This volume is part of a larger Institute for the Study of Societies and Markets. It is important to note that the operation of the econoc system generated great interest among the economists and researchers involved in the study of societys and markets.

This book assembles research on the debate on value and price presented at the conference organized in the summer of 20 Formation on Markets, took place in the city of Villa Vigoni in Mt. Value in Markets and Firms" topic meeting of the Society for the would like to thank all participants who presented their contributions for their work and contributions. 

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The path from the conference to this book was the result of our efforts without the help of many people, including the staff of the Editorial Department, Casey Butterfield, and the communication of the publisher, Scott Kushner. Lucien Karpik from the French organized the production of the warmest thanks for their very valuable assistance. David Musson of Oxford University Press gratefully acknowledges 0244-1 PK from the Riksbank 2009-1958 from the Swedish Re
CONTENTS

LIST OF FIGURES xi
LIST OF TABLES x
NOTES ON CONTRIBUTORS xi

INTRODUCTION

1 Value in Markets
   Patrik Aspers and Jens Beckert 3

PART I WHAT IS VALUABLE?

2 Price and Prejudice: On Economics and the Enchantment (and Disenchantment) of Nature
   Marion Fourcade 41

3 What Is the Price of a Scientific Paper?
   Lucien Karpik 63

4 The Value of Ethics: Monitoring Normative Compliance in Ethical Consumption Markets
   Peter Gourewich 86

5 The Transcending Power of Goods: Imaginative Value in the Economy
   Jens Beckert 106

PART II AESTHETIC MARKETS

6 Symbolic Value and the Establishment of Prices: Globalization of the Wine Market
   Marie-France Garcia-Parpet 131

7 Pricing Looks: Circuits of Value in Fashion Modeling Markets
   Ashley Mears 155

8 Damien’s Dangerous Idea: Valuing Contemporary Art at Auction
   Olav Veithuis 178

9 Infinite Surprises: On the Stabilization of Value in the Creative Industries
   Michael Hutter 201
PART III FINANCIAL MARKETS

10 Forecasting as Valuation: The Role of Ratings and Predictions in the Subprime Mortgage Crisis in the United States
   Akos Rona-Tas and Stefanie Hiss

11 Selling Value in Kenya’s Nairobi Stock Exchange
   Christopher Yenkey

12 Coping with Contingencies in Equity Option Markets: The "Rationality" of Pricing
   Charles W. Smith

PART IV ORGANIZATIONS

13 Valuing Products as Cultural Symbols: A Conceptual Framework and Empirical Illustration
   Davide Ravasi, Violina Rindova, and Ileana Stigliani

POSTSCRIPT

14 What’s Valuable?
   David Stark

INDEX

LIST OF FIGURES

2.1 The two roles of economics
5.1 Typology of value
6.1 Wine investment: Capital ga
7.1 Editorial and commercial we
11.1 Creating familiarity with the
11.2 Establishing firm performan
11.3 Countdown phase advertiser
11.4 IPO advertising relative to re
11.5 IPO advertising relative to re
Damien’s Dangerous Idea: Valuing Contemporary Art at Auction

Olav Velthuis

Introduction

This chapter studies the devices through which prices are produced in the contemporary art market. Prices, I will show, are not established by means of neutral market devices that economic agents select in order to serve their own interests, or which emerge because of their efficiency in equilibrating markets, as neoclassical economics has either implicitly or explicitly assumed. Prices are themselves embedded in the meaning structures of markets, in the preexisting institutional frameworks of these markets, and in the shared values of the agents who populate these markets. Any theory that is to be successful in understanding the emergence and persistence of pricing devices in empirical markets should therefore incorporate wider considerations than just efficiency or self-interest. Also, in order for some of these devices such as auctions to become operational, a market order including status hierarchies and standards of value needs to be established.

In particular, this chapter seeks to understand why new works of art have almost invariably been sold through posted prices. This accomplishment is remarkable: a rich literature in economics suggests that for unique, expensive goods with an uncertain value such as art, auctions are the optimal price mechanism. Secondly, the chapter studies four rare cases in the history of modern art markets in which auctions have been used in order to produce prices for art. I show that the reasons agents have deviated from the norm of posted prices are hardly related to the arguments proposed in the economics literature. Indeed, if we are to understand this deviation and the norm itself, we need to look at pricing devices in social as well as cultural terms. These devices are, to put it in Viviana Zelizer’s terms, intricate parts of circuits of commerce (Zelizer 2004).

