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Renoir, in recognizing the competence of the Hotel Drouot, is merely being shrewd and sensible. If he had left the verdict to contemporary critics and depended on what official mandarins and arbiters of taste had said at the time, he and his Impressionist friends would have come off very badly and lost their case. The sale room public thought otherwise.

—François Duret-Robert
"The Verdict of the Sale Room"

THIS CHAPTER is about the uncertainties of art, attribution being the most important; about the misconceptions entertained outside of the market but within art circles of how it operates and the effects of regulating it; and about what the prudent buyer whether he is interested in art or money or both will take note of if he wishes to invest, to speculate, or to enjoy art.

The most common uncertainty about art is its authorship, and it also is the most important. We want to know who did what. As the Jamaican guard at the de Young Museum said to a visitor, "You want know who make that?—J. S. Copley!" So the museum must have believed if it identified the work (Mrs. Daniel Sergant) as being by Copley. Museums become more conscientious about attribution as time goes on, and the market does also. Both testify to the
accumulation of knowledge, to the increase of interest in art, to the
competition to satisfy that interest by the market, by scholars, and
by museums, to the rewards for providing accurate information, and
to the penalties for failing to do so. Yet even the purest conscience
is fallible, and uncertainty can only be reduced, not eliminated.
There is a cost to reducing it and another cost in bearing what re-
 mains.

Of course there is certainty about some works of art. or, more
accurately, about some aspects of some works. No one doubts that
Michelangelo did the ceiling of the Sistine Chapel and the altar wall.
But there is disagreement over what the colors were now that the
ceiling is being restored. It is not on the market, to be sure. Yet it is
available for commercial use. A Japanese television company is pay-
ing for the restoration and must expect a return of some kind.

While there are no doubts about the work of Michelangelo, there
are about that of other giants of painting and of painters of lesser
standing. A celebrated instance is Leonardo. In the 1920s Joseph
Duveen, the dealer, scoffed at the claim made by an American
woman that she owned La Belle Ferronière, and she brought an
action against him. Expert opinion, most of it, agreed with Duveen
that the original was in the Louvre, and Berenson testified on his
behalf. The lady persisted and in the end received an out-of-court
settlement from Duveen.¹ There have been doubts about attributions
to such leading figures as Dürer, Grünewald, Holbein, Cranach, Ver-
meer, Rembrandt, Rubens, and others. Some of the doubts were later
shown to be well-founded.

ATtribution AND FRAUD

One consequence of uncertainty is that it invites fraud, which takes
many forms, from simply lying about the authorship of a painting or
changing or adding a signature, to making a copy and claiming it is
the original, or making an original painting and attributing it to a
valuable name. This does not mean fraud is more profitable in the
market for art than elsewhere, because the rate of return from dis-
honesty should be the same everywhere after allowing for risk. What
is meant is that art provides more opportunity for fraud than some
other kinds of economic activity, hence there is more of it relative to
the money value of transactions, hence there is a greater risk of loss
per dollar exchanged. The buyers who make the market must be
aware of the fact, because it is valuable information, and they will
offer less for paintings than for goods that are not as risky. The
amount by which their offer is less will vary directly with their esti-
mate of the risk and with the aversion they have to bearing it. Some
of the buyers are dealers who expect to resell to buyers as knowl-
dgeable as themselves. They may all of them be mistaken about how
risky particular attributions are, but there is no reason to think they
all err in the same direction.

The risk is important enough to engage the interest of the police.
At the 1983 World Art Market conference, the topic of one session
was "Fakes, Forgeries, and Thefts," and the speaker was W. E. Mar-
tin, Detective, Los Angeles Police Department, Burglary Special Sec-
tion, Art Theft Detail. Scotland Yard has an Art and Antiques Squad.
The French police have long attended to crime in art, more so than
the police of most countries since France has more laws affecting it.
In the Foreign Ministry of Italy, there is the Delegation for the Re-
trieval of Works of Art, and the head of it has cabinet rank. It is more
concerned with theft than with forgery. The reason may be that
stealing art in Italy is easier than forging it.

In the United States, the extent of fraud seems to be exaggerated
by outsiders who look in on the world of art, that is, by the people
who read, talk, and look at it more than they buy and sell it. They
have a keen interest in deception, and the market does what it can
to satisfy them. So one concludes from noticing the books on the
subject and their titles, for example, Frauds, Fakes, and Reproduc-
tions (Savage), Forgers, Dealers, Experts (Schuller), The Art of the
Faker (Arnau), The Art of the Forger (Dutton), Paintings: Genuine,
Fraud, Fake (Marijnissen), The Fabulous Frauds (Jeppson), or simply
Fake! (Irving). The activity is amusing, except to those who lose by
it, while honesty is less interesting if it is interesting at all. One looks
hard and long for titles like Honesty in Art, The Dealer of Square
Deals, Authentic Auctioneering, Truth in Attribution, Successfully
Scrupulous: or, It Pays to Come Clean. One will also look to no avail
because the titles are imaginary.

Is honesty less interesting than roguery because honesty is more
familiar, and more familiar because it is more profitable? Who would
be diverted by a letter of Rubens in which he promises to paint a
picture in its entirety, and not just design, supervise, and put on the finishing touches (which he acknowledged he did with some works)? On the other hand, who would not be amused to read, "According to the enlarged edition of his oeuvre catalogue, Corot painted over 2,000 pictures. Of these, more than 5,000 are in the United States." Who would not be diverted by the tale of the impudent forger who imitated Marc Chagall? He was brought to trial, and Chagall (to the consternation of the prosecution, no doubt) testified that one of the paintings on exhibit was not a forgery but had been done by himself. The accused (for whatever reason) said, No Maestro, you really didn't—I did.

Even more like the work of the master himself—in this instance, Vermeer—were the paintings of Han van Meegeren in Holland. He sold one to an agent of Hermann Goering when the country was occupied by the Germans. After the war he was arrested for collaboration and for the export of a national treasure. The authorities were of the opinion that the painting had been done by Vermeer and was similar to other "Vermeers" which van Meegeren had painted and which had been acquired by Dutch museums in the belief they were authentic. He protested his innocence on both counts, asserting he had not collaborated with an agent of Goering but had swindled him and that he had not exported a national treasure but a forgery. He was not believed, however. A Dutch museum had made a chemical analysis of its Vermeer/van Meegeren and had concluded the paint was the kind used at the time of Vermeer and no longer used when van Meegeren said he had painted the picture. He offered to demonstrate he could paint like Vermeer and did so while imprisoned. The charges against him were changed to forgery, he was found guilty, and given the minimum sentence allowed by law. By then he was quite ill and did not live to serve the sentence.

The episode shows the limitations of expert knowledge and also shows, since some experts continued to believe the paintings were not forgeries, that expert opinion is not always unanimous at any one time let alone over a period of time. These limitations are a more important reason than forgery for the uncertainty of the art market. So one may infer from the fact that when attributions are changed, the stated reason seldom is forgery. Fraud occasionally is the reason, but the more common reason is new information about the painting or the painter, his contemporaries, or the history of the ownership of the work.
HOW UNCERTAINTY IS MANAGED

The market is aware of uncertainty. Buyers, sellers, dealers, and auction houses do as much as is worth their while to reduce it by collecting information and by making it known (a distinction that is not trivial). There are people who specialize in collecting it. Art historians do, and some are prepared to make a written declaration of authenticity. Alvar Gonzalez-Palacios, a historian of the present, states that Italian scholars have sold thousands of such declarations of which "a great deal [is] rubbish masquerading as the genuine article." That is an implausible (and redundant) statement. It claims the buying side of the market is permanently ignorant, deceived not by just an occasional certificate but by "thousands," while the selling side is permanently informed. Since dealers buy as well as sell, just how do they account to themselves for themselves, that is, how does the inner man reconcile the innocent who is the buyer with the sharpster who is the seller, when both are the same person? Or are the certificates believed only by people who are not dealers? If so, why has no enterprising person offered to inform the buyers of what they ought to know and what they certainly would find worth paying for? Moreover, this profitable enterprise in selling information should elicit competition and in time would be no more profitable than any other use of labor and capital. Señor Gonzalez should know that ignorance is like innocence: once lost, it is never recovered.

Among the art historians who have provided the market with information, the most eminent was Bernard Berenson. For many years he advised Joseph Duveen, mainly about Italian painting, and received a commission from the sale of works about which he gave an opinion. The detractors of each have been numerous. Having disposed of Duveen some time ago, they turned on Berenson and they include people to whom he was hospitable, gave advice, instruction, and assistance in their careers. A recent detractor (not, as it happens, one of the ingrates) is Colin Simpson. He learned that Berenson and Duveen had signed a contract and he cited the secrecy of it as evidence of intent to deceive. Actually, most of Berenson's attributions have been endorsed by later historians, and that is all the more remarkable in view of his having had less information than they. He made some mistakes, but there is no evidence they had an upward bias (which Simpson, to his credit, acknowledges). Some reduced the
price of pictures and along with it the commission he received from their sale. He wanted to be accurate, he insisted, and said he would be most useful to Duveen when he was. He also wanted an honored place in art history and to be remembered. That his interest lay in being accurate should be obvious.

Duveen no doubt preferred to have a painting attributed to a more important artist than to one less important, and Berenson probably had the same preference. So did the museum people who consulted him. John Walker—who was a protégé of Berenson and always loyal—wrote in his autobiography of asking him to affirm the attribution he had made of an Adoration of the Magi. Berenson, at a time when other historians had attributed the work to Filippo Lippi, had said it was by Fra Angelico. Walker asked him to repeat the attribution because a donor had promised to buy the painting if it was by Fra Angelico and to give it to the National Gallery of which Walker was director. Berenson, much to Walker's surprise and dismay, said he had changed his mind and now believed as others had that the work was by Filippo Lippi. Walker pressed him to reconsider and himself adduced reasons for an attribution to Fra Angelico. At length, Berenson said, "Johnnie, I do think that just before he died Fra Angelico may have painted one or two of the figures."6 The painting teems with figures, and the "one or two" that Fra Angelico "may" have done are a small part of the multitude unless they were two of the magi, which (one suspects) would have been mentioned by Walker if they were. The label on the painting now attributes it to Fra Angelico and Filippo Lippi. The account, inter alia, is a morality tale, namely, self-interest operates in the nonprofit sector as well as in others.

