The Impact of Trade on Art Production

By Noor Kadhim

1. Introduction

“We don’t have art movements any more. We have market movements.” Walter Robinson.

The last twenty years have been influential from the perspective of international trade. New markets have emerged. Trade restrictions have decreased. Civilizations are converging, both physically (through sophisticated methods of travel) and virtually (through the internet). The effects of globalization have changed the dynamics of the art market. Despite the financial crisis, art (as well as other commodities such as gold, silver, and wine) has retained the attention and confidence of the new investor. We now have more art from emerging markets, accompanied by a rising percentage of extremely wealthy investors (notably, Chinese and Middle Eastern). Consequently, art is now seen as an asset class
in itself and it has become more of a method whereby new wealth can generate acceptability and credibility. The same trend happened some 3000 years ago, since the time of the Romans and the rise of the merchant classes. The difference is that with globalization and the rise of large-scale wealth creation in the Middle and Far East, the growth of this new investor class has been more rapid. Art today is also more diversified in character and medium, and has multiplied to meet the demands of the new market. But choice and exposure invariably triumphs at the expense of quality and substance. In the age of consumerism, have status, money and the gradual ‘rapprochement’ of cultures started to dilute the impact and nature of artistic production? In other words, are we focusing on the art itself, or the person who is selling the art?

To understand what has affected the “consumption capital” of art (specifically contemporary art) over the last three decades, the relationship between the producer (the artist) and the consumer (the collector, gallery, or investor) must be understood. It has been said that Robert C. Scull’s contemporary art auction (of $2 million) in New York in 1973 marked a pivotal moment in art, when the art market arguably became more important than the art itself.

On a general level, Karl Marx reduces the process of production and consumption to four elements: production, distribution, exchange, and consumption1. Production creates products corresponding to certain needs. Distribution and exchange then allocate them according to social laws, before re-allocating them to the final consumers. Finally, the product leaves the process to become the direct object and servant of the individual need, which its use satisfies. Marx states that production thereby creates the consumer, and consumption in turn creates the producer. This is because production not only provides the material to satisfy a need, but it also provides a need for the material.

Understanding this “chain” is key to evaluating the impact of trade on art because if the need to own art is driven mostly by monetary considerations, rather than aesthetic or cultural ones, this must have a knock-on effect on the type and the quality of art that is produced to satisfy this need.

2. What is the art trade?

“A trade in things which have no price”. Noah Horowitz. Who decides what is art? More to the point, who is the arbiter of what is good art? Is it the artist, the curator, the critic, the collector, the art market as a whole, or the general public? Worryingly, the gallerist or the art dealer bases his business on new collectors who have limited knowledge of the industry, and who in turn are trying to buy social credibility. Is this, then, sometimes a case of the blind leading the blind? Trite as it is, art may be everything and nothing, all at once. Artwork cannot be reconciled with either traditional or modern trade theory. Trade theory explains why production and consumption take place in different countries, but it does not explain what motivates trade between consumers, which is a peculiarity of the art business². Gunther Schulze suggests that instead, a new theory about trade in art should take into account the process of acquiring taste for art, especially foreign art. In other words, how do we value such art, and what does the modern collector look for?

Art is difficult to commodify. No perfect substitutes exist for most artworks. They are “positional goods”, whose value is measured by reference to their desirability. Desirability, in turn, is influenced by rarity and prestige. Unlike normal products, art is both culture-specific, and emotion-inducing. Unlike true commodities, like metal and oil, there is no objective value for artwork. However, by turning art into what Donald Kuspit calls a "spectacular commodity", we have enabled it to survive in a capitalist society. The more esthetically elite the commodity, the more it becomes a “unique experience” with a surplus value that is irreplaceable, and therefore coveted. And almost nothing has been coveted quite so much in the last twenty years as contemporary art, which, along with modern art, accounts for the largest share of the market. But how much of this frenzy is real, and how much is artificially generated? In the case of some artists, such as Hirst, there is actually over-supply. As reported in TAN, in 2011, a vast amount of his work remained unsold, and false waiting lists were created to stimulate false demand. How much of today’s contemporary art will be historically irrelevant in three decades’ time is a moot point, and many commentators have in fact opined that it could be as much as 80%.
3. Contemporary art