* Thanks to Michael Hutter, Jens Beckert, Patrik Aspers, and participants of the conference on “Valuation and Price Formation on Markets,” Villa Vigoni 2009, for their extremely helpful comments.

In the first section of this chapter, new works of art by means of their public character, auction and club membership, which turning the neoclassical ecor avoided as long as the “ident piece of art and its maker ha. interactions between art dealers; the establishment of such sta interaction of auction sales do.

In the remainder of the chapter, I auctions to sell their work be established channels of mark Paris art world (Section 3). American charity events bec (Section 4). In the emerging considered legitimate because and with framings of conten. Finally, in September 2008, th work successfully at auction celebrity-oriented circuit with.

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Economic Literature

In modern retail markets, thre hybrid forms in which eleme. First of all, in cases of priv. individual sellers and buyers
In the first section of this chapter, I briefly review economic literature on price mechanisms. In the second section, I argue how it is that art dealers have sold new works of art by means of posted prices rather than auctions. Because of their public character, auctions fail to produce social goods such as exclusivity and club membership, which art dealers provide to their buyers. In addition, turning the neoclassical economic argument on its head, auctions may be avoided as long as the "identity"—to put it in Harrison White’s terms—of a piece of art and its maker has not been established (White 2002). The dense interactions between art dealers and their clients in the gallery space may enable the establishment of such standards in a way that the relatively anonymous interaction of auction sales does not.

In the remainder of the chapter, I study the rare use of auctions on the contemporary art market. Impressionist painters, for instance, organized auctions to sell their work because they were refused access to the dominant, established channels of marketing and valuing art in the nineteenth-century Paris art world (Section 3). Much closer to home, auctions are used for American charity events because of the status value these auctions produce (Section 4). In the emerging art markets of China and India, auctions are considered legitimate because they fit into preexisting institutional settings and with framings of contemporary art as an investment good (Section 5). Finally, in September 2008, the British artist Damien Hirst managed to sell his work successfully at auction because it was part of a wider event-driven and celebrity-oriented circuit within recent Western art markets (Section 6).

The material that this chapter draws on is eclectic. For the French art market, I make use of existing art historical studies as well as written accounts by friends of the impressionists who attended the auctions. For the charity auctions, I refer in part to the many guidelines regarding these events that have been drawn up by artists’ associations in the United States and Canada, in popular online forums where artists discuss business practices, and in media reports. I attended a major charity art auction in the Netherlands, which took place at Sotheby’s in May 2009 and raised funds for the art institutions De Appel in Amsterdam and Witte de With in Rotterdam, and I conducted interviews with two of the organizers and three of the artists involved. The sections on the Chinese and Indian art market and on Hirst’s one-man auction draw on media reports exclusively.

**Economic Literature on Pricing Mechanisms**

In modern retail markets, three mechanisms exist to set prices, as well as many hybrid forms in which elements of these three mechanisms are combined. First of all, in cases of private negotiations (haggling, direct bargaining), individual sellers and buyers negotiate the details of a transaction including...
the price, which has not been fixed in advance. The mutual bargaining power of parties willing to exchange a good is in other words measured on the spot, with the price level as the main outcome of the process. Private negotiations predominated in pre-modern economies and still do in the bazaar economies that have been documented in detail by economic anthropologists (see Alexander and Alexander 1991; Fenselau 1990; Geertz 1979).

The second mechanism to set prices is through auctions. In the simplest form of this mechanism, buyers and sellers of a good convene at a specific place and time. During the auction, an auctioneer calls prices in order to find the equilibrium price where supply and demand meet; in other words, supply and demand interact directly in order to establish the price.7 Auctions are used for a wide range of goods, including perishables like fruit, flowers and fish, cattle, agricultural products, primary metals, and financial assets such as government bonds (Okun 1981: 134). Recently, Western governments have used auctions to privatize companies, to sell mobile phone licenses, or to operate liberalized electricity markets (Klemperer 2004). On retail markets, however, auctions are rarely used: works of art, rare books, wine, antiques, or other collectibles are the few categories that are mentioned in the literature. More recently, this has changed to some extent through online auction houses such as eBay (see e.g. Lucking-Reiley 2000).

