more or less mass produced prints of the Eiffel Tower or Westminster or the Statue of Liberty. Standard product consumer economics holds. Both pricing and production fit standard easy entry mass-market models. In contrast with the mass market, original art is highly individualized.

New art is brought to the market primarily in two modes: either by the artist acting as his or her own dealer or by professional dealers who tend to handle the product of no fewer than five or ten and no more than thirty live artists. In both instances pricing is highly experimental and most frequently is based on a price set by the artist possibly with suggestions from the dealer. If nothing sells after a few months, the price may be adjusted down or, in some instances, a dealer may suggest that the artist try a higher price as some dealers believe that there are buyers who associate price as a signal for quality, not vice-versa. If nothing sells for one or two

seasons, the artist may be dropped by the dealer. Most dealers handling new artists split the sales proceeds at around 50-50 +/- 10%. In general, dealers handling live artists try to carry next to no inventory. The paintings are on consignment from the artist. Although inventory cost may be low, the administrative costs (and pleasures) of dealing with, mentoring and nurturing living artists may be high. The interpersonal skill required by dealers in handling living artists, especially unknowns or new artists are far different from those who handle either the art of dead artists or who may handle a few well established, but living artists. Historically there have been some notable galleries promoting new artists who have achieved wide recognition and financial success. In France, Durand-Ruel played an important role in support of the impressionists; in New York, more recently, Castelli played both a key and profitable role in promoting modern art.

A problem confronting the middle-size gallery which brings along new artists is that when some new artists become successful they may leave the gallery for a larger and more business oriented gallery.

In interviews with dealers in Santa Fe (Shubik, 1992,1997) it was found that many dealers were collectors who were led into becoming dealers, in part, "to feed the habit". The dealer was an expert in and collected the art being sold in the gallery. In some sense, part of the art being sold belonged, at least for several years, to the dealer's personal collection. The educational level in a sample of forty-four dealers was that approximately 80% had a BA or higher degree, and in several instances were former university faculty.

Because art collecting and art events have a high social cachet, there are some gallery owners whose families are independently wealthy and for whom the gallery operation may be deemed to be, in part, a social activity or hobby. It is difficult to obtain financial information concerning these galleries and the possible subsidization of loss and the tax consequences.

The middle-sized galleries who deal with dead artists try to minimize inventory that is owned. One way of doing this is to act as a representative or agent for estates. Collections which are bought may be bought by a consortium of dealers. Furthermore, items are often sold

before they are bought. Among the bigger dealers with rich, regular customers the dealer has a reasonably good idea of what can be sold to a specific customer. Thus, when an item appropriate to the tastes of the customer appears, it is bought and sold with little inventory exposure. This observation is amusingly illustrated in the biography of Jacques Seligman written by his son:

Without preliminary greeting, he (Count Moise de Camondo) put out his hand and said, "Congratulations Jacques, I understand you have just bought Versailles!" Without an instant's hesitation, my father replied, "Thank you, thank you, mon cher ami, but you know you've heard only half the story. What you haven't heard is that I've already sold it!" (Seligman, 1961, P.15)

The financially large and successful galleries are run by businessmen who may also be art experts, but have considerable talents as salesmen. They make liberal use of experts and consultants. The relationship between independent experts and dealers frequently poses an ethical gray zone as is amply illustrated in the relationship between Lord Duveen and Bernard Berenson (Simpson, 1986) where it has been suggested that Berenson received several million dollars (Simpson, 1986, p.222) from 1917-1938 under a secret agreement between them.

In today's world and easily as far back as the 1880s the major galleries have been international, but it was in the 1880s that the European dealers such as Seligman, Gimpel, Wildenstein, Duveen and others had the opportunity to become international in their development of major American millionaire collectors of the "Golden Age" such as J.P. Morgan, Rockefeller, Huntington, Frick and Mellon. In this period forgery flourished, not only because of the lack of standards and expertise among the customers, but also as a way to circumvent regulations against the selling of national art treasures. This was achieved by smuggling out the original and replacing it with a reproduction. The French and Italians were highly skilled in the production of "antique" furniture as well as paintings.

