

# The Trickle-Down Delusion: Why Policies Friendly to the Super-Rich May Not Benefit the Art World After All

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Given the terrible state of the economy for ordinary people, and the gravity-defying bonuses continuing to batten Wall Street, most folks would probably agree that trickle-down economics doesn't work. Wealth doesn't trickle down — it congeals. And yet, if there is one place that you might actually argue that wealth has, in fact, "trickled down," it is the art world. Give more money to the rich, and they will spend more on art. And so, in the long decades since Ronald Reagan started preaching this gospel, as income for average families has stagnated and inequality has soared, there has also been an unprecedented expansion of the art world.

In [a recent Artnet article](#), critic Eleanor Heartney described being at at some art party and bringing up the need for more progressive economic policies, only to be cautioned that what is good for the rich is good for the art market. Because this received wisdom is so pervasive

— [I myself have followed](#) this line of thought before — it is important to note that the actual situation is in fact more complex and precarious.

To get a sense of this, Clare McAndrew's "[The Role of Art & Antique Dealers: An Added Value](#)," a recent research paper based on a survey of global art and antique dealers, is worth a read. You can quibble with some of the details of McAndrew's work (I think she overstates the degree to which the Chinese Contemporary boom has been driven by Chinese collectors, for instance), but overall the study does yeoman's work in giving some sense of the real stress beneath all the happy art-market talk.

First of all, McAndrew's report reminds us that, just as the economy as a whole is marked by sharp inequality, so is the art economy. Of the world's more than 375,000 art and antiques dealers, a mere 5,000 are responsible for fully half of all sales. And the average dealer isn't exactly cleaning up, either. McAndrew's best guess for a global average annual dealer revenue is €60,000, or about \$87,000 at the current exchange rate. Buying a huge boat is not the primary motive of most dealers, believe it or not.

This total, of course, is skewed by the international nature of the sample, and cannot possibly be true for an art capital like New York, where this wouldn't even cover rent on a storefront. One local observer hazarded that probable intake for a successful "emerging" New York gallery would be in the ballpark of \$200,000 to \$1 million per year, with expenses starting at \$216,000 to \$432,000 and rising sharply as the gallery expands. Which, if true, means that quite a few galleries are operating at a loss. (If you want a sense of what this looks like from the inside, have a peek at Judith H. Dobrzynski's [recent report on the Ramis Barquet bankruptcy](#)).

Because top galleries are the best equipped to attract the wealthiest clients, the effects of economic stress are not distributed evenly throughout the art sphere. "Some dealers noted that wealth has become much more polarized at the top end in the last decade, with the super-wealthy remaining as the primary buyers in the market after the recessionary period from 2007 to 2009," McAndrew relays. "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."

We think of the recent decades as an unprecedented time of growth for the global art market. Surprisingly, then, according to the dealers McAndrew talked to, this same period also corresponds to a time of increasing anxiety: "While dealers had ups and downs in the

market, most agree that they had 'a good ride' up to the 1990s, but then lost buyers, and now actively struggle to make money in a competitively challenging market place." Some of this has to do with a dwindling supply of market-ready Old Masters and antiques, but much stems from side effects of the same freewheeling economic policies that made the recent decades of neoliberal economic expansion possible in the first place: the consolidation of corporate power and the globalization of wealth.

According to McAndrew's estimates, the aggregate global art and antiques sales in 2010 stood at €43 billion (about \$62 billion, comparable to [Microsoft's 2010 revenue](#)), with €21.9 billion (\$31.5 billion) being sold through dealers and €21.1 billion (\$30.4 billion) going to auction houses — a dead heat. Dealers compete for goods and clients with corporate giants like Christie's and Sotheby's, who lead in marketing, technology, and sheer scale. This conflict, by all accounts, has gotten livelier over time. Christie's honcho Amy Cappellazzo may have backed off [her much-repeated quote](#) that auction houses are "the big-box retailer putting the mom-and-pops out of business," but this is certainly how many dealers feel.

As for globalization, much of the new art money is coming from places like Asia, Russia, and the Middle East. Consequently, there is escalating pressure for dealers to be more global if they don't want to fall behind. McAndrew says that for a successful gallery, the current norm is for something like 28 percent of sales to be made outside of the home market, which is part of why the indisputable trend for big galleries in recent years has been towards international franchising.

This combination of factors, finally, leads to McAndrew's most provocative bit of prognostication, that we are in the midst of a shift to an "event-driven marketplace" — that is, an art economy oriented around art fairs rather than physical gallery spaces. The rise of fairs since the turn of the millennium has been both a proactive way for galleries to tap into the global market, and a defensive reaction against the auction houses, attempting to offer the same frenzy and concentrated, champagne-popping glamor of a Christie's evening sale, to court fickle new money. This has, on the whole, been a successful strategy — but it is also a "necessary evil," since the requirement to participate in the international art fair circuit raises the cost of business.

As it becomes more and more dominant, the "event-driven marketplace" is bound to increase the expenses for galleries, sharpening the stress in an already stressed gallery ecosystem: "Many dealers commented that the expenses to run a gallery (especially when traveling and attending fairs) are not justified relative to the sales made via this channel.

(Some dealers reported that their gallery sales had fallen to as low as 5% of total sales)." At any rate, something, eventually, will have to give.

The upshot of all of this? Those who think that the policies consolidating the power of the super-rich can only benefit the art world as a whole might think again. From the outside, the art world may seem insulated from general economic turbulence, floating in its own space above developments that have made life harder for the majority of people. But the one world does reflect the other, albeit in a distorted way. We always knew that "trickle-down economics" was a kind of hocus pocus, but we might do better to remember a phrase from astrology: as above, so below.

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