The third most prevalent mechanism to establish prices in modern retail markets is the use of fixed or posted prices: before the sale takes place, the seller sets a price and posts it, after which a sale is made once a customer agrees with this posted price. Posted, fixed prices are a relatively recent phenomenon, having been introduced in the early nineteenth century, when the exchange of everyday commodities became increasingly impersonal (Carrier 1994; cf. Fenselau 1990).

A rich literature in economics has emerged since the 1980s that has aided understanding of which price mechanism is being used. One drawback is that this literature focuses on wholesale markets, while retail markets get relatively little attention. Moreover, most contributions have a normative angle. Empirical studies of the emergence and institutionalization of a price mechanism on specific markets are rare.

Which normative arguments have been proposed to understand the occurrence of one price mechanism rather than another? First of all, as Preston McAfee and John McMillan argue in a review of auction literature, monopolist sellers who do not know the buyer’s willingness to pay should prefer to sell by auction, because doing so forces all buyers to reveal this willingness. Second, auctions are optimal when there are only a few units of a good to sell, since each buyer is forced to reveal his willingness to bid if widely accepted standards are expensive. Finally, auctions are highly unstable, for instance because goods fluctuate on a daily basis offered for sale, such as cattle, 1985: 18; Phelps 1988: 89; cf. Smith.

The downside of auctions is that they have long been organized (Carlton 1991). This has typically been to provide detailed instructions to bargain, and how to do so, because the sellers and the buyer a lower sum than the customer Therefore, if monitoring is expensive (Milgrom 1989). Ano and transaction costs are relatively high, thus buyers and auctioneers must accept that the different types of goods be auctioned.

Posted prices are expected to help reduce transaction costs. If a competitive sense of competition provides detailed instructions to bargain, and how to do so, because the sellers and the buyer a lower sum than the customer Therefore, if monitoring is expensive (Milgrom 1989). Ano and transaction costs are relatively high, thus buyers and auctioneers must accept that the different types of goods be auctioned.

Economists have little more than the inefficiency of the system. This has more forcefully: barter, something practiced by the 239). Negotiations combined with the basis of bargaining willingness to pay (see e.g. Gold

Clear-cut as the arguments subjective power is limited. The his mechanisms used is much great economists themselves have at more than one selling mechan

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7 Textbook economic theory, with its supply and demand graphs, implicitly assumes that prices for all goods are set by means of an auction mechanism. This happens with the help of an imaginary “Walrasian” auctioneer (named after one of the founding fathers of neoclassical economic theory, the nineteenth-century economist Léon Walras), who calls off prices until an equilibrium price is established (see Smith 1989).

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2 This notion has been criticized by C auctions deviate significantly from the exact estimates of bidders are based on collective prices do not reflect a simple composite evaluations that are subject to intra-group
The mutual bargaining power words measured on the spot, the process. Private negotiations still do in the bazaar economies (see Alexeev 1979).

Auctions work through auctions. In the simplest of a good convene at a specific time: calls prices in order to find and meet; in other words, supply fish the price. Auctions are used for items like fruit, flowers and fish, and financial assets such as stock, Western governments have ill mobile phone licenses, or to per per (2004). On retail markets, rare books, wine, antiques, or are mentioned in the literature. It through online auction houses

establish prices in modern retail before the sale takes place, the is made once a customer agrees a relatively recent phenomenon, a century, when the exchange of impersonal (Carrier 1994; cf. since the 1980s that has aided in_produced. One drawback is that while retail markets get relatively have a normative angle. Empiricism of a price mechanism on

posed to understand the occurrence? First of all, as Preston if auction literature, monopolist is to pay should prefer to sell by reveal this willingness. Second, w units of a good to sell, since each buyer is forced to reveal his willingness to pay. Third, auctions should be used if widely accepted standards of value are lacking: and fourth, if the goods are expensive. Finally, auctions are preferred when market-clearing prices are highly unstable, for instance because supply and demand for goods such as flowers fluctuate on a daily basis or because the quality of the individual goods offered for sale, such as cattle, varies (McAfee and McMillan 1987; Milgrom 1985: 18; Phlips 1988: 89; cf. Smith 1989: 16).

The downside of auctions is however that they are relatively expensive to organize (Carlton 1991). This has changed somewhat with the Internet: David Lucking-Reiley argues that “as Internet technology lowers the cost of running an auction relative to using other pricing mechanisms, we might expect to see new types of goods be auctioned” (Lucking-Reiley 2000: 232).

