

# Day 11 - Charles Saunders

It is clear that the auction houses Sotheby's and Christies have a near monopoly on the secondary auction markets in the art world, and basic economics can show that monopolistic forces rarely, if every, push production and allocation of resources towards efficiency, and instead product net welfare loss, called dead weight loss, which is the foregone benefits in production had a system of perfect competition been in place. However, it was clear that in this case, the sellers would be the ones suffering the value losses, as the auction houses conspiracy for higher commissions fell on the vendors, instead of the buyers. Auction houses and the players involved were subject to significant fines, to the extent the the players deemed responsible were removed from management positions and a strong precedent was set for future transactions. The effect was almost negligible on contemporary auction processes, as the market quickly recovered and the primary auction houses continued to draw higher premiums than ever before. While the main players faced criminal retribution, as they should, the auction house as an art market staple faced little to no degradation

The art auction process, while seemingly immoral and useless, does actually add a very valuable characteristic to the art market, which is an indicator of liquidity. The auction process creates market value for artists, brings together buyers and sellers, and sets market prices in the most efficient way possible. In the ideal world, there would be many different auction houses, more varied than simply Sotheby's and Christie's, which would add competitive value to the marketplace and help arrive and efficient prices and indicators of value, and so the best consequence of the price-fixing scandal is the economic necessity for other competitors, who advertise their impartiality and objectiveness in determining prices, to enter the market--only with the maximum number of intermediaries can the art market truly function efficiently with the greatest store of value and allocation of resources. If anything, the scandal has positive repercussions for the art market, as it strongly incentivizes increase transparency, accountability, and objective analysis in the market as a whole and in the eyes of the ultimate consumer.