Information that bears on attribution is also available from private enterprises, the most familiar being the many periodicals about the visual arts. There also are firms that sell it, not clandestinely, but openly and advertise that they do. In Art and Auction, a monthly, there is an “International Directory for Collectors” that includes information for sellers, dealers, and museums. One section lists the services of consultants. Some specialize in identification. Others are advisers, appraisers, promoters, exhibition coordinators, or auction bidding agents with expertise in Chinese porcelain, Fabergé, Eskimo art, and so forth. The directory also lists the names of people and firms that provide financial services (installment loans to collectors, investment banking services, the financing of purchases); insure art;
pack, ship, and store it; see it through customs; and the many that frame it. Even more important is information about where buyers and sellers are. The directory includes a section on shows and fairs and another on the location of dealers and auction houses in the principal countries of the world.

Not all of this information has to do with authenticity, but all has to do with factors that affect the transactions costs of the art market. To a collector, they are the costs of buying a work which are in addition to its price. To a seller, they are among the costs that make his net return less than the price paid by the collector. In all markets there is an effort to reduce them. Information can do so, and there is a market for it, as well as for the art which it is about.

About the authenticity of paintings, the market reports information that is analogous to the grading of goods in other markets. Mention was made in chapter one, on value, that in both art history and the market there is a classification of works according to their authenticity and that the classifications resemble each other. The market classification was taken from Art Prices Current. An instructive example is also provided by Richard Hislop in his book on auction prices. He states auction houses may indicate their judgment of the authenticity of a work by the way they state the name of the painter in the sale catalogue. Consider the work of Ommeganck, a Flemish landscape painter (1755–1826). When his name appears in its entirety, which is Balthasar Paul Ommeganck, the work may be considered authentic and the attribution as certain as it can be. If his name appears as Ommeganck, B. P., the attribution is not certain but one may have more confidence in it than if the name appears only as Ommeganck. If the name is followed by “circle” or “style” or “studio” or “after,” the work is not believed to be by Ommeganck. Nevertheless, the information is important, obviously so to historians of art (although Ommeganck is not a good example since he has attracted little attention). The information also is important to buyers and sellers. A work from the studio of the painter is more valuable than one done by a member of his circle, and a work of the latter kind is more valuable than one done in his style. This supposes of course that other things are held constant (size, subject, period, condition, and provenance). It also assumes that attribution affects value.
Does it? The evidence shows it does. If it did not there would be no explanation of why the value of a painting changes when its attribution changes—"value" meaning, as it does through this book, its price on the market and its merit as an aesthetic object. Nor would there be an explanation of why when a painting is intentionally misrepresented the attribution is to a more rather than to a less important artist (except if the lying rogue means to create uncertainty about the work of the true artist because he has sold him short). Nor would there be an explanation of why museologists when they become scrupulous and reattribute works usually assign them to less and not to more important artists.

Should attribution affect value: Is it really important? The question is out-of-bounds to an economist who minds his own business and does not presume to tell people what is and is not important. It is not out-of-bounds to people who write about art, and a surprising number of them say too much is made of it. According to John Walker, "Attributions, of course, do not affect the beauty of works of art, but they do affect collectors and consequently values. They should be merely a convenient way of categorizing, but they often set up irrational standards of quality." He seems to mean they are useful for making an inventory but not useful (or as useful?) for judging aesthetic merit. Gonzalez-Palacios states that when he studied art history, shortly after the Second World War, "One could say 'so and so is a good attributionist,' which would be found embarrassing today." The contemporary philosopher Alfred Lessing seems to go further: "The plain fact is that aesthetically it makes no difference whether a work of art is authentic or a forgery." Arthur Koestler once said that to dwell on attribution is "extraneous and snobbery." These views are not shared by everyone in art, of course (certainly not by those who conduct the extensive enterprise in Amsterdam that is attributing, deattributing, and reattributing the works of Rembrandt). But the views are by no means eccentric or inconsequential.

They share the belief that the aesthetic quality of a work is independent of what is associated with it. That includes, in addition to the artist (no small association), the history of its ownership or the names of the people who had it in their collections, the museums where it was exhibited, the books and periodicals in which it was
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mentioned, the name of the subject if it is a portrait, possibly how it came to be commissioned and by whom, how much was paid for it, the title (whether or not it describes the subject matter), even information about the frame, especially if it is the original frame. Information of this kind is reported when the history of a work is recounted. From an aesthetic viewpoint, it is pointless, according to Alfred Lessing and such.

It is anything but pointless to other kinds of people, and they have more influence in determining value—economic and aesthetic—than do the aesthetes (if they may be called that). Why is attribution important? The question is different from whether or not it should be, because it asks for an explanation, not a judgment, of behavior. It lends itself to some observations and conjectures about how choices are made in the market for art. There, as elsewhere, the names of things are important. That would not have to be said were the importance not denied or implied by those who claim attribution has no aesthetic significance. A collector usually does not buy an anonymous painting, except as a gamble. He buys a painting identified as the work of a named artist, and it usually has a title. That in its entirety is the aesthetic object: painting, artist, title. The evidence for this can be supplied by a thought experiment. Imagine how a dealer would fare if he alone in the market did not provide information about the paintings he offered for sale: no name, no title, no provenance, no references to works of art history or criticism, no dates. Nothing but the price. On the other hand, imagine how he would fare if only he and none of his competitors provided this information. The world beats a path to the door where the mouse trap is known by its name and maker. A similar thought experiment is to imagine a museum where none of the paintings was attributed and none had a title. Museums know this information is valued, and they supply it. At special exhibitions the works are sometimes identified only by numbers, and if the visitor wants to know more about them he buys a catalogue where there are entries corresponding to the numbers. Does the practice increase the sale of catalogues? If one or more is sold, it must. When people of Professor Lessing's views disclaim any interest in attribution, they do so (they say) from the viewpoint of "aesthetics." Since it is about value in art (at least in ordinary language) they could mean they have no interest in anything that is not conveyed by looking at a work. If however they are more curious, they must believe there is more to art than aesthetics comprehends.
If they do they make “aesthetic” synonymous with “physical” and make an “aesthetic object” a piece of canvas on which paint has been placed. Yet even in this meaning attribution can be helpful. It can provide information about the merit of a work that enlarges the information the work itself provides. If on studying a painting we believe it was done either by Rembrandt or de Gelder but we do not know which, we are less confident of our judgment of its merit than if we do know who painted it. To say the information is extraneous is to reveal a limited understanding of how decisions are made and to say that wanting the information is snobbish is itself “extraneous.” This function of attribution is complemented by another source of information. It is the history of the ownership of a work, its provenance.

There are other reasons why attribution is important, hence why it engages the interest of the market and of other precincts of the art world. The information is indispensable to art history as we know it. Conceivably it could be carried on if nothing was known about authorship and what the work was called. The history of the art of antiquity often must do without this information. But something has to be known about when things were made if they are not merely to be listed. If we also know who made them and what they were called we know a great deal more; and that is not always as much as we would like to know.

Apart from the information it provides—about the merit of a work and its historical significance— attribution also satisfies two other kinds of interest. One is simply our interest in names. We attend more to an object that has a name than to one that has not, and we are more interested in a named object that carries the name of the maker than in a named object that does not. This interest is independent of the information the names convey. If we had before us two paintings which as aesthetic objects were equally pleasing or displeasing and one carried the name of the painter and the painting while the other did not, we would be more interested in the former than in the latter. That I propose as an empirical proposition, and it is refutable, at least in theory. Behavioral scientists are invited to test it.

The other interest attribution satisfies is the interest we have in the associations of an object. The clearest example is things in a historical museum; a hat worn by Napoleon, Harriet Martineau’s ear trumpet, a sprig of heather from the grave of John Stuart Mill, the skeleton identified as that of the scout who warned Custer not to
enter the Valley of the Little Big Horn. A painting that was in the collection of Charles I would be interesting for that reason. Its having been a part of a distinguished collection would also be interesting. It would not have the latter but would have the former value if it once was owned by Abraham Lincoln, who is not remembered for a connoisseurship of art but is for other things. The value of a painting can be enhanced by quite lesser associations, for example, by being in the frame the artist himself put it in. If such associations are interesting, surely the title of the painting is also and more surely the name of the painter is. These considerations are meant to explain, not to justify. People to whom attribution is irrelevant have a place in the mansion of art. It has many rooms, and there is one for them. The others seem to be occupied by people of a different view.

RESTORATION: A LESSER UNCERTAINTY

The uncertainties related to attribution, while they are the most noticeable in the market for art, are not all that buyers and sellers take note of when they form their bids and offers. There is also the uncertainty about what physical changes were made in a picture after it was painted. Making the changes is itself a chancy enterprise, and the evidence is the continual arguments over how to conserve art and the continual and sharper arguments over how to restore it. Or whether to restore it at all. If Hamlet had come down to us with the soliloquy missing we would not want a publisher or library to commission a writer to create a pastiche of it. Apparently we feel differently about painting and the decorative arts (although not, for some reason, about sculpture any longer). So dealers and museums believe they must make objects as complete as possible, adding a leg to a Chippendale chair and a little finger to a Giovanni Bellini (but not arms to the Venus de Milo). The consequence is that in a gallery or a museum what appears before one—even if complete with attribution, provenance, and literature about which there can be no doubt—is a work that one cannot be certain is what it is represented to be. To state the point simply, we do not know what we are looking at. Is it a painting that providentially has been untouched by time or is it a painting that has been partially restored or more than partially
done over, and has it been altered once or twice or three times or more?