Posted prices are expected for standardized goods, especially in complex selling organizations. If a company employs many sellers, it would be expensive to provide detailed instructions on when to bargain, with which customers to bargain, and how to do so. Also, principal–agent problems might arise because the sellers and the buyer have an incentive to collude, sell the work for a lower sum than the customer’s willingness to pay, and share the difference. Therefore, if monitoring is expensive, posted prices will be preferred to haggling (Milgrom 1989). Another advantage for sellers is that information and transaction costs are relatively low: whereas it takes a long time for both an auction and a bargaining process to arrive at the price, posted prices enable instant sales (Fanselow 1990; Riley and Zeckhauser 1983). Thus, if opportunity costs to consumers are high because of their income level, posted prices may be expected.

Economists have little more to say on private negotiations than that these are “best avoided” because they are likely to result in “disagreement and inefficiency” (Milgrom 1989: 19). Or as the anthropologist Gretchen Herrman has argued more forcefully: bargaining “is considered irrational or pre-rational, something practiced by the essentialized exotic Other” (Herrman 2003: 239). Negotiations combined with fixed, posted prices do occur regularly on modern retail markets, however, giving a seller opportunities to discriminate prices on the basis of bargaining power and the seller’s estimate of the buyer’s willingness to pay (see e.g. Goldberg 1996; Ayres and Siegelman 1995).

Clear-cut as the arguments summarized in Table 8.1 may be, their predictive power is limited. The historical and geographical variation in price mechanisms used is much greater than economic theory can account for, as economists themselves have acknowledged. Moreover, on many markets, more than one selling mechanism is used simultaneously (cf. Arnold and

---

2 This notion has been criticized by Charles Smith, however, who has convincingly argued that auctions deviate significantly from the economic model. Contrary to economic theory assumptions, the estimates of bidders are based on collective opinions that are highly subject to modification. As a result, prices do not reflect a simple composite of individual evaluations but rather complex, collective evaluations that are subject to intra-group influences (Smith 1989).
Table 8.1 Summary of conditions determining the use of price mechanisms

<table>
<thead>
<tr>
<th>Condition</th>
<th>Auction</th>
<th>Posted price</th>
<th>Haggling</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Characteristics of goods</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standards of value are lacking</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Supply is limited</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Market-clearing price is unstable</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>High-status value</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td><strong>Characteristics of seller</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complex organization</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Seller is monopolist</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Monitoring problems</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Characteristics of buyer</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High income (high opportunity costs)</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Differences in willingness to pay</td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

Lippman (1995). Also, on the basis of the aforementioned arguments, it is hard to account for the dominance of posted prices in modern economies. As Arthur Okun has argued: "It is much easier to document empirically the widespread nature of cost-oriented prices than to provide an analytical foundation for those practices and attitudes" (Okun 1981: 154).

Why There Are No Auctions on the Primary Art Market

Applying neoclassical economic arguments to the primary art market, the case for auctions could not be stronger: artists are monopolists; they only have a relatively small number of units to sell; the value of each of these selling units is high, albeit uncertain. Furthermore, anecdotal information indicates that artists and their dealers have difficulties estimating their clients' willingness to pay (Velthuis 2005b). Indeed, in many gallery exhibitions, artworks remain unsold and are later returned to the artist's studio. In the rarer cases of very popular artists, shows are sold out even before opening, with art dealers developing waiting lists for new works to appear. Both cases indicate that the art dealer's price discovery by means of posted prices is far from perfect, and that auctions might arrive at better results. Moreover, the principal–agent problems cited by economists in favor of posted prices are hardly relevant for art markets since it is the principal/owner of the gallery who almost invariably closes the sales (Velthuis 2005b).

In short, one would expect auctions to predominate in the production of prices. The reality of art markets is different, however. Auctions are exclusively used on the secondary or resale are by and large avoided. Whe York and Amsterdam whether the end of a gallery show in or not understand the question, outrage. This hostility toward artist Damien Hirst announce Sotheby's in September 2008, ous, since it might destabilize Economist noted that with ti traditional rules" (The Economist "The final frontier protecting encroachment of the auction that Damien has demolished tion and profit, other artists w

The reasons auctions are av of all, as Jens Beckert has an environments, economic age flexibility and create a rigidity environment" (Beckert 1996: 8 rather than stabilize the radical value of contemporary art. Some extent predictable, especi rules.

