

Day 11 - Christina Chaplin

The Sotheby's-Christie's price-fixing scandal in the 00s sent shock waves through the art community. It was almost unthinkable that these trusted places of commerce could be working in tandem to injure their wealthy clients and reap profits from the damage done. Part of the shock was due to the public nature of the dealings of these houses. Unlike other corporations who make sales in conference rooms, on golf courses, and behind closed doors, the auction house has a reputation for supposed transparency. What you see is what you get, and what you bid is what you pay (accounting for the premium of course). The unseen part of the business, the one powerful employees attempted to manipulate in their favor, was the seller. The seller has to have incentive to sell from one or the other if at all, and this is where the auction houses competed most heavily. In the market downturn of the 1990s, both firms were making significantly less money because of the funds going to lure in potential sellers. The houses were donating large sums to charities and negotiating commissions to practically zero to gain advantage. It seems that at this stage, the two companies, under the direction of Taubman and Tennant, and later Taubman, Davidge, and Brooks, decided it would be more favorable for both firms to fix their prices and eliminate a degree of competition while maximizing profits. When caught, the entire collusion came unraveled and the firms paid upwards of \$250 million each in damages from a civil suit.

It seems to me that despite the incredible abuse of clients and employee relations in the price-fixing scandal of Sotheby's and Christie's, both auction houses continue to thrive in an economy where culture and social status can go to the highest bidder. The continuation of their legacy after such a political affront appears to be due to an economic tone of the times which equates the sale of art to money and values art by how much it can sell for. In earlier times when thoughts about the value of work were less about making an investment, this kind of scandal would have put both houses into disrepute by their main clientele, the wealthy and prideful. But current times seem more over run by a new kind of buyer, the wealthy and savvy. These new investors have less concern about saving face and more concern about making the most of their investments.

Additionally, if the auction houses, as they exist today, were to go out of business, that would mean bad news for many of the investors who have bought and especially for those who have sold on this market. Other venues for selling art are less democratic, or capitalistic in a sense, because dealers, galleries, and even trading collectors all rely on the symbolic and cultural value of their art (which they give it by NOT selling it). Many of the people who buy at auction on the secondary market, would not be able to make successful purchases on the primary market or even the secondary market run by primary market galleries. Gallery owners and dealers often will sell a work at a lower price into a better collection or institution instead of taking the high price and risking that the work be resold quickly (and devalued culturally).

In a world without auction houses, the idea of art as investment would be less stable and less publicly displayed. It would therefore be a less desirable draw and the infrastructure supporting the market at such record high levels would collapse. The art market, I would say, would return to a more discreet and eccentric group of buyers and aristocrats. The art auction houses add an element of certainty to the prices of works of great art and allow for the valuation of works to come. This is partially through practices of buying in art to prevent it from going unsold at an auction and from the establishment of secret reserve prices set by sellers who wish to insure the value of their art is retained. However, even if the formal auction houses were to collapse, there is reason to believe that they would simply be replaced by an underground alternative. Even before prosecuting the auction houses, the Justice Department was investigating the occurrence of "ring" bidding, where dealers agree not to bid against each other to acquire a work cheap from auction, and then hold a second, secret auction for only dealers.

<http://www.artinfo.com/news/story/24595/taubman-memoir-offers-take-on-sothebys-scandal>

<http://nymag.com/arts/art/features/30620/>

<http://www.time.com/time/magazine/article/0,9171,996261-2,00.html>