This uncertainty is not as important as the uncertainties of attribution. They are of course related. One would be guilty of inconsequence if one were uneasy about attribution yet indifferent about whether the painting had been altered. Alterations can be detected and removed, then an attempt can be made to produce something, by the methods of restoration, that is more or less like the original, in a manner of speaking, if what the original was like is known, and there is an earnest desire to recover it. Satisfying that desire is expensive. Hence one would expect a dealer to be less earnest, because his clients are less so, than a museum is, the one having to support himself, and the other being able to call on the public for assistance. A common practice among dealers for long has been to give their acquisitions a coat of varnish before putting them on sale, often with a spotlight trained on them. That is why so many paintings known to the market (and at one time to the Customs Inspectors) as Old Masters were dark in color, so dark that darkness was believed to be a differentia of the class and that the painters of the Renaissance used a dark palette. In this century the museums have begun to take off the varnish, and the palettes of the past are now seen to have been lighter. The practice is not universal, however. The Hermitage in Leningrad, if it has heard of the practice, is not convinced. Its Flemish and Dutch paintings that toured the United States in 1988 were many of them heavily varnished. So, too, was Botticelli’s Primavera when it was returned to its place in the Uffizi in Florence, the dark colors brought to a high gloss that was made still glossier by the lights trained on them.

Whether this is to be deplored, commended, or ignored depends on whose judgment is to rule. People who want to see a picture as nearly as it was when it was painted are more likely to be satisfied by one that has not been touched by restorers and has been conserved by conservators acting conservatively. But people who want to see more, who do not care for faded colors, visible seams, or patches of canvas showing through, will favor restoration—of just what kind they themselves must decide, understanding of course that in the end what they see may be different from what the artist meant them to see. This latter group seems to be in the majority, if one may infer from dealers’ and museums’ rarely showing works that have not been touched in one way or another by the restorer. If the inference
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is correct, it means the market does not discount substantially the value of a painting that has been restored. The reason is not that the probability of its having been restored is small (quite the opposite), but that the alteration has not substantially lessened the aesthetic interest of collectors and museum visitors. The minority that regrets restoration is left to its regrets and to the recourse of buying paintings in order to prevent them from being altered.

OBSOLESCENCE AND UNCERTAINTY

Obsolescence is another source of uncertainty. Before art deteriorates physically the interest in it usually diminishes. This was explained in chapter two. Of course not all art is subject to obsolescence. If it were, nothing would be conserved except those works in which the interest does not diminish as quickly as they deteriorate. They are few—very, very few—relative to all of the art that ever has been made. Some in fact has deteriorated and some has been destroyed or lost. Most has simply been discarded. If art did not become obsolete there would be a futures market in it, and there is not. That is not the only evidence of obsolescence. More obvious evidence is that what has survived is a minuscule portion of what has been created.

Since obsolescence is predictable, it is not itself an uncertainty. What is uncertain is what part of the art of, say, any one year of the last ten years of the twentieth century will survive indefinitely, and when will the remainder become worthless.

Among people who buy art and hope to resell it for a higher price, there are (a) those who wish to minimize uncertainty; (b) those who tolerate it if they are compensated enough; and (c) those who enjoy the experience of uncertainty. They are, in the language of economics, (a) risk averse, (b) risk neutral, and (c) risk loving. The a's will buy art of the distant past because less of it is likely to become obsolete (because more of it has already become so); the c's will buy art of the present because more of it is likely to become obsolete; and the b's will buy either depending on how much they expect the price of each to increase. If things work out as desired, the a's will make a profit in excess of what the same expenditure or investment of labor
and capital would yield in an undertaking that is certain, the excess being their compensation for the disutility they experience from uncertainty. The b’s will make a profit equal to what their investment would yield in a certain undertaking. The c’s will incur a net loss, and it is what they pay for the utility they obtain from uncertainty. If this is unduly abstract, it can be brought down the ladder by relating it to gambling. Some people enjoy gambling and do not expect to break even—the c’s. Some will gamble if the odds allow them to break even—the b’s. Some do not like to gamble at all because they don’t like uncertainty, and to induce them to gamble the odds must be in their favor—the a’s.

Then there are people who buy art for a different kind of return, namely, the satisfaction it gives them or gives others whose opinion they value. If they sell a work the reason is not to make a profit, although that may be a consequence. They sell in order to buy something else that yields a greater return in the form of utility. The obsolescence of art affects them but not in the way it affects a person who speculates in art. They, or their heirs and assigns, may lose interest in their art, hence they face the possibility of its becoming worthless, indeed the probability. But this does not mean buying it is wasteful. It means that what is bought yields a return for only a time, the reason being that it becomes too familiar, not that it “wears out” or is “used up.” Art as an asset does not become depleted but (if the expression is allowed) becomes repleted. We have all we want of a particular kind and now we want something different. The event is, or should be, altogether familiar, because it recurs throughout the history of art. It is described as the pendulum of taste, occasionally as the cycle of fancy, but neither is a good figure because each suggests a change that is more regular, hence more predictable, than can be observed. The origin of the movement is simple and was explained in chapter two. Art is subject to diminishing marginal utility, or, in ordinary language, the more we have of one kind the less do we want still more and the more we do want something else. As a consequence, there will be artists who decline and fall and artists who rise and glow by replacing them. Such change is inevitable where people are free to choose and is all the greater the more choices they have.
DEALERS AND THEIR POWER

However, that is not the explanation of change one hears from people in art, especially those having to do with contemporary painting. One is told that change is created, induced, or contrived; that it is the work of a few people of influence; that it is done for private gain of some kind; that it is to the detriment of art; and that it is all unjust. One hears of a collector who can make or break a painter by what he buys, sells, or holds; of a magazine that can make a style of painting fashionable and profitable by giving it undue attention; of a critic who buys the work of a painter, or wheedles it from him, praises it in print, then sells it at a profit; of a museum that has its favorites whose work is also in the private collection of the director; of another museum that has links to a dealer and favors painters under contract with him. One also hears that riches and fame come to artists who are able to promote themselves which not all have the ingenuity, energy, or crust to do. Then there are the favorites of fortune, those who happen to be noticed by a dealer, collector, critic, or journal. Why such things are believed, whether or not they should be, can be understood by reading the miscellany in the art periodicals, especially ARTnews, by noting the personal references in the New York Times, and by paging through books like The Art Crowd by Sophy Burnham (1973) which is a little out of date but is still diverting.

What these accounts have in common is that the market for contemporary art is not governed by aesthetic merit. That is another way of claiming economic and aesthetic value have no relation to each other. That they do and are consistent is the premise of this book and was explained at length in chapter one. How well or poorly it was done, the reader will decide, indeed should have decided by now, and he will not be troubled by additional explanation here. If he has been convinced, he will be no more than amused by the folk wisdom of art circles. He may also find it unsatisfactory, even if he does not accept my premise.

If success comes to the few artists who can promote themselves, why do not the others—the shy and retiring—hire someone to promote them? There are advertising agencies and such that do this sort of thing for a price. If the shy and retiring cannot afford the price, that only means the return from being promoted is less than the cost.

Dealers are reproached for being profit seekers. If that means

This content appears to be a excerpt from an academic or literary text discussing the dynamics and influences within the art market, particularly focusing on the roles and power dynamics of dealers and how they shape the art world. The text explores the various strategies and practices used by dealers, artists, collectors, and critics to influence the market, often at the expense of aesthetic merit.
they want to do as well at art as at something else, they surely are, just as everyone is if in the return from any activity we include, as we should, the nonmonetary rewards as well as the monetary. An art dealer must satisfy his buyers if he is to maximize his income. That, however, does not mean he provides them with all of the satisfaction he can afford, which would mean selling at a price that covers no more than the normal profit for the trade. His price may be above that. The reason is that he has some monopoly power, and it comes from each painting having unique qualities. A painting is the only one of its kind. This is true even of replicas, because they usually are not identical, and usually is true of graphics also. (Some multiples are identical, however, such as copies of a photograph.) The monopoly power of the dealer can be enhanced (that is, the price he obtains can be increased) by his having more information than the buyers have. He is unlikely to engage in gross deception, such as lying about attribution or provenance, because when it is discovered he will lose sales. But he may profit by withholding information the buyer does not expect him to have. He might keep from a prospective buyer of a work by X the information that other works of X are in an estate which in time will come to the market. Even that device cannot be used often if buyers keep themselves informed about the market whether they are actually making purchases or not. Moreover, even if the superior information of the seller enables him to sell at a higher price than he would receive if he knew no more than the buyer, the increment of price may be equal to the cost the seller incurs in acquiring the information. In that circumstance there would be no point in acquiring it. It would yield no gain and could antagonize the buyer. Information rarely is free, it may be incomplete, and it may be unreliable.

BUYERS AND THEIR POWER

Moreover, information may turn out to be common knowledge. Buyers have access to it as well as dealers and some know more than dealers. Museums are important buyers. They have learned people on their staff, far more than if the museums had to support themselves by their admission receipts alone. Being nonprofit organizations, they
are less likely than the for-profit organizations which dealers conduct to pursue a line of inquiry only to the point at which the cost of the additional information is equal to its value. Or, simply stated, museums are likely to know more than dealers. So that if superior information confers power over price, the power is with the buyer.

There is another circumstance in which a buyer has an advantage. He may be one of only a few people who are interested in a work, perhaps the only one. The seller must deal with him or with no one. That would not eliminate the seller's monopoly but would reduce its power, meaning the price he could obtain. The price itself would be determined by bargaining and would be somewhere between the least the seller would accept and the most the buyer would pay. That is not an informative statement. It might be made informative by applying game theory to bilateral bargaining which, however, is an undertaking the writer prefers to shirk and the reader, if he were presented with it, might feel he could do without. Let the matter rest with the statement that if there is an exchange it will be at a price set by bargaining and will be within the obvious limits. Exchanges of this kind are not rare and do not call for making exceptions to economic theory.

