

Talking Galleries
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Liina Raus gives insight into the Panel Discussion

NEW MODELS IN COLLABORATION: THE GALLERY AND AUCTION HOUSE RELATIONSHIP

TALKING GALLERIES (TG) is an platform for gallerists and art professionals to discuss and exchange ideas about new trends and issues specific to the art gallery sector. On the basis of collaboration between Talking Galleries and the Estonian Contemporary Art Development Center (ECADC), three participants who had previously taken part in the ECADC Gallerist Master Course in Tallinn got a chance to participate in the TG Barcelona Symposium in MACBA. I was one of the lucky participants and was asked to write about the panel discussion on auction house and gallery relationships. I have previously worked for four years for the Tartu Young Art Auction taking place in Estonia and now planning to open an art gallery.

In established art markets, there has been tense relationships between these two sectors since auction houses started to sell contemporary art in the 1970's mainly because price formation on auctions is very speculative and this may harm artists' careers. Auction prices, opposite to the gallery sales, are public and many buyers and also the press value the artist on the basis of his auction prices. Now there is a trend that high-profile former auctioneers are moving to more niche business such as the gallery sector, but there are also movements in the opposite direction, from galleries to auction houses.¹ This traffic of experience between galleries and auction houses arouse hope for better collaboration between the two sectors. On the other hand, in a fast-growing market situation, auction houses have come up with new services that compete with activities of art galleries like Private Treaty Sales, Art Advisory Services, Curated Selling Exhibitions and Spaces as well as recently Artist and Artist Estate Management Services. The threat that big auction houses would expand also to the primary market was discussed 10 years ago, after Christie's bought Haunch of Venison, operating also on the primary art market, in February 2007 and Sotheby's went public with a one-off primary auction, "Beautiful Inside My Head Forever", which sold work by Damien Hirst straight out of his studio for record-breaking prices in September 2008.² After these episodes, the main auction houses decided to remain focused on secondary market but their growth in private sales is now the main concern and competition for many galleries.^{3,4}

For discussing auction house and gallery relationships, TG had invited to debate some leading figures in the art world who have an experience from both the auction and the gallery side. Susan Dunne and François Chantal both worked for Christie's contemporary art department before joining with private galleries in 1990 and in 2004. Martin Klosterfelde closed his gallery in Berlin after 18 successful years, joined Philips in 2013 and in 2016, started to work for Sotheby's as Senior Director for Contemporary Art and as an auctioneer. Simon de Pury was Chairman and Chief Auctioneer of Phillips de Pury & Company between 1999-2013 and after that founded de Pury de Pury with an aim to facilitate the relationship between artists, collectors, institutions and art venues. In some way, all the three world-leading historical auction houses –

Sotheby's, Christie's and Phillips (all founded in London, in 1744, 1766 and 1796 respectively) – are represented. Over the past 10-15 years, these auction houses have aggressively opened new spaces in fast-growing markets of China, the Middle East and India. From the gallery side, Pace founded in 1960 in Boston is now representing more than 70 artists and estates, with galleries in New York, Palo Alto, London, Paris, Beijing and Hong Kong, and the Thomas Dane Gallery, considered as a mid-size gallery, operates in London since 2004 and is now representing 25 artists.

At the very beginning, moderator Jeffrey Bolted introduce some art market trends released by Arts Economics for year 2015 at TEFAF Maastricht in March 2016^{5,6}.

Alongside with the growth and concentration of global wealth, the total global sales value of art and antiques has increased almost 80%* (from 35,9 to 63,8 billion) in 2005-2015. During the same time, the volume of transactions increased only 35%, what means that the demand is bigger than the supply and the prices have been increased. After 2014 the sales have fallen 7% and the volume 2%. This drop is not to the lack of demand but rather the lack of supply because of sellers not putting their important and pricy works on auction so readily. Sales of art online have increased year by year, accounting for 7% of all global art and antiques sales by value in 2015. Post-war and contemporary accounted for the largest section of the fine art auction market, 46% by value. In 2015, post-war and contemporary sales fell 14% in value and there was a 20% drop in transactions. Dealers and private sales account for 53% of the market by value, while auction sales account for 47%. Susan Dunne stressed at the TG Panel Discussion that this data reflects mainly auction sales, because transactions made by galleries are not published. So it's actually not possible to get the whole picture. What Jeffrey Bolted did not point out from the TEFAF Art Market Report was that the US market made up 43%, British 21%, Chinese 19%, French 6%, German and Swiss both 2%, Spanish and Italian both 1% and the rest of the world only 5% of the world art market by value. News from the global art market and talks about it mainly reflect what is taking place in the capital centers of the US, the UK and recently in China. After the panel discussion, many questions were asked by precipitants who come from this remaining 5% – periphery of the art world, where an established roles discussed at the panel actually do not apply and the market situation is much different.