This predilection for the rigi by taking the signaling funct dealers) fear that the volatility market because of negative p achieve record levels set at a pro the art world may infer from th in decline, a career that is no quality (cf. Velthuis 2003). In: dealer with control over the pr the signals these prices send or avoiding price decreases and he

Second, before exchange car lished, including the identity : standards of value by which the 2001a, 2009). It is questionabl order, status hierarchies, and needs to take into account that technical devices that enable a

³ For the uncertain, socially constru Moulin (1987, 1994), Plattner (1996), Bo
The reasons auctions are avoided on the primary market are fourfold: first of all, as Jens Beckett has argued, in order to master radically uncertain environments, economic agents "relax social 'devices' that restrict their flexibility and create a rigidity in the responses to changes in an uncertain environment" (Beckett 1996: 819). In other words, auctions would only add to rather than stabilize the radically uncertain nature of the artistic and economic value of contemporary art.\(^3\) Posted prices, by contrast, render these values to some extent predictable, especially since they are based on a set of pricing rules.

This predilection for the rigidity of posted prices can be further understood by taking the signaling function of prices into account: artists (and their dealers) fear that the volatility of auction prices may destabilize the artists' market because of negative price signals. For instance, when prices fail to achieve record levels set at a previous auction, collectors and other members of the art world may infer from these lower prices that the artist has a reputation in decline, a career that is not developing, or work that is deteriorating in quality (cf. Velthuis 2003). Instead, posted prices provide the artist and his dealer with control over the price levels and thereby—at least partially—over the signals these prices send out. By increasing prices only piecemeal and by avoiding price decreases and hence volatility, they seek to stabilize the market.

Second, before exchange can take place, a market order needs to be established, including the identity and status of the producers involved and the standards of value by which the works of art should be appreciated (cf. Aspers 2001a, 2009). It is questionable whether auctions manage to establish such order, status hierarchies, and standards of value. To understand why, one needs to take into account that price mechanisms are not only economical or technical devices that enable agents to produce prices. They are also social

\(^3\) For the uncertain, socially constructed, and rapidly fluctuating value of art, see for example Moulin (1987, 1994), Plattner (1996), Bonus and Ronte (1997), and Beckett and Rössel (2004).
devices that imply specific types of social interaction. In particular, the relatively anonymous and short-lived type of interaction between sellers and buyers at auction by and large excludes the dense interactions, rich exchange of information and gossip, and continuing conversations that are a prerequisite for status hierarchies and that allow standards of value to emerge (see e.g. Aspers 2001a; Klamer 1996).

Third, auctions are considered illegitimate for cultural reasons. They present new works of art in a blatantly commercial context, which contradicts what Pierre Bourdieu has called the rules of art and the denial of the economy in particular (Bourdieu 1993). In other words, actors within the art world seek to frame contemporary works of art as cultural goods rather than commercial commodities. Hirst’s partnership with the auction house Sotheby’s has derailed such attempts at “decommodifying” contemporary art. As one artist remarked on a popular art market blog: “You simply cannot truly experience complex artworks in an auction house. It’s just about selling, and nothing else.” Instead, the artist continues, “It’s also important to actually look at the stuff, yourself, out of the studio, in a clean white space, and present your ideas to the world.”

Finally, the democratic nature of auctions means that they fail to produce a social good that is highly valued on art markets: access to the exclusive social club of artists and collectors that forms around art galleries. Selling art through posted prices provides some degrees of freedom to art dealers to sell desirable pieces to collectors of the dealers’ liking. As Michael Hutter put it: “dealers in markets for goods with communication potential not only sell commodities, but also actively create and provide a club good—namely membership in the community which adheres to the dealer’s aesthetic style—which they sell jointly with the object” (Hutter et al. 2007: 249). The auction mechanism, in which the selection process of agents is only on the basis of willingness to pay and not on the basis of the agent’s status within the art world, cannot produce this club good.

Auctions in the Modern Art Market of Nineteenth-Century France

If hostility toward auctions as a market device is steep in the primary art market, they have nevertheless been used at specific moments, within distinct geographical locations or particular segments of primary art markets. But even in these cases, the reasons for economic agents to choose auctions over posted prices have little to do with the remainder of this chapter.