REGULATING THE ART MARKET

Yet there is the feeling that such exchanges should be regulated. The feeling is that which Mrs. Ramsbottom expressed when she said, as she often did, "Soom-un must be soom-uned" (as her Lancashire sounds to an American). New York City has a Truth in Pricing Law which requires sellers to put price tags on their wares. Art galleries were once exempt but in 1988 were made subject to the law. It does not require them to sell art at the posted price but presumably they would not ask anything more. The stated reason for the law is the protection of the buyer. That he is gullible and deserving while the seller is strong and suspect is an article of faith as ancient perhaps as exchange itself. It is not of course held universally, certainly not by sellers in markets for goods. It is held by buyers except by those who can't get what they want because the law has reduced the amount offered for sale. The belief is reversed in labor markets where
buyers are employers and sellers are workers and the moral is that prices (that is, wages) should be held up.

In the art market, requiring works to carry price tags seems innocuous. But what seems is not always what is. The requirement imposes a cost on the seller, the cost of putting price tags on things—small, to be sure, but noticeable and increasing if, as is likely, prices change from time to time (and from one prospective buyer to another). The seller will pass on to the buyer as much of the cost as he can. There is another and more significant cost—the cost of enforcing the law. In New York the law does not apply to everyone who sells art but is extensive enough to be costly. There are other objections. It could move sales from the markets where it applies to those where it does not, to the artist's studio for example. It could also move the market itself to places where there is no such law or to auctions.

These are more important objections. One is the presumption against interfering with voluntary exchange—of art or of anything else that affects only the buyer and the seller. A voluntary exchange is satisfactory because it is voluntary; otherwise it would not be made. The buyer would not make a purchase if he thought he was being overcharged, and the seller would not offer a good if he thought he would receive too little for it. Not every voluntary exchange is satisfactory at all times in all places to all people. But unsatisfactory exchanges will not be repeated if buyers and sellers know the difference between what satisfies them and what does not. That they do is a modest compliment to them. Among them there very likely are rogues and innocents, in posse or in esse, in the market for art and elsewhere. One cannot believe they dominate markets. To believe that, one would have to suppose most exchanges are unsatisfactory, whether because people do not know the difference between what does and does not add to their satisfaction (in which case the difference would not matter) or because they know but cannot or will not do anything about it. If the latter were so, the rogues would compete with each other in fleecing the innocents until the ill-gotten gains were eliminated along with roguery and the rogues. They would be unable to perpetuate their gain by conspiring not to compete because they are on both sides of the market.

Thus would a neo-classicist address the main point. It usually is not the point that is made. Dealers say they should not be treated like merchants who attract sales by making their prices known, as if there were something wrong about the practice and as if art dealers them-
selves did not do the same. Some willingly post prices and others disclose them. They could not do otherwise since a price is a necessary part of an exchange. Supporters of the law can counter that a dealer will not, for a given work, ask the same price of all buyers who inquire but will vary it according to the dealer’s guess of how much the buyer is willing to pay. That is plausible but is not the point. The dealer who is required to post a price probably will set it as high as he expects anyone will pay (and still higher if the dealer is a risk averter). Buyers will learn this (as they have in the automobile market where such a law has been in effect for some time) and will believe the dealer will accept a lower price. The law, then, would “protect” the buyer by informing him that the actual price is probably below the price on the tag. The information is worth something. Whether it is worth the compliance cost in the form of a higher average price is uncertain. He would be indifferent to the enforcement cost since it is borne by everyone. It is not a matter of indifference to the rest of us.

If such laws are more than a nuisance and substantially reduce the transactions, the dealers and their clients will do business elsewhere, such as at auctions. To require such laws at auctions is something not even the most avid of regulators would propose unless he wanted to be certified. There is, however, a proposal to require auction houses to report the sales they make at a reserve price. It is the minimum price the seller will accept, and if no bidder offers as much the work is withdrawn or, in the language of auctions, it is bought-in. The practice interferes with an important function of the price system which is to provide information—information that is useful to collectors, dealers, museums, and other auction houses: to people who are thinking of making a gift of art and people who think it may be meant for them; to people who collect taxes and want to verify deductions; and to people who are interested in the activity of the market because they are interested in the activity of art in all of its aspects, a group that is numerous enough to warrant auction prices being reported in the newspapers. Buying-in should be especially objectionable to buyers.

These considerations seem to justify the law. But there is more to be said. It touches only one of the uncertainties of the art market and one that is much less important than the uncertainties about attribution, about provenance, and about how much conservation and restoration have altered a work. Moreover, while the law would
remove one uncertainty about auction prices it would not remove another that is said to be present and, if it is, constitutes a greater deception. It is whether an actual sale at an actual price was made in order to inflate the value of a work. A owns one or more paintings by Z and at an auction bids for another that has been put up for sale by another owner or by A himself. A increases his bid as much as the rules of the auction permit. If his is the winning bid it establishes a new and higher value for the works of Z including those which A owns. If his is not the winning bid, the value of his collection rises even more. Thus is the chicanery described. Consistent with the account is the fact that auction houses frequently do not reveal the names of buyers and sellers. Also consistent is the theoretical consideration that the practice would be profitable if certain conditions are present, among them that in the course of the bidding actual buyers increase their estimate of what the work is worth (contract “auction fever”) or that the spurious bidder has confederates who bid, that the increments by which the bids are permitted to increase are substantial, that the final bid inflates the price of a work by an amount more than the cost of the deception including the commission, usually 10 percent, the buyer and seller each must pay, and that the value of the works of Z which are not at auction is affected by those which are. All of these conditions are not likely to be present but they conceivably could be. Reformers and their legislative agents who are on the track of deception seem not to have picked up this scent. Or perhaps they are warming to it.

INTENDED AND UNINTENDED EFFECTS

About any form of deception there are two questions. One is how much it impairs the operation of the market as a means by which transfers of property are made, information disseminated, and mutual satisfaction produced. The other is whether regulation by law or other means can improve the market. If close observation of the market indicates that deception is not extensive, the second question need not be asked. If deception is extensive, that is good reason to consider regulation, and considering it means predicting its probable effects.
They can be different from what is intended. To require dealers to post prices, instead of adding substantially to the information of buyers, could in practice tell them no more than what is the highest price they need pay, and the information may not be worth its cost. To prohibit secret reserve prices could induce sellers to inflate prices by means that are more costly, more misleading, and more reprehensible, such as disguising an advertisement as the considered judgment of a disinterested critic and placing it in a periodical, a practice acknowledged in France.\(^{12}\)

Laws that are meant to improve the market can bring about the very condition they are meant to prevent. This can be said of two other kinds of legislation affecting art, one now in force in some states and the other a proposal before the U.S. Senate that would apply to what now is nominally in effect in one state. The former is meant to protect what is said to be the right an artist retains in his work after he sells it. In California, by the Art Preservation Act, a museum is accountable to an artist for the damage it may do to his work by conservation, restoration, framing, and gross negligence. If the artist is dead, the museum is responsible to his heirs for fifty years. The reasoning could be that the income of an artist and the value of his unsold work are lessened if his work is altered or neglected. The artist (pace Iago) must believe that whoever takes his good name impoverishes him by shrinking his purse as well as by harming him in other ways. The principle also underlies the “artist’s moral law” of France which authorizes the family of a deceased artist to order the destruction of works done in imitation of his.

The actual effect on the income of the artists is probably the opposite. The law, because it limits what a buyer may do with his art, must also reduce the price he is willing to pay for it. The price is also reduced by the risk of the owner incurring a cost to defend his right to do what he believes the purchase entitles him to do. Actually there is no need for a law to protect artists’ rights. Those who want to retain control over their work after it is sold can contract with the buyers to do so. What the contract might be is indicated by a model commission agreement in *American Artist* (June 1983), a periodical as near to a trade journal as anything there is in the field of art. The agreement states, “The artist shall retain certain rights relating to the client’s use and maintenance of the work.” Among them are control over the way the work is displayed publicly, the right of the artist to be identified or not as he chooses, the right to prohibit photographic
reproduction, to be consulted about conservation and restoration, to
do those things himself if he chooses or to supervise their being done,
and the assurance the owner will not alter the work and will protect
it against damage. An arrangement of this kind reduces the price a
buyer will pay, which working artists surely know, but the reduction
should be no more than the value of the rights to the artist. If the
reduction is greater than the value of the rights to the artist, he can
sell his works unconditionally.

However, there is one right to what they make which artists do
not forego—and cannot even if they would. Each work of art has a
maker, and this is so whether he has been assisted by others in
executing his conception or he has executed it himself. The maker is
always a part of the object. Consider a person who, standing before
the Mona Lisa, asks, "Whose painting is that?" He would think the
answer odd if he were told the painting was Lo Giocondo's, the
husband of the subject and the person who commissioned the portrait
(and, by one report, never paid for it). The sensible answer to the
question is. The painting is Leonardo's. The reason the answer is
sensible is that he painted it. It is his in the sense that there is a right
of ownership conferred on the maker of an object simply because he
made it. Like all rights, it rests on a premise. The premise was used
by Locke when he justified private property. A thing becomes our
own when we have mixed our labor with it. That is so because to
whatever we have imparted something of ourselves, that thing is a
part of us, and we own it because we own ourselves. Each step in the
argument is essential, and to question any is to question the conclu-
sion. It is not the only justification that has been offered for private
property. The Utilitarian justification is the more common (to allow
people to keep what they produce gives them an inducement to pro-
duce more, and more is better than less). The view of Locke, however,
is that on which the rights of an artist rest and which provides a
reason for distinguishing them from the rights of the person who buys
art. The idea can be read into what J. Paul Getty said to a Dutch art
historian who had protested Getty's buying Rembrandt's *Maarten
Loosten* and sending it to America. Getty said it could not be lost to
the Netherlands, "for it, like every Rembrandt, will be forever
Dutch."

The bearing of this on the law is that the right the artist has by
reason of being the maker of the work cannot by its nature be taken
from him. No law is needed to reserve it to him. Admittedly, the buyer of a painting can alter it (whether or not he should), and the result may be to misrepresent the artist to the world. The artist can reduce this risk by making a contract with the buyer about the way the painting will be conserved.