The “traditional” gallery model, so-called Castelli model (according to Leo Castelli, who opened his gallery in 1957 in New York), consists of a dealer representing a roster of artists.⁷ Galleries develop close contacts with artists and pay much attention to artistic production and supply. According to this model, long-term relationships (compared even with marriage) are valued and galleries are focused on creating stable long-lasting careers for artists and place the artists (and themselves) in the context of art history. They prefer to sell works to museums and collectors who appreciate and help increase the intellectual and cultural value of artworks over buyers interested merely in the works' investment value, while on the top of galleries' blacklists are new breed of dealers called flippers, like Stefan Simchowit. Flippers buy cheaply the works of young unknown artists, quickly promote an artist on the internet and through personal networks and sell its work on auction with a high price.⁸

Auction houses traditionally operate on the secondary art market, which involves the resale of luxury and art objects. Auction houses are focused on selling artworks at as high prices as possible on behalf of sellers and have little contact with artists. Auctions are liberal, whoever wants, can buy artworks, which make it a good playground for machinations and flippers. Auction houses validate prices for artists on the course of public auctions, prices are published in media, and prices breaking records make big news. On the course of a gambling competition between two or more bidders, the price of an artwork may rise abnormally high or the auction house estimates the work too high and it remains unsold. As it is a secondary market, artists directly profit very little or nothing from these auction sales. Of course they can increase the price level and reputation of an artist among those who decide about art quality according to its price.⁹ On the other hand, the art market has become very volatile. Example is so-called “zombie formalism” painters, such as Jacob Kassay, Lucien Smith and Parker Ito, promoted by Simchowitz. During 2012-2014 paintings by these under 35 year old superstar artist reached prices of between \$100,000 and \$245,000. In 2016 most of their works sold under \$30,000. This discredits art and artists who have become part of these money games.^{8,10} Record-breaking prices (like \$46.5m for Gerhard Richter’s 1986 oil-on-canvas, *Abstraktes Bild*) do not please, but rather horrors also the artists whose reputation is not threatened by the market manipulations. Gerhard Richter sadly recognize that often his works were among those bought as safe, tax-free capital investments and stored in art bunkers in east Asia or Switzerland.^{11,12} Auction houses are also seen as “bad guys” taking profit from the speculations. For example Christie’s buyer’s premium is 25% up to a hammer price of \$150,000, 20% up to \$3,000,000 and 12% beyond that.¹³ A fixed commission as a percent from the hammer price is also charged from sellers.

Actually no specific models for cooperation were suggested at the TG Panel Discussion. Main aspects of cooperation that were discussed concerned prices and the sale of the works by galleries’ artists on auctions. Good and early enough communication between an auctioneer and a gallerist representing an artist is essential to set the right estimate for the artist’s work on an auction. Also, the auctioneer should inform the gallerist early enough if there appears to be no preliminary interest in a work of the gallery’s artist before an auction, so that the gallerist could help find buyers for the work. François Chantal and Susan Dunne complained that they get often a phone call just a day or even a few hours before auction from an anxious auctioneer complaining that there is no interest in artist’s work and hoping gallerist to bid for the work that has by mistake been overpriced by the auction house. Martin Klosterfelde represented the ideal auctioneer, a good diplomat who keeps dialogue both with the artist and the gallerist while preparing for the auction to get the results that are pleasing to all parties.

Besides speculator-type collectors, even connoisseur-type collectors need to sell works on course of building up their collection and keep it fresh. So the auction house may connect with the gallery to ask if its collectors want to sell something interesting or the gallerist may contact the auction house to negotiate over selling the artwork behalf of a collector. Simon de Pury said that while he was an auctioneer, it was frequent that galleries also directly consigned to the auction house. A successful secondary market is actually also very important for an artist’s career and it has actually been problem, that most gallerists do not want to handle it.

Both Susan Dunne and François Chantala were very protective towards this “traditional” gallery model as more high-minded over services offered by auction houses. Galleries’ importance still lies in the long-term intellectual, organizational and financial effort they put into cooperation with artists. For galleries, a public failure is a bad or boring exhibition and gallery program, decision is made by art critics. For auction houses, a failure means bad sale results and what they choose to represent depends mainly on demand. Galleries represent real artistic production now (also much video, performance, installation etc) in a context created by the whole exhibition set-up, whereas auction houses sell mainly single works (as “objects of desire”) made with more traditional means (paintings etc) and do not take any risks. Simon de Pury said that his dream was to organize an auction with only video art, but it was impossible not only because of financial considerations, but also because failing to sell on a public auction harm an artist’s reputation.

The strength of auction houses over galleries lies in their very strong branding, well-developed online services and huge networks. For example, Christie’s has a global presence with 54 offices in 32 countries and 12 salerooms around the world including in London, New York, Paris, Geneva, Milan, Amsterdam, Dubai, Zürich, Hong Kong, Shanghai, and Mumbai, and selling exhibitions are held regularly throughout Christie’s worldwide locations. This also attracts new art buyers. According to Christie’s, 30% of all buyers in 2015 were new to Christie’s with many (20%) initiating activity through online auctions.⁹ I think besides marketing power, also the group exhibition format (a lot of artworks from many different artists) makes auctions easier to interact with for many new art buyers who has little previous contact with the artworld. Question is what kind of art the auction houses represent and what are the motives of these new buyers: speculation and profit, money laundering, status display or real interest in art? Some of them may want to start collecting art more seriously, go to gallery exhibitions and buy art from galleries?