"Contemporary art is an excess of taste, an excess of pluralistic democracy, of democratic equality." Boris Groys. Multiplicity of taste and variety of product has changed the dynamics of the contemporary art market. Between the 1960s and the 1970s, investors were investing heavily in the Old Masters, until these works ran out, or moved into the hands of elite private collectors or museums. Collectors, especially younger collectors wishing to distinguish themselves, moved towards contemporary art. A seismic generational shift has occurred, switching the art market's focus from collecting objects rooted in the past, to those of a present still in formation. In the 1980s, the price of a Rothko, Warhol and Bacon rose to 20 times its original price. Figures show 1980s works still account for the greatest sales by value over the last five years, and that the number of contemporary works of art sold has in fact more than tripled over the last decade. $1.26 billion was fetched in 2011, compared with $87.7 million in 2001. Contemporary art may be called a hybrid category; it can be affordable or out of one's league. 62% of contemporary works sold for less than $5,000 in 2011, and yet the market's high-end accounts for an increasingly large share of the total contemporary art market. People buying less affordable art hope one day to reap future rewards. But this is not without risk. Horowitz calls it the search for the “diamond in the rough”. But in the early 1990s, something else happened. Far Eastern collectors, and artists, entered the scene. They challenged and changed the shape of the established order. Eastern art production was stimulated and contemporary art prices were pushed even higher. This may be attributable largely to the new consumer, and particularly to Money, Status and Mobility.

A. Money

Interest in the relationship between art and money is not new. Vasari talked about the rivalry between artists battling for the attention of the wealthy nobility and the papal courts in the context of the patronage system of Renaissance Italy. Since the last art bubble of the 1980s, however, art critics have argued that art’s spiritual essence has been overtaken completely by its commercial importance. Kuspit is scathing about this increasingly tight relationship between art and money, proclaiming that “today it is no longer a matter of art legitimating and celebrating the power that is money, but of money legitimating and appropriating art by making it a capitalist fiefdom.” What has led to this shift? For one, the arrival of the new ‘super-rich’ collector. China, in particular, has been pivotal in reshaping the dynamics of the art market over the last five years. In just four years China has become the largest market in the world, overtaking America and Britain from fourth position in 2011. As William Ruprecht, Sotheby's CEO, pointed out, we are in the middle of the most exciting and the most complex shift of mass wealth creation. “What's going on in China”, said Ruprecht, at the Yale University SOM conference of 2011, “is not what's going on in Russia or the Middle East, where you have royal families or a few oligarchs with immense concentrations of wealth. There is mass wealth creation going on in China and there are not two, ten, twenty but thousands of new people with millions and millions of dollars of disposable income.” Skeptics have pointed out that the vast majority of Chinese buyers buy either Chinese art or established contemporary names. Be that as it may, the trade in the East remained buoyant on the whole, tempering the effects that the financial crisis was having elsewhere, in the West. Once the preserve of the rich and powerful, the purchasing of art in China is now also more common among regular Chinese people. The appeal of art as an investment is also partly due to the lack of other investment options in China. China accounts for over 40% of global art auction revenue and is believed to have more billionaires than anywhere else in the world. By contrast, the USA’s market share fell from 30% in 2010 to under 25% in just one year. It is a sign of the times that six of the world's current top ten artists are Chinese. Record-breaking sales, such as Qi Baishi's Eagle Standing on Pine Tree, Four-Character Couplet in Seal Script, in 2011, which fetched $57.2 million against an estimate of less than 25% of the price, are becoming more common. The appetites of collectors from the Middle East and the Far East, for art that does not necessarily emanate from their own countries, is growing and many are willing to forego immediate financial gain in exchange for reputational credibility.
B. Status
With art transactions as opaque as ever, contemporary art prices have become increasingly volatile. They are subject to the fickle tendencies of a concentrated number of investors with money to burn, who compete to possess and to conquer, and who pay over the odds, against logic. This has led to the cult of “celebrity” artists like Damien Hirst, simultaneously an artist and a Sunday Times Rich list collector. Consequently, artists like Hirst, Warhol, and Bacon thrive in boom times. Many of these collectors care only about the glamour, and not the political or contextual significance of art. It is largely about status. But when the consumer profile changes, so too does “status ideology”. Status perceptions motivate trade, and affect much of the artwork produced today. Stratospheric prices for “must-have” artworks are becoming more commonplace. We no longer bat an eyelid at the sale of a stuffed shark for $12 million. For Horowitz, this turn of events “rings the death knell of the classical connoisseur and has substituted in its place an intoxicating mixture of speculators, fashion seekers, and newly curious aficionados for whom collecting is but an extension of a broader social and/or financial agenda”.