The other law (that put before the Senate) would do for the nation what a similar law is meant to do for California. Its salient provision requires that the artist be paid 7 percent of the profit made from the resale of a work of art if the resale price is more than 150 percent of the price received by the artist and if that price was not less than $1,000. The purpose is to prevent egregious acts of injustice (as well as those that are not egregious). "It is the fundamental inequity of the U.S. 'free' market system of art sales—which privileges the dealer's and the collector's financial interest over that of the artist—that S. 1619 seeks to redress," according to the New Art Examiner (March 1988), the voice of the anti-market in the Midwest. The law, then, if it did what it is meant to do, would protect the artist from the market. "I be protected and I be starving," an English farmer said about the Corn Laws of the nineteenth century that protected English agriculture from the world market.

The art law would not starve the artists, many of whom have a second occupation anyway because their sales are so small. But it would worsen their position. If it was enforced (as the California law is not), it probably would reduce the average price of art that was produced after the law became effective. (It would not apply to art that was resold before that time.) Buyers who believe that what an artist offers them may increase in value will offer less for it than they would if they could keep the profit. But the relative as well as the absolute price of such work would also fall. Original art that was purchased by dealers and collectors before the law became effective could be resold with the profit accruing entirely to the sellers. The artists who did the work would benefit indirectly if the value of what they currently do is affected by the value of what they already have done. They of course would receive less for their current work, because the law would reduce its price. But the reduction could be moderated by the increase in the value of the work they did before the law became effective, and the amount of this work would be greater the older they are. Younger artists, on the other hand, would have done less before the law was passed, and it would reduce the
price of their current work relatively more. The law, then, in addition to making all artists worse off, could make younger artists worse off relative to older.

The price effect of the law would be different, probably less—possibly nil—if it required the artist to share losses as well as profits. It does not, hence has the effect of a capital gains tax without any adjustment for capital losses, the "tax" in this instance being paid to the original seller. The bill is represented as a royalty law, not as a device for sharing profits, and "royalties" cannot be negative. Its being represented in this way is consistent with its premise: that the buyers of art can look after themselves but the makers of it cannot. Indeed the law would compel the artist to come within its protection whether or not he wished to. He would not be permitted to make a contract with buyers that released them from profit sharing. If dealers thought he was a risky venture, they would not buy his work. He then would be excluded from the market, and his income from art would be zero. "He be protected and he be froze out."

Many of these effects were noted by Professor Ben W. Bolch in a feuilleton that is a model of analytic clarity and concision. When they become known to artists, he dryly observes, they will think differently of the law.

Pertinent comments about it have also been made by Richard L. Feigen, the art dealer. He reports the California law has been pointless because it has moved the art market out of the state. To reduce a federal law to ineffectuality is more difficult but is not impossible. The law could move the market for contemporary works to countries where it is free (a diminishing number) or could drive it underground as similar legislation has done in Europe where, Mr. Feigen states, collectors conceal their art in order to protect it and themselves (which must also reduce the price they are willing to pay for it). This restricts the work of scholars because they cannot see what they want to study and may not even know it exists. The work is also kept from museums that would like to exhibit it and is prevented from being reproduced in books and periodicals. There is still another consequence. People to whom art is worth more than it is worth to the owners are unable to buy it. That is a matter of some importance to those who believe (as Pareto did) that goods should be distributed in a way that provides more, not less, satisfaction.

Comments of a quite different sort, neither pertinent nor to their credit, have been made by the art dealers through their trade associa-
tion. It has proposed that, in place of the profit-sharing law, Congress enact a law that would give the owner who sells a painting a tax credit if he uses the proceeds to buy another painting. The effect would be the same as that of a federal subsidy to buyers of art and would give a fillip to the dealers who sell it.

Artists, in seeking satisfaction for themselves, now can contract with buyers to share the profit from the resale of work. No law is needed, as the New Art Examiner itself acknowledges. It reports that Hans Haacke in 1975 sold On Social Grease with a contract that called for his receiving 15 percent of the difference between the resale price of the work and the price at which he sold it; it was resold in 1987 for $90,000, and Haacke received $11,000. Or painters can hold their work until its price rises as high as expected. But if they do not want to divide their time between painting and speculating, they can sell their work at the best price they can get and let the buyer bear the uncertainty. There are thousands who are willing to bear it and have done so for centuries. They are dealers, and selling to them and to collectors is what most painters have preferred to do.

Actually, there is only a small probability that the value of a painting will increase, and there is a high probability that it will fall to zero. Between the very large number of painters who are not remembered at all and the very small number who are remembered there are those who were eminent at one time in their lives, later became less so, and now are names in the book of time. An example is William Frith. He was renowned in Victorian England, then became a painter whose public diminished, and now is an artist recalled only by name. When an artist dies, the interest in him usually declines and with it declines the price of his work. Examples from the present century are Mark Tobey and Ivan Albright. The exceptions are so unusual that when they occur they are noted with interest, as they were by Daniel Grant in American Artist. He stated the work of Gauguin, van Gogh, Jackson Pollock, Milton Avery, and Philip Guston increased in value after their death. They are not the only painters of whom this can be said but when they are all of them brought together they are far fewer than the artists whose work once had a considerable value and later lost it.

Price changes of this kind have a different origin from changes in the price of the work of painters in whom there is a continuing but irregular interest. The latter are to be explained by the value of novelty (which in turn is explicable by diminishing marginal utility),
by changes of real income, of investment in taste, and of changes in the relation of income to human capital. These things were set forth in chapter two. The Pre-Raphaelites were popular in their own time, became less so after their deaths, came near to being laughed at (which indicates they were not forgotten), then regained the interest of the public after the Second World War. William Adolph Bouguereau, the quintessential Academician of the nineteenth century in France, enormously popular when the Impressionists were begging for attention, fell from his high place when they finally became popular, was scorned for years, and now has re-engaged the interest of collectors and, in a different way, of museum people (as a period piece more than as a master). The Impressionists meanwhile continue to reign in glory. One result (which economic theory would have predicted) is that as the price of their paintings has soared, there has been an increase in the demand and price of work done in their manner by artists in other countries; and now the market distinguishes French Impressionism from American, Scandinavian, and others. There is moreover a market, perfectly legal and open, for acknowledged copies. They are commissioned by collectors who cannot afford an original or have one and do not want to risk hanging it. The prices range from $5,000 to $17,000, very little relative to those of originals ($54 million for van Gogh’s *Irises*, which has been copied). At next remove are expensive mechanical reproductions, with “simulated brush strokes, cracks, and fissures, $499.75 including frame,” beyond which are less expensive reproductions, for which the frame usually costs more than the picture, and on and on to postcards.

The market for substitutes, while at present not the object of regulators, has not escaped their notice. There are grumbles about painting coming from the Third World and sold for less than American artists and dealers expect for what they do. The work is said to misrepresent itself, hence to debase the market with shoddy. Something of the same was said in the seventeenth century when the Dutch guilds wanted to prohibit the painting of non-guild members from being sold.

The stated purpose of regulatory laws is to protect something or other the public wants protected, such as the buyers of art, the nation’s artists, the national heritage, and so forth. The most important of the laws are described in this chapter except those which are related to the export and import of art, and they are described
in chapter six. About the actual effect of the laws, one cannot readily generalize. While they usually make the market for art smaller than it otherwise would be, that is, reduce the number of exchanges, not all do that or are they meant to. Subsidies to museums and to painters make the market larger than it otherwise would be and should be, although probably not as much as the subsidies to the performing arts enlarge their market. The price effect varies. Some laws (and government action) related to the visual arts are meant to increase price and do; others are meant to increase it and do not; and vice versa. In the language of economics, the laws more often reduce than increase the quantity exchanged; they may either increase or decrease price and the money value of exchanges; rarely is either of the latter unaffected.

EXPLAINING REGULATION

Why are there such laws? The question at one time would have been nudged out of economics into political science, sociology, psychology, or limbo. If pressed for an answer, a neo-classical economist in the past would have shrugged his shoulders and recalled Burke's remark about "the prolific imbecilities of reform." Today, however, he might relish the question, and answer it in either or both of two ways. One is that the market doesn't do everything which even market economists believe should be done, which is to direct labor and capital to their most efficient uses and to distribute their output in a way that, given the division of income, brings about the greatest satisfaction. In certain circumstances, the market is said not to do this. Just why is explained in chapter seven, which has to do with whether the government should assist the arts.

The other answer employs the new political economy, the premise of chapter six, which is about why governments assist the arts, whether or not they should. Briefly stated, the theory attributes the same motive to political conduct that it attributes to economic conduct, which is the desire to maximize returns of some kind. The government intervenes in the economy because certain people outside of the government and many inside it obtain higher incomes as a result and obtain them at the expense of those for whom the government
does not intervene or intervenes less. Intervention, unlike a caucus
race, is not a game in which everyone can win. To say this is to say
what has been said for generations: the government intervenes on
behalf of favored interests. Yet there is reason to say it again, and it is
said in the sixth chapter which is about rent-seeking in the arts.

Neither of these explanations will satisfy people who do not care
for the market, and they are many. The idea of market failure does
not come near to capturing their moral outrage while the idea of
rent-seeking ignores it. Their feelings run deep and lead them to
countenance things they must know are mistaken. Works of art have
been exchanged for thousands of years in both domestic and interna-
tional markets. The editor of the *Oxford Companion to Art* knows
this. Yet the entry on French art (unsigned) claims that in the nine-
ten century “the artist had to find his own market and his own
public” because of “the loss of official patronage,” the consequence
being “the first stirring of that sense of spiritual isolation—the so-
called divorce of art from life—which has harassed the creative artist
until the present time.” The writer, in addition to being wrong in
implying there was no market before the nineteenth century, is also
wrong in imputing the feelings he does to the artists. How could the
feelings be known—the inner thoughts of the thousands of artists of
the century and of the thousands who followed them? We do happen
to know what two leading painters thought. While what they thought
may tell us nothing of what others thought, it does make us want
evidence that the views of the others were just the opposite. Monet
deplored the practice of “courting this or that Maecenas” and of
soliciting commissions from a patron. He told Renoir that painters
would prosper by selling their work to large dealers. “While our
dealers are busy attracting customers, we will be able to do our
painting far away . . . where we find subjects that inspire and please
us.” Renoir told this to his son, Jean, who does not record that his
father disagreed with Monet.17 One would not expect him to have
disagreed, believing as he did that the market was the best register
of aesthetic value.

