

# Day 11 - Nicholas Krislov

The art market had shockwaves going through it when the world found out that Sotheby's and Christie's, the two foremost art auction houses were colluding to fix commission rates and buyer's premium rates. The justice department showed there were at least twelve meetings between the heads of both auction houses, and many secret meetings used to discuss rates and competition. The news of this heavily affected the art market, and even employees reported feeling ill from the betrayal (Stewart).

The interesting part of the scandal is that before the price fixing, the rates were not done in an appropriate way either. Auction houses would essentially bid for business themselves by appealing to the seller, often donating to a possible seller's charity to win business.

Despite the scandal, many aspects of the auction system remained the same.

One would expect that after the price fixing scandal, collectors and sellers would feel betrayed. The high-end art buying community is relatively small, and a backlash in confidence could drastically affect business. However the scandal did little to bring down business. In 2010, Christies sales totaled over 3.3 billion British Pounds. The auction houses had little effect on the confidence in their business. In fact, in 2007 the auction houses expanded into the primary market, acquiring private galleries.

The buyer's premium which is a fixed percentage of the auction price to be tacked on to the sale is not only here to stay after the scandal, but is being expanded upon. There is a currently a bill proposed in Congress which would set a percentage buyer's premium charge to be dispersed from secondary market sales to the original artist (if living).

My question to the class is how do you force fair rates in a two competitor system? There is such prestige at being sold at one of these auction houses that an emerging auction house might not even have a chance to compete.