C. Mobility
The thirst for contemporary art has undeniably been affected by globalization. Art production, following the movements of trade in the early 1990s, expanded across the globe. China’s accession to the WTO, for example, has affected the consumption, and hence production, of both Chinese and Western art in the last five years. Not only have import restrictions decreased, but people are more mobile than before. This stimulates a sort of osmosis process across borders of cultures and experiences. What is specific to globalization is the emergence of phenomena that exist on an international level without roots in a distinct local or national environment. Placed in this context, contemporary art can be understood as “global art”. This does not mean it has a universal message, but that its message can be spread universally. Global art is not fixed in time, context or location. It is fluid, a chameleon of sorts. The reduction of trade barriers, the spread of online information via social media platforms, and the ease of physical movement across country borders has led to a more internationally-aware community. This affects the consumer’s knowledge of, exposure to, and perceptions of the art market. Tastes change as cultural convergence increases. This impacts art production, as it results in diversity and greater quantity. For the major auction houses, the issue now is predicting the tastes of the mobile collector. Chinese buyers, for instance, are attracted not only to their own heritage, but also to Western art, although, as mentioned before, these mostly comprise the famous names in “Pop art”. It therefore came as no surprise to anyone that, in 2011, MCH Group, the owners of Art Basel and Art Basel Miami Beach, announced its purchase of a 60% stake in Asian Art Fairs, the owner of the Hong Kong fair ArtHK, to be rebranded “Art Basel Hong Kong”.

4. Distribution and Exchange
“How hundreds of millions of dollars of business is consummated on the trading floor of a fair is an incredible exploit to conceive. A deal is made by agreeing to the financial terms and then… boom! The transaction is complete on a handshake.” Kenny Schachter. Distribution (from artist to primary consumer) and exchange (or redistribution between consumers, say at auction) can take many forms today. Artwork can be viewed and sold online, at the click of a button, and the art fair itself has even acceded to the World Wide Web. Access to art is no longer controlled by the specialist art dealer with a prestigious art college education and with decades of family experience to his name. There is no magic to dealing, and even the artists have set up their own online sites. The internet has also played a role in transforming the structure, reach and size of the market. We now have online auctions, virtual art fairs (first the VIP in New York, and then Paddle 8 and Art.sy) and art currency exchange mechanisms. Christies took a large chunk (28%) of its bids online last year. That’s a lot of people buying art they have not necessarily actually seen. Enter the international contemporary art fair. The phenomenon started in Cologne and Basel (1960s), but now includes New York’s Armory Show, London’s Frieze, Shanghai’s ShContemporary, and Art Dubai, to name but a few. The art fair is even credited with restoring the health of the art market, injecting
life in the wake of recession. The art fairs can be seen as the “shopping malls” of the art market, encouraging the socializing and visiting of galleries and the purchase of art all under one roof. Contemporary art galleries with international satellite branches have also proliferated, so that collecting has now become a global phenomenon. Many of these galleries are run by people without any art history/collecting backgrounds, and (notably in the Middle Eastern markets) have been branded as “supermarkets”, rather than true art galleries. Sensory overload is the result. Transactions happen faster and attention spans decrease. We do not stop for long enough to reflect on the provenance and comparable “value” of living artists’ work. Can we trust the auction house to filter what is fake from what is authentic? Can we trust art dealers to discern what is original and what is not, or the galleries to identify what is of cultural significance and what is mass-produced? Can we even trust our own judgment?

