3 Hard Truths About the Art Market: It's Nasty, Brutish, and Short-Sighted

by Ben Davis
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Lady Gaga performing with Francesco Vezzoli
(Charley Gallay/Getty Images North America)

You probably don't want to read another article on art and money. I don't really want to write one. But then again, I don't really want to read another article about how humans are destroying the planet. But it's a fact that they are, and until it is not, I am happy to see such coverage, when it appears.

I have three main points that I'd add to the recent onslaught of angry articles about money and its effects on art.

UNSUSTAINABLE CONTRADICTIONS

What are the two great and indisputable trends in art of the recent past? The first is for artworks to approach, more and more, the condition of pop culture. The scholar Johanna Drucker has dubbed this "complicit aesthetics." More art-celebrity team-ups of all sorts clog our mental space, and there are more and more massive art installations billed essentially as theme park attractions.

The *other* unavoidable recent trend is the craze for Art as an Asset Class (or AaaAC, as I prefer to call it).

Well, when you stop to think for one second, it is plain that these two trends run in opposite directions, held together in our minds only because the indispensable condition of both is the presence of vast amounts of money — either the money to create multi-million-dollar maximalist environments, or the money to gamble spectacularly at the auctions. But this is money spent to very different ends.

For art to function as an effective investment vehicle, it needs to increase in value steadily over a long period of time — decades. On the other hand, pop culture is by definition short-term culture, constantly changing and overwriting itself, the subject of explosive interest one second, a half-remembered curiosity the next. Mediating this tension is not impossible, but at a certain point, there is going to be some kind of breakdown.

Some such reckoning seems already to be happening in the case of Damien Hirst, whose recent works have disappointed when they hit the auction block — a fact which seems to stem from this very tension. “I think Hirst was a very good artist at the beginning,” Georgina Adam said, “but he has been a fabricator of luxury goods for a long time now.” While Hirst-ean theatrics may in the short term delight nouveau riche scenesters looking for crushingly obvious symbols of sophistication, it turns out that wedding your work to the conventions of mass fashion — which must of necessity constantly revolve — is not a great strategy for producing investment grade art.

If I were someone interested in contemporary art as an investment, nothing would chill me more than the fact that fashion brands are so obsessed with hooking themselves in to contemporary art. AaaAC.

INEQUALITY

When you hear talk of a “bubble,” it seems mainly to mean that commentators don't particularly *like* the art that is getting the most attention. Still, you must admit that there is a lot of frothiness in the art market, a fact discernible from the ever-growing number of cack-handed schemes to profit off of the art boom.

Quick show of hands: Who thinks the starfucking joke art of Francesco Vezzoli is one for the ages? Anyone? Well, if so, there is a French art exchange that will let you invest in "shares" of his work…

Nevertheless, we should be precise about what makes a bubble a bubble. Just because house prices are rising fast doesn't necessarily mean that there is a "housing bubble." It's hard to say what a "normal" house price is, but there are various factors that you can look at, among them the average family income in an area and the relative cost of renting. If prices soar way above all such possible rational measures, then you are likely in a bubble.

So, what is the underlying constant that determines "normal" art prices? In the artist Andrea Fraser's great text, "L'1%, C'Est Moi," she quotes a study by three economists who attempted to find an answer to just this question. They found that

> a one percentage point increase in the share of total income earned by the top 0.1 percent triggers an increase in art prices of about 14 percent… It is indeed the money of the wealthy that drives art prices. This implies that we can expect art booms whenever income inequality rises quickly.

If the rich get richer, they will spend more on art. Art-buying serves a real purpose for this class: It lets them buy into a cosmopolitan new elite, and makes them look marginally more appealing, to the public and to themselves. As an investment, art is therefore a gamble by the already super-rich that their own wealth will continue to grow.
So is it a boom or a bubble? Depends on what you mean — but we should admit that the perilously surging inequality that is driving it is a real factor, not an imaginary one. This also makes its limits clear: Prices may rise until either a) the cravenness and ideological insanity of our leaders triggers another large-scale crisis like the one of 2008, rebounding on the One Percent (which looks sadly all too possible), or b) citizens actually manage to pressure governments to tilt the balance of forces away from the super-rich (which right now doesn't seem to be happening, but who knows?).