Then there is Hugh Trevor-Roper, the Oxford historian of re-
he gives an account of the dispersal of three collections: that of
Charles I of England, of the Gonzagas of Mantua, and of Emperor
Rudolph II of Bohemia. The dispersal of each is described as “ae-
thetic cannibalism, looting, plundering, and infamous robbery.” The
author acknowledges there were works in each that were not commissioned from the artists but obtained from other collectors, hence each collection was the outcome of earlier collections. His point, then, cannot be that every collection should be kept intact. If it should not be, one then would conclude, although he does not, that the exchange of art is not in itself objectionable. His point might have been that these particular collections were of such importance that they should not have been dispersed. But if that was his point he did not justify it and perhaps could not have since art history is not his forte. What he does claim is that each dispersal was an act of violence. But, as he himself reports, two of the collections were simply sold. They were not stolen, plundered, looted, or cannibalized. The Gonzaga art, owned by the dukes of Mantua, was put on the market because they needed money. The art collected by Charles I became the property of the Cromwell government after the monarchy was overthrown and was sold or taken by men high in government. Whether the collection of Rudolph II was sold or seized is not made clear in the account. Actually, some of the collection had been sold earlier, some later, some in fact was pillaged during the Thirty Years War; and, marvelously, a part of the collection survived to be discovered in the 1960s, according to R. J. W. Evans (Rudolf II and His World, 1973). That this information should be missing from Professor Trevor-Roper's account is perhaps to be expected. Including it (if he was aware of it) would have hobbled the moral indignation he wished to convey. So would the fact that there were pieces in Rudolf's collection for which the seller was never paid. That is not surprising because the author does not distinguish between voluntary and involuntary exchange, the way of the market and the way of the thief. Does he wish us to believe there is no difference? Or that there is not always a difference? Or that there is no difference in the matter of art? Or that there was no difference in the particular instance of these collections? The questions are pointless, actually. One should not ask for a demonstration of the undemonstrable or what is the proper price of the unpriceable.
While there are people who deplore the attention that is given the money value of art, there also are people who are pleased the attention is given and study the information with relish. The first comprise the anti-market party, and the second the party of art-as-investment. Some people are in both, their day being long enough to lament the way of the world after working hours and to make the best of it during them.

The art-as-investment people believe it can be bought at one price, sold later at a higher, and meanwhile can be enjoyed. They believe the same of houses (live in them while the price goes up), jewelry (wear it while it gains value), land (farm it while it appreciates), and oriental rugs (stand on them while they rise). The belief is not necessarily mistaken. A real asset, which these things are, can increase in value while it is being used, not a common occurrence when the price level is stable but possible. The mistake is to believe such assets are superior to financial assets, such as a bond, and yield a higher return than they do. Actually, financial assets can also increase in value while they yield an income. In an economy where the value of each real and financial asset was constant, the only income from them would be the utility of the real asset and the money income of the financial asset. We do not live in a stationary economy (which is what that is) and, so far as we know, we never have. But thinking about it is useful because it helps us to understand the economy we do live in. It is one in which the price of assets of both kinds changes. A moment's thought tells us that if the changes were predictable they would be small. If I expected the price of stock Z to increase in the next twelve months at a rate higher than the interest rate on loans, I would want to borrow and buy the stock now. So would I if Z was a painting instead of common stock. Other people would want to do the same, and we would bid against each other until the price of the asset was equal to the expected future price minus the interest expense of borrowing the money to buy the asset. Conversely, if the price of the asset was expected to rise by less than the interest rate, the owners would want to sell it and lend the proceeds. That would reduce the present price until it differed from the expected future price by an amount equal to the interest rate times the present price.

We know from observation that the value of some assets does
rise at a rate greater than the interest rate. We know from our thought of a moment ago that the increases could not have been expected because if they had been they would not have occurred. Further thought brings us to the conclusion that a work of art can be bought and held for a period and enjoyed, then sold at a profit (that is, for a gain greater than the interest rate). But the same thought tells us we don't know what that work of art is. So that if we are going to buy art in order to resell it we must be prepared to take risks. The best preparation is more than a willingness to take them. It is the capacity to enjoy them in the way a speculator enjoys speculation for its own sake and a gambler enjoys gambling. Risk lovers have the capacity, and if they are also art lovers, the art market is their oyster. It is not for them, however, if they have no interest in art as art. That is because compared to roulette or options it offers fewer thrills and calls for more patience.

Another consideration is relevant to investing or speculating. Art is an asset that yields its own return to people who value it for its own sake, the return being the aesthetic satisfaction, pleasure, utility, enjoyment, or (in economic prose) its viewing services. The aesthetic yield is one of two components of the total yield, or return, the other being the changes in its price over time. The total return to art, if the market for it is informed, should equal the total return to equally risky assets, such as financial assets like stock or bonds or real assets like buildings and land. People who buy art only to resell it at a higher price and for no other reason, that is, speculators, have a lower yield from it than people who enjoy it. To speculators, the aesthetic yield is zero. If they are to resell art at a profit, its price must rise by an amount at least equal to the price increase of other assets plus the yield (dividends, interest, rent, and so on) of the assets. For example, if the total return to common stock is 15 percent, of which 5 is dividends and 10 price increase, a speculator in stock could make a "profit" of 15 percent in one year from buying and selling it. If he is to do that well with art, its price alone, which is just one component of its total yield, must rise 15 percent. That would mean the total return to art for people who enjoy it would be more than 15 percent. Such a relation is conceivable for particular works at particular times. But it cannot be common, and it cannot obtain for long. If the total return to art was expected to be higher than that to equally risky securities, the demand for art and its price would rise until its total yield fell to that of the securities.
What does this signify to people who do not speculate in art but
"invest" in it, in other words, those who buy it in the hope its price
will increase and meanwhile enjoy it? The significance is that inves-
tors are more likely than speculators to make a "profit." A given
increase in the price of art produces a larger total return to investors
than to speculators. If investors value the aesthetic yield at 5 percent
and the price increases 10 percent, they have done as well as they
could have done by buying common stock yielding 15 percent in total.
Speculators on the other hand would do worse because their yield is
only 10 percent. Of course investors must realize that their allegiance
is divided between the enjoyment of art and the enjoyment of money
(meaning the enjoyment of things other than art). The more important
is the latter, the less will they enjoy the art they hope to resell.

There is a third group that has good reason to wonder about the
future value of their art. It consists of people who buy art only be-
cause they enjoy it, yet cannot sensibly ignore how much it costs
them to hold it. If the value of their collection increases after they
have acquired it, the cost of holding it also increases. That is because
they could sell it and buy other assets. Suppose a collector for a song
bought a painting after the Amsterdam project said it was not a
Rembrandt as it once was said to be, then suppose it was found to
be a Rembrandt after all. Suppose its price increased to half a million
dollars and the rate of return on a security of equal risk was 7 percent.
The annual income from the security would be $35,000. That is the
cost to the collector of keeping his painting, about $100 a day, includ-
ing the days he is away from home or doesn't look at it. Of course
the aesthetic yield of the painting is not taxable and the money yield
of the security is. Yet again, in an economy with well-ordered mar-
kets, that could only mean a higher nominal yield for securities and
a lower yield for art.

We pass from people who enjoy taking risks to those who are
either averse or indifferent to them. For neither is art suitable as an
investment and even less so as a speculation. The reason is that there
is not enough information about its return to enable them to make
decisions about it. What the empirical studies described below report
is that the total return to art is less than that to securities. The
explanation could be that there is less information about art than
about securities (which, however, could also make its return higher).
Or securities on the whole may be more risky than art. Or the studies
could be mistaken and more inquiry is called for. They do not all report the same return to art which makes for still more uncertainty. These matters should tell with an investor even if he is indifferent to risk. He is not indifferent to yield and does not want to hold an asset about the past yield of which he has no clear information. Uncertainty about the future, while it may be regretted, cannot be avoided. Uncertainty about the past can be.

What applies to the risk neutral applies even more to the risk averse. The former cannot find the art market inviting. The latter find it dismaying. If either buy art they do so because they like it and not to make a profit from it. The reason is not of course that making money from art degrades it but that profit-seeking is a mistake for collectors. Art for art's sake has a firm grounding in neo-classical economics whatever it may have in aesthetics or in the socio-politico-historical view of it which is entertained at present by younger art historians.

THE VALUED AND THE VALUELESS

A noteworthy feature of the art market is the large variation among the rates at which individual prices change. They range from positive values exceeding 100 percent in one year to a negative 100 percent (and nothing lower is possible). The high values are necessarily unexpected. The very lowest are those for art that cannot find a buyer, may not even be offered for sale, and is about to be discarded because it no longer interests anyone. Negative rates of price change are not of course unique to art or are very large price decreases. Other assets may have the same fate. But rarely do they decline in value as much as 100 percent, that is to say, become worthless, because they usually have a scrap value. Paintings, alas, do not; sculpture may have. What is unique about the price of art as an asset (though not as a consumer good) is the frequency with which price falls to zero. As most of the art that has been created has not survived—and its disappearance cannot be accounted for by depreciation or destruction—most of it must have become worthless, and its price must have fallen 100 percent. If we were to construct a frequency distribution
of rates of price change at any one time, we would see a very small number of very high rates, a very large number of very low rates, and an average equal (when aesthetic yield is added) to the total rate of return on equally risky assets.