5. Production.
“Creativity takes courage” Henri Matisse. The net result of globalization—new markets and new wealth, amongst other things—is that over the last thirty years the contemporary art consumer has invariably become less discerning of quality, history, and the “moral” value of art. Great work used to be politically and personally driven. Now, it is driven largely by profit. It is true that this state of affairs can be traced back to Renaissance Florence, where Savaranola lamented that Medici-commissioned artists such as Sandro Botticelli should throw their works onto the “bonfires of the vanities”. This continued through to 18th century Venice (Giovanni Antonio Canal, or Canaletto), and then to the Impressionist period in the late 19th century (with Claude Monet). However, it is [arguably] more blatant in today’s market. And if consumption inspires production, then production is naturally, affected. While art has diversified in terms of provenance and genre, and has increased in quantity, it has diminished in quality and decreased in its ability to truly challenge or provoke.

Diminished quality
Artists have become more commercially driven as they realize the economic benefits their endeavors may bring. There are also a great deal more artists out there, many of them part-time artists, producing various kinds of bad art. More choice, more money and more mediocrity is encouraged. It is easier to sell mediocrity than originality, especially to modern society’s collectors. One artist recently stated, quite bluntly, during the Art Dubai fair, that he would rather do more charcoal than graphite work because it took him only an hour for each piece, so it was less time-consuming than graphite. Another artist broke his mold by exhibiting canvases of insipid color combinations, uncharacteristic of his trademark black and white style, in an effort to appeal to a hitherto non-appreciative public. “Color sells more easily”, he explained simply. Artists are now beginning to pander to public taste, rather than staying true to their mission. So who is the creator now, the artist or the consumer?

Political dilution
Homogenization of production is more predisposed to neutrality. But neutral art does not have the ability to influence or inspire. Boris Groys said that art becomes politically effective only when it is made outside the art market in the context of political propaganda. He uses the former Socialist countries and the videos or posters issued in the context of fundamentalist religious campaigns as examples. This argument is not without weight. The previously elusive street artist, Banksy, has ironically profited from his anti-capitalist work. Films have been made, books published, and, in a recent auction, over $600,000 gained from his art. Meanwhile, his female Afghani contemporary, dubbed the “Burka Banksy”, has been braving politics to spread her message. The mountains of Kabul are her canvas and they do not follow the logic of the market. Saleable contemporary art today is often created specifically with the new collector in mind. In an era where appreciation of art is measured in disposable seconds, the art market has little time to deal adequately with global politics.
Conclusion

The impact of trade on contemporary art production is double-edged. On the one hand, art is accessible to the masses and more varied. It is designed to appeal to the affluent international collector. This creates more diversity and choice. But the focus on the trade of art as a commodity does not sit well with the purist, aesthetic view of art as an influencer of social change. Paradoxically, the financial downturn and a fluctuating exchange rate system (amongst other factors) catalyzed this process. In the current political climate under-spending and reduced arts funding is prevalent, while the gap between poor and rich has widened. To satisfy the reputation-conscious collector the economic price of art has skyrocketed, while its cognitive, emotional and moral values have dropped. A lot of good, but not necessarily saleable, art now sits on the shelf. But while the cynics would have us believe that money is the raison d’etre that art craves, faith should still be kept in the lasting power of Baudelaire’s ideal of art, “the creation of suggestive magic which simultaneously contains object and subject, the world outside the artist, and the artist himself”. The magic still exists. But, with the vital interaction between the trade and academia having been eroded over time, we have to trust our own judgment, and not necessarily the new “market managers”, who are focused more on wealth and return, than the art. We have to trawl amongst those artificial gems for those unpolished diamonds in the rough.

Noor Kadhim. August 2012- with special thanks to Charles Pocock.

Endnotes
1. Marx, An Introduction to a Contribution to the Critique of Political Economy.
5. Artnet, Art Values or Market Values?
7. It closely followed the sale that same year of the triptych oil painting by Zhang Xiaogang at $54.7 million.

Acknowledgments
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- Picture of 12 Million Stuffed Shark on Page 1 courtesy of paperblog.fr
- Picture of roll of money on Page 1: courtesy of makemoneyonline.gb.net