I suppose for many participants, the talk was too focused on very top of the art market, on what is happening between these big auction houses and galleries working with the artists whose works are sold on these auctions. There are actually over 3,000 auction houses in the EU and over 20,000 worldwide.⁹ In many countries, there is no consistent history and no existing art market models, no waiting lists and no blacklists. Artists and gallerists from these parts of the world may be more open to cooperate with auction houses to build up their domestic and export art markets and support artists’ careers. These issues were not part of the panel and questions asked from auditorium actually remained unanswered.

As one gallerist from Istanbul gallerist said, auctions may be an important career initiative for artists from unestablished art markets. She brought as an example a Sotheby’s auction that focused on Turkish art. On small art markets, also galleries try to reach out to collectors who do not come to galleries through the auction format. Primary market sales through auctions also function, as pointed out by a Madrid gallerist Sabrina Armani working with an artist from the Middle-East, who proposed to put one of his works on auction to finance his exhibition. Also the Tartu Young Art Auction chooses works directly from artists and was established with the aim to grow interest in buying art and towards younger artists.

Players in the art world must constantly adapt to the changing market situation. It has changed a lot and nobody knows what is going to happen next. The “traditional” gallery model is noble, but does it survive? Ed Winkleman discusses how to navigate the art industry's strange new landscape.⁷ Simon de Pury also suggests to be open-minded, saying that what is important, is commitment to artists and all the art world players (artists, galleries, auction houses, museums etc) should not forget, that they actually need each other. The problem lies on what becomes more important art or money, money for art or art for money?

¹ <http://www.talkinggalleries.com/project/programme-2017/>.

Full videos of panels are available on <http://www.talkinggalleries.com/tg-tv/>

² Antonia Carver, Are Auction Houses Moving Onto Gallery Turf? A Roundtable – Bidoun, Issue 13, 2008 (<http://bidoun.org/articles/art-market-are-auction-houses-moving-onto-gallery-turf/>).

³ C. A. Xuan Mai Ardia, Curated private selling exhibitions at auction houses sweep the art world – Art Radar, 3.4.2015 (<http://artradarjournal.com/2015/04/03/curated-private-selling-exhibitions-at-auction-houses-sweep-the-art-world/>)

⁴ Anna Brady, What do auction house private sales mean for collectors and the art market? – Apollo, 4.8.2016 (<https://www.apollo-magazine.com/what-do-auction-house-private-sales-mean-for-collectors-and-the-art-market/>).

⁵ TEFAF Art Market Report 2015, Arts Economics publications <http://artseconomics.com/#publications>

⁶ Eileen Kinsella, What Does TEFAF 2016 Art Market Report Tell Us About The Global Art Trade? – artnet news, 9.03.2016 (<https://news.artnet.com/market/tefaf-2016-art-market-report-443615>).

**More than 150% increase presented by Jeffrey Bolted was reported in TEFAF Art Market Report 2014 over 10 years 2003-2013. Comparing data from two reports reveals significant correction of numbers: for example year for 2011 value of transactions is €46,4 billion in TEFAF Art Market Report 2014 and 64,6 billion on TEFAF Art Market Report 2016.*

⁷ Andrew M. Goldstein, Welcome to the Garden of Forking Paths: Ed Winkleman on How to Navigate the Art Industry's Strange New Landscape – Artspace Magazine, 7.12.2016. (http://www.artspace.com/magazine/interviews_features/expert_eye/ed-winkleman-magazine-interview-54454).

⁸ Richard Davies, Art Market vs. Predator – The Economist 1843 Magazine, 2-3.2017 (<https://www.1843magazine.com/features/art-market-vs-predator>)

⁹ Alessia Zorloni, The Economics of Contemporary Art Markets, Strategies and Stardom, Springer-Verlag, Berlin Heidelberg (2013) – Price as Indicator of Quality in the Contemporary Art Market on p 51-53, Estimated number of businesses and employees in the art market, 2011 on p 59.

¹⁰ Walter Robinson, Flipping and the Rise of Zombie Formalism – Artspace Magazine, 3.4.2014.

¹¹ Kate Connolly, Amount of money that art sells for is shocking, says painter Gerhard Richter – The Guardian, 6.3.2015 (<https://www.theguardian.com/artanddesign/2015/mar/06/amount-of-money-that-art-sells-for-is-shocking-says-painter-gerhard-richter>)

¹² Stefan Heidenreich, Freeportism as Style and Ideology: Post-Internet and Speculative Realism – Kunst.ee, 2016/4

¹³ <http://www.christies.com/>