Most works of art lose their value entirely because in addition to being assets they are also durable consumer goods which are subject to obsolescence (as explained earlier in this chapter). A work yields aesthetic pleasure for a time, then no longer does. The owner would like to sell it when he tires of it, would like even more to sell it at a profit but knows he probably cannot. When people look for art to buy, they know they probably will not want to keep it indefinitely, and the price they are willing to pay is what they think the enjoyment of the art will be worth for the time it interests them.

The probability of art becoming worthless is greater for that which is very new: the very-very-contemporary or as Mr. Jingle would say—latest thing—novel novelty—top hole—bottom line—cutting edge—far out—just in—right off easel—still wet. The greater the age of a work, the less is the probability of its losing all of its value. For art that is very old and important, say of the Flemish or Italian renaissance, the probability is lowest. However, art that survives does fluctuate in value. The explanation in art history is that tastes change. Economics can add they change because old art, like all other, is subject to diminishing marginal utility. The more we see of it, the less do we want to see still more—just now. But we know the interest in it, unlike that in very new art, probably will not fall to zero or if it does will not remain there. The reason we believe it will survive is because it has.

The value of art that has survived (taking it in the aggregate and over the long period) is likely to increase at a modest rate. It has been exposed to the judgment of buyers and sellers and those they rely on. Its having survived indicates they believe it is worth conserving. In an economic sense this is what is meant by a work of art having met the test of time. Another economic description is that while its marginal utility may diminish it will not fall to zero permanently. This in itself only means the price of older art will not fall to zero. There is, however, reason to believe it will increase. That is because the demand for it increases over time as the income of buyers increases. Art, as explained in chapter two, is a "superior" good, one for which the demand is income elastic. Its income elasticity, taken together with the small changes in supply, causes its price to rise over time.
Its supply can also increase even though the artists are dead, because paintings get reattributed and unknown work is discovered (and there may be successful fraud). But the increase is likely to be small. Moreover, reattribution decreases the supply of the work of some painters (hence increases its price) while simultaneously increasing the supply of others' work. The price of older paintings then, if it changes, usually increases. In an informed market the increase cannot be more than the interest rate. If the market is not informed, the increase can be greater. Or less.

THE PRICE OF ART: THE STATISTICS

Among the empirical studies of the price of art, there are five of which I know that are either important or interesting, and some are both. They are "The Appreciation of Paintings" (1973), a doctoral dissertation at the University of Chicago by John Picard Stein; "Unnatural Value: Or, Art Investment as a Floating Crap Game" (1986), a journal article by William J. Baumol; "Paintings as an Investment" (1974), a journal article by Robert Anderson; Money and Art (1971), a book by Geraldine Keen; and "Is Art Such a Good Investment?" (1988) by Bruno S. Frey and Werner W. Pommerehne, a report to the general reader and to economists as well. A summary of their findings is a fitting end to this chapter.

Before describing them, something must be said about a different kind of price information. It is of no particular significance to an economist and should be of none to the art lover, the investor, or speculator but nevertheless is interesting to them. The prices are the big numbers that get onto the front page after a spectacular sale, usually of Impressionist or Postimpressionist work and occasionally of the work of living artists. A million or so for a work by a member of the New York School is newsworthy; even more is $30 million for one of the six paintings of sunflowers by van Gogh and still more is $54 million for his irises. The public would like an explanation. To say it is supply and demand does not satisfy and leads to another question: Why would anyone pay that much for a picture? The answer is that it is worth that much to the buyer (and more than that if there is consumer surplus, an economist would add). That merely repeats
the original answer, but there is nothing more an economist can say. Not so the world outside of economics from which comes a volley of expletives: "excessive—unreasonable—senseless—outlandish—scandalous—obscene." And of course, "incredible." Just such words were used about the van Gogh sales. They come within the category of what linguistic analysis once called "oo-oo" and "ah-ah" statements—lower on the scale of meaning than statements of preference ("I like vanilla, or sunflowers, better than chocolate, or irises") that do convey information however inconsequential it is.

Admittedly, prices of this order are unusual, hence are not representative of the value of most art, not even of those works that retain enough value to come to market. Not only do the prices tell us nothing about the average price of art at present. They tell us nothing about the course of prices over time. They are of course large numbers, but so are other prices, like that of the Stealth Bomber, ten times as much as the *Iris.* They would be informative if they were related to a relevant magnitude and compared to a high price of a standard commodity like wheat. How many bushels of wheat does a Jasper Johns command today, and what was the wheat value of the Correggio (*The Sleeping Venus*) that Walpole reports was sold in 1650 for £1,000? In the Middle Ages the ruler of a petty domain offered to pay the public debt of another such domain if its ruler would give him a certain painting in his collection. Today is there anyone in the world (a Japanese insurance magnate perhaps) who would pay the national debt of France in return for the *Mona Lisa*? Are the highest of the high prices today higher than the highest of the high of the past? Or is it conceivable that the van Gogh prices presage a downward trend? That would be something to gasp about.

We leave the land of oo-oo and ah-ah and turn to the empirical studies. Dr. Stein computed the (geometric) average of the prices of all paintings auctioned in the United States and, separately, of all of those auctioned in the United Kingdom between 1946 and 1968 (the paintings being by artists of all countries and of all periods). In the United States, the number auctioned each year varied between 190 (1964–65) and 637 (1947–49); in the United Kingdom, the variation was between 1,097 (1954–55) and 2,297 (1947–49). The lowest average price at American auctions was $375 (1949–50), and the highest was $4,904 (1965–66). In Britain the lowest price was $276 (1949–50) and the highest was $2,923 (1967–68).

From the auction prices, Dr. Stein computed the annual percent-
age changes and did so on the assumption that these changes indicate the changes in the value of the entire stock of paintings, whether or not they come to auction so long as they are "auctionable" (that is, if they have any value). He did not, as the next study to be described does, compute the change in the value of the same paintings at two or more sales.

He found the "average annually compounded rate of price appreciation" (what I have called the price yield) to be 10.47 at American auctions, 10.38 at British auctions when the prices are stated in dollars, and 13.12 when stated in pounds, a distinction that need not detain the hurried amateur. One that should is between values which are and those which are not adjusted for changes in the purchasing power of money. For the period Dr. Stein studied, the annual average increase in all consumer prices was 2.5 percent which should be subtracted from his annual rate of price change (10.47 percent in the United States) to get the rate adjusted for inflation (about 8 percent).

These rates are substantially above the rate of interest on the highest grade (AAA) corporate American bonds; they averaged 4 percent for the period. That indicates the paintings either entail more risk than bonds or that the art market is not as well informed as the bond market or both. Another relevant comparison is between the price yield of painting in the United States, 10.47, and the total rate of return to common stock (price appreciation plus dividends) which was 14.3 percent annually. The comparison is relevant to the merit of painting as a speculation and shows at that time painting was inferior to common stock. Finally, a comparison is in order between the total rate of return to stock, 14.3, and the total return to painting, which Dr. Stein places at 12.1 percent annually, the difference between that and the price yield of 10.47 being the "service return" or aesthetic yield of 1.63 percent. The comparison shows that painting was not then a superior investment, was not something to be bought, enjoyed, then sold at a profit with a total return in excess of what could be obtained from stocks or bonds.

About painting as an investment or speculation, Dr. Stein has this to say:

To the investor primarily interested in financial gain and valuing the return from viewing pleasure at only about 1.6 percent per year, paintings are not more or less attractive than other assets. They yield the going rate for their systematic risk. Contrary to a
misbelief that lures some collectors, investment in paintings is not particularly lucrative. The expected appreciation from such investment is only 73 percent of the return, including capital gains, in the equities market. And contrary to another misbelief, the value of paintings contains a substantial element of non-systematic risk, a factor that should persuade collectors to keep most of their wealth in other forms. Any superior performance derivable from paintings can be attributed entirely to the viewing pleasure they provide, not capturable by speculators.

The study by Professor Baumol is of particular interest because he is a pioneer in analyzing the economics of the performing arts. His study of the visual arts measures the rate of price change over a 300-year period of the paintings listed in Gerald Reitlinger’s *The Economics of Taste* (1961), a highly personal account of painting, collectors, auctions, prices, artists, and economics as spoken by Uncle Gerald, as one reviewer called him. Example: “Of the paintings of other schools, for which names had been supplied by Richter, I cannot help thinking that the man who bought a roundel Holy Family for 13 guineas, whether or not it was by Raffaelino del Garbo, was exceedingly lucky.” Professor Baumol in his search for prices in Mr. Reitlinger’s book was exceedingly lucky he did not have to get them from Part I, where this sentence appears, although Part II, where the prices were obtained, is not simplicity itself; for example, in the list of paintings by Poussin is the entry “1794/Joshua Reynolds. C. Adoration/£546.”

Professor Baumol computed the average annual rate of price change, adjusted it for changes in the value of money, and found it to be .55, about one-half of 1 percent with a median of .85. That is surprisingly low, and not what economic theory predicts except in a market where values are consistently and mysteriously understated. The finding of course is consistent with the observation that art is not a profitable speculation, that it is not a superior investment, and that its value increases by no more than the interest rate. If its price yield was in fact only .55 it would be an inferior investment, so inferior as to be nearly no investment at all. That rate does not of course include the aesthetic yield of the paintings.

The study by Professor Anderson also uses the prices in Mr. Reitlinger’s book and in addition those in *International Auction Records* by E. Meyer. Professor Anderson’s purpose was to explain (by
regression analysis) what determines the price of painting but in the course of doing so he also measured the rate of change of prices and did so in two ways, one by a regression equation in which time is a variable and the other by averaging the change of the price of paintings that were sold more than once. For the former he had no fewer than 13,000 prices for the period 1780 to 1970 and for the latter 1,730 pairs of prices between 1653 and 1970. The annual rate of price change by the former method was 3.3 percent and by the latter 4.9 percent. Both are less than the rate of return to securities for the comparable period, which Professor Anderson estimated to be 6.5 percent. Its being higher indicates that art would not have been as profitable a speculation as securities but does not necessarily indicate it was inferior as an investment, because in addition to its price yield it yielded an aesthetic return.