The first case is the Parisian art market of the 1850’s. Auctions for new works of art were held at the centaurie Parisa (Green 1987; F. Bolivar 1853, in the Peña). Like D’man sales at which they sold 1850, 1861, and 186 auction. Dize’s organized a a psychological interest to publish their illustrated auction from art critics. Like Rousseau, the sale in order to bid up the

The success of both artists’ received among critics, but its paintings did not sell, leaving costs he had incurred in organ successful in economic terms were elevated by the standards of the

The impressionists, who are fortunate. After a first very bisoni had shown together in their early friends of the impressionist disaster (Duret 1910). The art themselves—72 in total. Friesen order to protect the artists. France, in those days a meager rioted during the sale and ridic called in to break up the fights

In 1877, the impressionists’ only painters represented in the the auction included works. Again, the painters were ridic upside down through the au humiliating that the impression their work at the Hôtel Drouot. The dramatic results of the artists from trying their luck. Paul Gauguin made an attempt.
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the art world, cannot produce

prices have little to do with the arguments proposed by economic theory. In
the remainder of this chapter, I will discuss four such cases.

The first case is in the Parisian art market of the second half of the nineteenth
century. At the time, auctions were regularly used as the sales mechanism of
choice for new works of art. As the art historian Simon Kelly writes: "The
auction house was at the centre of the Parisian art market in mid-nineteenth-
century Paris" (Green 1987; Kelly 2003: 34). Among other auction pioneers
were two painters of the Barbizon school: Theodore Rousseau and Narcisse-
Virgile Diaz de la Peña. Like Damien Hirst, Rousseau and Diaz organized one-
man sales at which they sold paintings directly out of their studios. Rousseau
did so in 1850, 1861, and 1863, at the Hôtel Drouot, then as now Paris' main
auction venue. Diaz organized 11 one-man auctions between 1849 and 1868. In
order to cultivate interest in these among collectors, he and other artists
published illustrated auction catalogues, for which he commissioned texts
from art critics. Like Rousseau, Diaz made sure that friends would be present
at the sale in order to bid up the works in case collectors' interest was absent.

The success of both artists' one-man sales varied. Some auctions were well
received among critics, but a failure in economic terms: the majority of
paintings did not sell, leaving one or the other painter in debt because of the
costs he had incurred in organizing the auction. Other sales, however, were
successful in economic terms as well, resulting in prices that were considered
elevated by the standards of those days (Kelly 2003).

The impressionists, who organized two auctions in the 1870s, were less
fortunate. After a first very badly received exhibition, at which the impres-
sionists had shown together in 1874, Pierre-Auguste Renoir took the initiative
to put on one of these auctions. It took place in the spring of 1875 and
included, apart from Renoir's own paintings, those of Claude Monet, Alfred
Sisley, and Berthe Morisot. The journalist and art critic Théodore Duret, one
of the early friends of the impressionists who attended the sale, considered it a
disaster (Duret 1910). The artists had to buy back many of the paintings
themselves—72 in total. Friends or family members bought other works in
order to protect the artists. Many paintings failed to raise more than 100
francs, in those days a meager sum (Bodelsen 1968). Moreover, the public
rioted during the sale and ridiculed the works on display. The police had to be
called in to break up the fights (Katz and Dars 1999).

In 1877, the impressionists tried one more time. Renoir and Sisley were the
only painters represented in the first sale to participate; besides their paintings,
the auction included works by Gustave Caillebotte and Camille Pissarro.
Again, the painters were ridiculed. The audience passed on their paintings
upside down through the auction venue (Duret 1910). The sale was so
humiliating that the impressionists refrained from further attempts to sell
their work at the Hôtel Drouot.

The dramatic results of the two impressionist sales did not prevent later
artists from trying their luck. Most notably, the post-impressionist painter
Paul Gauguin made an attempt. In 1891, Gauguin auctioned off his own works
in order to quickly generate cash to travel to Polynesia (see e.g. Rewald 1986a: 79–80). To his friend the essayist and poet Charles Morice, Gauguin explained: "The experience I won at Martinique was decisive. There and there only did I feel that I really was myself. That’s why I want to go to Tahiti. I need money, about ten thousand francs. I think that a well-prepared sale of about thirty pictures from Martinique, Brittany and Arles could get them" (Hanson 1954: 193–4).

