

Day 11 - Elena Cestero

It seems that the price-fixing scandal involving Sotheby's and Christie's has not changed the perception of the auction house as an important player in the art market. Despite the highly publicized events, the power of the auction house has not declined nor has the popularity. While the case had the potential to bankrupt Sotheby's and completely change the dynamics of the auction house "duopoly" to a monopoly as well as turn buyers off to the auction process, it did not.

The perception of the art auction system has been almost entirely informed by the two-party relationship between Christie's and Sotheby's from their creation. Had Christie's managed to eliminate Sotheby's and essentially create a monopoly, the consequences may have changed the position of the auction house in the art world by eliminating the already scarce competition and driving up prices even more. Through negotiations and cooperation with the lawyers handling the civil suit for Christie's and Taubman paying a substantial portion of the settlement, Sotheby's managed to survive.

As concluded in the paper by Ashenfelter and Graddy, the price-fixing had minimal repercussions for buyers and so the demand by buyers on the market was not significantly affected. If buyers had been seriously injured I think there may have been an outcry that could have damaged the auction houses. While the sellers were injured as well as the individual players at the top (Tennant, Taubman, Davidge, and Brooks), the auction houses themselves managed to maintain their reputations as a whole.

I think that it is possible for the art market to continue doing business without the auction house but I do not think it would manage as effectively (or lucratively). Buyers and dealers would have to put much more of an individual effort into finding the art that they wanted or patrons to sell works to. The auction system is very convenient for most of the parties involved and keeps the art market moving at a swift pace. It would not be in the interest of these parties for the auction houses to disappear, and I believe this is a significant reason for the houses coming out of the scandal relatively unscathed.

I think that all the discussion of antitrust law is ironic when the power held by these two auction houses really amounts to a monopoly to begin with. As they are, I do not know that Sotheby's and Christie's would meet the criteria of open competition as defined by the Sherman Antitrust Act. For example, antitrust law was used recently (and successfully) to [block AT&T from acquiring T-Mobile](#) in what would result in the narrowing of the cellphone market to three main providers which would decrease competition. If this is the case for the cellphone market (as well as many others), how can it be that only two auction houses are allowed to influence/control the art market unchecked?