The study by Geraldine Keen describes a large number of separate indexes (fifty-seven of them). Each measures the rate of change of prices paid for the work of particular painters (for example, Renoir), of particular schools (late Renaissance), accepted categories (Old Masters), subject matter (English sporting), and others. The prices usually are not those at which the same work was sold at different times but the prices of works that are comparable, and the comparison is made by the Sotheby staff. For Old Masters, the average yearly price increase was 11 percent from 1950 to 1960 (remarkably close to Dr. Stein's estimate of 10.5 percent for painting sold at American auctions). The rate was 24 percent for the works of Chagall and 8 percent for late Renaissance paintings. The Times–Sotheby index is computed from many fewer prices than those used by the other studies. It does not shirk the problem of comparability and addresses it in a straightforward way. But the comparisons are made by a small number of people, experts to be sure, and their judgment may not reflect that which the market would make. Moreover, the number of prices in each index is uncomfortably small. If the investor/speculator is not disquieted by these doubts about the indexes, he can find evidence in them that painting can be an investment superior to financial assets and can be a profitable speculation. On the other hand, the prudent amateur who is not fond of risk taking will buy art for art's sake and invest and/or speculate in other assets.

Professors Frey and Pommerehne used the prices of paintings that between 1635 and 1987 were sold more than once. The prices were taken from Reitlinger and also from auctions in London and
elsewhere that were held after his book was published, and all prices were adjusted for commission charges. There were 1,200 sales, or (in their terminology) “turnovers,” and they disclose an annual increase of 1.5 percent. That is about three times the rate reported by Professor Baumol (.55) who used much the same information but did not use it as finely. The other three studies did not adjust the change in art prices for changes in the value of money. But all except that of Ms. Keen give the same answer to the question, Is buying art simply to resell at a higher price likely to be profitable? The answer is no.

SUMMARY: THE MARKET SURVEYED,
THE AMATEUR ADVISED

Works of art have been bought and sold for millennia. Trade in art between countries is itself at least 4,000 years old and trade within them must be older since domestic markets usually antedate foreign. In the exhibit from Israeli museums, Treasures of the Holy Land, which toured North America in 1988, there were alabaster ornaments made in Egypt in the second millennium before Christ and unearthed in Canaan. Silver work of Mesopotamian design has been found in Etruscan tombs of the seventh or eighth century B.C. Concerning domestic trade, there is information in the letters of Cicero, Horace, and Caesar about dealers in the city of Rome.

The longevity of the art market is evidence it is useful and that it is an indispensable element in the activity of art if the activity originates in the discrete decisions of the many who create art and the many who want to own it. The two need to be brought together: producers and consumers, sellers and buyers, people who have more art and less money than they want and people who have more money and less art than they want. Bringing them together is the function of the market in all things. The more specialized is the making of art, the more specialized is the selling of it and the buying also. Dealers rarely paint. Painters are known to deal in art, that of others as well as their own, but the principal activity of the principal painters has been painting, and so much the better for them, Monet told Renoir. Collectors who can afford to be serious about their collecting do not rely on their judgment alone; they call on that of others and pay for it,
indirectly in the form of dealers' commissions and directly by engaging experts.

Simply stated, there must be the exchange of art if there are to be artists. It is the necessary consequence of the division of labor, as Adam Smith said and went on to say that the more extensive is the market, the greater will be the division of labor and the more productive will it be. More does not always mean better but it cannot mean worse. So that while one may not say the extension of the market has improved the quality of art (by any of the dozen or score of standards of excellence), one may say the quality has not lessened. If it had, there would be less bought, collected, seen, read about, and (of course) produced. By all indications (though not by the Census of Manufactures, which is silent on the matter) there has been an increase in the making and using of art. That means it provides an increasing amount of enjoyment to the population, or in the language of economics, greater total utility. There may also be an increase in the utility per person, since the interest in art is influenced by education and the population is becoming better educated (at least in the sense of spending more time in school).

As the art market becomes more extensive, so do the differences become greater among the works that are traded on it: differences in subject matter, how it is treated and with what skill, the originality that is shown, the power to engage the viewer's interest, the quality of the visual experience—in a word, aesthetic merit. This explains (if an explanation were necessary) why the prices of art vary from a few dollars to $50 million. In this, the extensive view of the art market, it is more than the market for "fine" or "serious" art or what is desired by important collectors who buy from the great dealers of the world and the principal auction houses. The market, as seen here, includes small galleries, neighborhood art stores, paintings sold by painters from their studio or at art fairs or local exhibitions, and the art galleries of department stores and the wares of interior decorators (which have been known to include the work of artists like Buffet, who are also represented in museums). Then there are the muntebank auctioneers who on a Sunday afternoon knock down a Giovanni Bellini for a few hundred dollars.

Just what the limits of the market are is a pretty question and also a solemn question because it asks. What is art? That is not a question for this book. All that need be said here is that the market for art includes goods which are substitutes in some degree. The prices of
the goods are therefore related but are not competitive because the
substitutability is not perfect, in many instances is slight. Each work
of art is unique in one way or other, and that gives the seller of it some
power over price. The power obviously is greater if there are many
rather than few buyers who want it. But buyers usually specialize,
which limits the demand for any one work, hence limits the price
power of the seller. The relation between seller and buyer is then a
bargaining relation. All that can be said is that the price will be no
less than what the seller will accept and no more than what the buyer
will pay. That is not particularly informative except that it indicates
sellers do not have their own way as is so often said. One who said
it was Maurice Rheims, a prominent figure in the cultural affairs of
France and the author of a noted book about the market: "Dealers
and the trade in general impose their will upon amateur buyers." It
that were true, dealing in art would yield a higher rate of return than
other uses of labor and capital, and the number of dealers would
increase continuously, which does not appear to be happening. One
reason is that amateurs are knowledgeable, and if they are not, they
learn to be.

There are other misconceptions about the market. They invite
the attention of people who are predisposed to regulation. New York
City has a law that requires dealers to post prices. A proposed regu-
lation would require auction houses to disclose which of their sales are
at reserve prices, hence represent the withdrawing of a work from the
market. California has a law that prohibits museums from altering
works in their collection without the consent of the artist or his heirs.
The state also has a law that requires the owner of a work who resells
it to share the profit (but not the loss) with the artist. A similar law
has been put before the U.S. Senate. Regulation is difficult to enforce,
usually is expensive, and frequently brings about the opposite of
what is desired or brings about nothing at all. To require the owner
to share the profit from the resale of art would in all likelihood lower
the price the artist receives and also make some art too risky to buy,
reducing its price to zero. Regulation on the Continent is extensive,
of long standing, and has been concurrent with decline in the market
for art there. Another result is illegal trading and the concealing of
art in order to safeguard it and the owners.

A salient but not unique feature of the art market is its uncertain-
ties. We cannot always know when we look at a painting just whose
work it is, and even if we can be certain of its attribution we cannot
always be certain about how much the work has been altered by
cconservation and restoration or the want of them. Of the two, the
uncertainty about attribution appears to be the more important and
to have the greater effect on price. There of course is uncertainty (that
is, disagreement) about the aesthetic quality. The uncertainty is
greater, the greater is the uncertainty about attribution and the less
is the information about provenance.

The art world is not of a single opinion about the importance of
attribution, and if a vote were taken the majority might be found on
the side that says attribution is not important. This seems to place
expert opinion at odds with the market. But the difference could be
trivial, the result of hair-splitting. It is that when a museologist says
the attribution of a painting is not related to its aesthetic qualities and
at the same time he is quite careful about it when he recommends an
acquisition. If he is to be taken literally, he must be saying that a work
of art is not only (not merely?) an aesthetic object but an aesthetic
object plus objects of a different nature which in their entirety constit-
tute what is called art and is placed in what is called an art collection.
A more useful approach is to wonder why the market makes attribu-
tion important, and several reasons suggest themselves. One is that
objects which have an identity are more interesting than those which
do not. Another is that the names of the makers convey information
about the merit of what they make. Another is that things are valued
for the associations they have as well as for being what they are.
Then there is the considerable convenience names have for art his-
tory, those who read it as well as write it.

An uncertainty of another kind is about price, and here too the
art market is unusual but again is not unique. About most of the art
that is produced at any time, there is no uncertainty over what its
price will be in the future because the art will cease to interest
anyone and will be discarded. About the art that survives, there is
some but not much uncertainty about its future price. The demand for
such art rises as real income rises, and its price rises also. The better
informed is the art market, the more nearly will the price increase be
limited by the rate of interest on assets that are equally risky. What
is uncertain is which of the works of art created at any time will
survive to have a price in the future. Experience shows that the longer
a work of art has survived, the more likely is it to survive still longer
and the more likely is its price to be higher in the future than at
present. Conversely, the greatest uncertainty is about the most re-
ently created art because a large part of it is likely to lose all of its value. Latest thing dicey—careful! Mr. Jingle would say.

Of five empirical studies of the price of art, three report the long-term trend is upward with no account taken of changes in the value of money. One makes it 3.3 percent annually, another 10.5, and the third 11 (for Old Masters). A fourth study reports the increase to be only .55 percent annually after adjustment for changes in the value of money. The fifth reports the annual rate to be 1.5 after adjustment. The difference among these estimates is a warning to people who would invest or speculate in art unless they happen to enjoy taking chances. If they love art as well as risk, the art market can be their playground. It is not for people who are risk averse or risk neutral. Even if they were certain of the price history of art (which they cannot be), they would not find the market attractive. By the most detailed study, the total rate of return to art (aesthetic yield plus price appreciation) was about 12 percent from 1946 to 1968 when the total return to common stock (dividends plus price appreciation) was about 14 percent. As a speculation, the only return to art is its price appreciation, at that time 10.5 percent which was still lower than the 14 percent total return to common stock.

The prudent amateur—the art lover who is not a risk lover—buys art for the pleasure of owning it. He invests or speculates in other things. Art for art’s sake has a good grounding in neo-classical economics.