

Day 11 - Dalanda Jalloh

The price-fixing scandal involving Christie's and Sotheby's did not seem to have any significant effect on the perception of the necessity of the auction house when it comes to conducting business in the art world. After the scandal it seemed that those individuals who were significantly hurt by the scandal, were the head officials in charge of both Christie's and Sotheby's in addition to the sellers. Ashenfelter's paper about the scandal concluded that the buyers would not have been injured by the price-fixing. For most buyers and sellers, the claim was that the effects of increased commissions would have a minimal effect on buyers, with the incidence falling primarily on the sellers¹. Sellers had to pay higher commission rates on subsequent sales that they made, and were clearly hurt in this price-fixing conspiracy¹. In addition to sellers, Sotheby's as a whole, was hurt by the \$45 million criminal fine and \$256 million fine for damages during the process. Other individuals hurt by this scandal were Alfred Taubman, who was convicted of price-fixing and sent to jail, Anthony Tennant who resigned as the chairman of Christie's at the end of his term. The resignation had nothing to do with the price-fixing. Dede Brooks avoided jail but was sentenced to three years probation, six months house arrest, 1000 hours of community service, and a \$350,000 criminal fine. It seemed as though because the buyers didn't lost that much, they still had faith in the auction system. However, sellers were likely much more reluctant to conduct business at auction and looked to sell their works elsewhere¹.

The reputation of the actual auction house itself was tarnished yet this also did not seem to lead to any negative impact on Christie's. After the scandal, the first major auction held in May 2000 was still able to get good prices for the works of art sold that day. It was documented that a surrealist and modern art assembled piece by Rene Gaffe, a Belgian mogul, sold for \$73.3 million, almost twice it's estimated value². Even Sotheby's was able to sell successfully after the scandal. Sotheby's was able to obtain record prices after the sale of Impressionist and modern art that was sold in a New York sale. Because of this, nothing much has changed about the auction house. It is remarkable that the players involved can commit crimes, and seemingly get away with punishments that don't seem worthy for the crimes they committed. It seems as though the scandal shows that the auction is still necessary. Despite all the negativity associated with breaking the law, people still returned to the auction, still sold and bought pieces, so clearly there is a need for the auction. People still use and benefit from its existence so I think it will be around for some time.

I believe that the art market could do without the auction, however the sales process of art would likely be much slower, and possibly less organized. One of the advantages of the auction is that it allows one to avoid the time-consuming politicking expected by primary dealers, who, in the interests of building their artists' careers, try to sell only to collectors who have the right reputation. Artists too would likely have a difficult time selling their pieces³. Many artists claim that selling their pieces can be a depressing activity. Because they are associated a monetary value with their pieces the process is comparable to selling one of their children. Essentially it is a difficult process that is avoided via auctions. So with auctions, sales seem much more straightforward and emotionless. Without the auction, it is likely that selling are would become more tedious, time-consuming, and emotionally draining.

References:

1. Ashenfelter O, Graddy K: Anatomy of the Rise and fall of a Price Fixing Conspiracy: Auctions at Sotheby's and Christie's. *Journal f Competition Law and Economics*, 1:3-20, 2005.
2. <http://www.icmrindia.org/casestudies/catalogue/Business%20Ethics/Business%20Ethics%20-%20Ethical%20Issues%20at%20Christie.htm>
3. Thornton, Sarah. *Seven Days in the Art World*. New York: W.W. Norton, 2008. Print.