TERRIBLE PEOPLE

Which brings me to my third and final point, which stands quite apart from the question of art as an investment, and explains why, I think, all the recent angst actually is healthy. The issue has become confused, I think — maybe even willfully confused by people who want to deflect the conversation.

What makes the regnant art-and-money culture problematic is not that it is vulgar. This seems to be why ad mogul Charles Saatchi has declared himself against the contemporary art market, for one, but this kind of criticism bleeds quickly over into outright snobbishness. Art critic Dave Hickey just wishes he could just go back to being an old-fashioned “elitist.” But are the gawking masses clogging up the aisles of Art Basel Miami Beach worse than the hordes of tourists clogging MoMA? Probably — but they’re on the same continuum.

The problem with the art-and-money culture is also not “commercialism.” I’m pro artists getting paid for what they do. No commentators, as far as I can tell, had much of an objection to Herb and Dorothy Vogel — New York’s proletarian art collectors, he a postman and she a librarian — and if you watch the documentary about them, you find plenty of artists who say that a few hundred bucks from the Vogels came at just the right moment.

However, one of the effects of mounting inequality is that it decreases the number of potential Herb and Dorothys out there, as the middle class's incomes stagnate and the wealthy bid up precious resources. “The upper middle class has not been able to keep pace with the wealthiest buyers, and therefore the middle of the art market has been the worst affected by the most recent financial crisis,” Ben-19076">Benefit-the-art-world-after-all" style="line-height: 1.5;">art market expert Clare McAndrew wrote not so long ago. And the real reason why today’s art-and-money culture is objectionable is that the people who have consolidated their power — over the art world and the real world alike — are quite often *really terrible people*.

“Oligarchs and Dictators Are Not Cool” is number five on apostate art journalist Sarah Thornton’s “10 Reasons NOT to Write About the Art Market,” which caused a sensation last year. True enough, but I actually think Thornton is hedging a bit, ejecting her angst onto the Russians and the Middle Easterners, your Roman Abramovichs and Saif Gaddafis. But, you know, financial sharks are not cool either. When art collector Steven Cohen didn’t appear at Art Basel Miami Beach this year, this absence was considered to be crucial enough to the art market that the New York

Times ran an entire feature on it. In it, mega-dealer David Zwirner gives the following quote:

> “This man is a friend of mine. I called him last week — 'How are you? What’s going on?' I think the art world is rooting for him. I’m rooting for him. I wish he were here right now.”

I’m sure Cohen is perfectly pleasant (Vanity Fair once called him “unpretentious,” despite a temper routinely described as “volcanic”). He certainly has serious taste in art, and is not among the vulgar masses clamoring to jump the VIP line. But Zwirner's statement, while having the virtue of being honest, is repellant.

The reason that Cohen was rumored to have skipped Miami was that his gargantuan hedge fund, SAC Capital, is alleged to have reaped hundreds of millions in gains through insider trading. A half dozen people from the firm have been indicted or convicted already. The hedge-fund industry’s *own regulatory groups* flagged over 80 counts of suspicious trading at SAC starting in 2002. (The charges are considered damaging enough to its reputation that SAC has just warned its clients that it is bracing for major withdrawals of funds.)

I have no idea if Cohen is personally guilty of crime. But if for once the watchdogs did their job and went after financial law-breakers before they potentially brought down the world economy, I’m all for it. I’m not “rooting” for Steven Cohen.
In a Reuters story from last year — the same story where Cohen is revealed to be “not well-versed in SAC Capital's own internal compliance manual” and quoted as saying that he considers the definition of insider trading to be “vague” — the mega-billionaire said that he was being advised by a PR firm on how to soften his image. Well, I guess softening the images of the unlikable rich is one of the classic functions of art collecting.

Maybe that points to a new theory of the art boom. Maybe it's not correlated merely to how rich the super-rich have become, but also to how ill-gotten their gains are and how much, therefore, they feel they have to compensate for. But personally, I feel that art is too important to become PR for tycoons, no matter how much they want to pay to make it so.

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