A good middle-size gallery may measure its revenues in a few million dollars. Whereas a major international gallery such as Galerie Beyeler of Basel could have revenues of the order of

a hundred million. As most galleries are closely held and tax records are privileged information, it is difficult for an economist to obtain accurate estimates of sales and revenues.

One of the major concerns in the economic understanding of retailing is how are current prices formed. Interviews with dealers indicated that for previously traded art, the most recent auction or gallery price serves as an important benchmark along with the availability of close substitutes and their last posted price. The price that first goes up in the gallery is an educated guess as to what the dealer thinks he can sell it for. It was suggested that higher priced art is “sold not bought.” This placed an emphasis on display, promotion and cultivating relationships with a core of regular customers. Another difficulty in considering pricing is that many modifications of price are present, but are not reflected in the reported trade (these include credit and buyback arrangements). Furthermore, there appears to be a considerable variation in attitudes towards discounting the posted price.

The emergence of computerized inventory and pricing lists together with cheap and rapid international communication has produced a single, unified world market for recognized masters. But in contrast with the stock market, the product differentiation even among paintings by the same painter is far larger than among stocks. Hence, several of the key factors which go to make up smoothly functioning market prices are not present. Art is not easily fungible and its “productivity” is not easily calculated

Some insights into dealers and their motivations can be gleaned from survey comments and from the literature. A few are given below:

Jacques Seligman had broader conceptions; he believed that an art dealer could be both a connoisseur and businessman. (Seligman, 1961 p. 6).

I don't sell what I like,
I sell what will sell.

Comment of a financially successful dealer in Santa Fe.

Spitzer...made a fortune which enabled him to achieve the dream of all dealers who love their metier----retirement to collecting for his own pleasure
(Seligman, 1961 p.14)

Duveen "His success stems from his taste, his boldness, and also his gift of organization...To make up for his lack of knowledge, he surrounds himself with all the great experts. P.225 Gimpel (1963)

It is really pitiful to see how most of the people who want to buy pictures set about it. More often than not they are advised by persons who are either fools or rogues, so they buy horrors at very high prices. Yet I, who want to trade fairly and prevent my clients from falling into traps, have the utmost difficulty in succeeding. I have to fight all the time against the people who stand to gain by closing their eyes to the truth. Paul Durand-Ruel, Dec. 10, 1869

Who becomes a dealer and why? The imperatives appear to differ considerably from the decision to become an artist, but they do not appear to be solely economic. The reasons offered from the questionnaire are follows:

Santa Fe survey

Money and ego.
Personal satisfaction from working with artists and art works.
It just happened.
Interest in art coupled with providence.
Single most important element that characterizes my life is art.
To create a new vehicle for exhibiting and promoting a strong (and important) aesthetic point of view.
Lucrative, high profits, contact with interesting people, fun.
I have an underlying passion for art. I was painting but I found it lonely. I sold a friend's painting from my studio and got hooked.
Knowledge and interest in Art as a social and political process...the business of art is of great interest to me...also ties in with social and political issues.
Enjoy working with fine art and do make a living.
We love the arts...our goal was to bring museum quality art to Santa Fe....
It has to be for love, certainly not for money.
In order to utilize my interest in the arts and humanities in combination with my experience in retail selling.
Evolved as a career from lifelong interest and training in art.
Love the business.
Good business opportunity and love of art.

Economic motivation plays a far larger role among dealers than among artists. Yet it is by no means necessarily the driving force, although it is probably the most important. The art market provides a challenge to both the merchant and the economist. The product is frequently unique and tastes and fashions are in constant flux (as is amply illustrated by the price history of paintings of artists such as Alma Tadeama, an English Victorian painter who enjoyed wide acceptance and high prices in his life time, followed by a great eclipse in prices and a recent recovery). Innovation and reinterpretation are always present, thus the entrepreneurial,

salesmanship, and social networking skills called for from dealers in art are far larger than in the retailing of more mundane consumer products

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