The art critic Mirbeau wrote an essay for the auction catalogue. The sale was covered by the media, and stirred wider interest in Gauguin’s work. As was common at the Hôtel Drouot, fellow artists attended the sale, including Edgar Degas, who bought several works. In total, the auction revenue from the 30 paintings was over 9,860 francs (Hanson 1954: 195), which was close to what Gauguin had projected. One of Gauguin’s first biographers characterized the auction as a “moral success” (Rotonchamps 1925: 88). In 1895, during a brief visit to Paris, the artist held another one-man auction in order to finance his prolonged stay in Polynesia. This later auction was much less successful; after deducting expenses, the artist netted only 500 francs from the sale (Hanson 1954: 245).

The last noteworthy example of auctions on the primary market in nineteenth-century France concerns posthumous sales, where the contents of an artist’s studio would be sold after his death. These took place after the deaths of artists such as Delacroix (1864), Millet (1875), Courbet (1881), and Manet (1884). Manet even requested in his will that “an auction of the paintings, sketches, and drawings in my studio [be] held after my death” (Bodelsen 1968; Watson 1992: 93). The sale was preceded by a retrospective exhibition of Manet’s work, again based on the contents of his studio, in the prestigious École des Beaux-Arts (Duret 1910: 194).

The question of why auctions were used legitimately on the primary market in nineteenth-century France does not have a single straightforward answer. One reason, no doubt, was that the artists involved were in dire straits. Rousseau and Díaz faced the collapse of the art market of the late 1840s. Gauguin had to raise money quickly in order to sail off to Tahiti. One of the few dealers who supported the impressionists, Paul Durand-Ruel, was on the verge of bankruptcy. The Salons, where the official, government-sanctioned exhibition and sale of contemporary art took place, had already refused the impressionists (Mainardi 1993). This left the artists with few options. Here it should be noted that historically, the auction has been the market device employed by the art market’s outsiders. In the seventeenth century, merchants who were unable to secure membership in the artists’ guilds organized auctions to sell their inventory. The guilds, in turn, attempted to forbid these auctions in order to prevent the market from becoming flooded with paintings of lower quality (see e.g. De Marchi 1995; Montias 1988; Prak 2003).

5 Apart from single artists, some dealers such as Durand-Ruel and Boussod & Valadon also auctioned part of their stocks of new works of art (see 1981: 23; Rewald 1986b: 21; see also North 1992: 90; Watson 1992: 91).

The use of auctions should institutional structure of the many art dealerships had origins, like, the experts and appraiser auction houses (cf. Green 1987; Ruel and Georges Petit, combinations themselves. In other words, the art dealers that prevailed in France. Leading art critic which bestowed further culture: connection to retrospective ex 1994: 119).

Some of the nineteenth-century value of their work, and saw the instance, used one of the one-man new style that had not been app that some standard of value existed himself. Without his reputation impressionists’ auction a couple.

Apart from artists’ econom lack of access to other commercial legitimacy of some primary market lay in moral values. The auction opportunity to express care for appear at auction and to start the reputation of their company infused with gift or charity in retrospective exhibitions after artist’s colleagues and below Jensen put it, "an altruistic chu.

Finally, art historians have primary market because they that prevailed in mid-nineteenth and frequent visitor to the Itho stock exchange, noted of the that financial surge which fit paradise" (Green 1987: 62; see

Charity Art Auctions

The second example of auctions with contemporary art is the char
The use of auctions should moreover be seen in light of the preexisting institutional structure of the nineteenth-century Paris art market. Whereas many art dealerships had originally been luxury stores, printing shops, and the like, the experts and appraisers of contemporary art were to be found at the auction houses (cf. Green 1987). Some of these experts, most notably Durand-Ruel and Georges Petit, combined their role at the Hôtel Drouot with dealerships themselves. In other words, the antagonism between the auction houses and the art dealers that prevails nowadays was absent in late nineteenth-century France. Leading art critics were writing texts for auction catalogues, which bestowed further cultural legitimacy on the auctions, as did their strong connection to retrospective exhibitions in prestigious cultural venues (Jensen 1994: 119).

Some of the nineteenth-century artists were also uncertain about the economic value of their work, and saw the auction as a way to find this out. Rousseau, for instance, used one of the one-man auctions to sell a new body of work, made in a new style that had not been appreciated by his existing collectors. Note, however, that some standard of value existed: Rousseau had already established a name for himself. Without his reputation, the auctions would probably have failed, like the impressionists’ auction a couple of decades later.

Apart from artists’ economic necessity, organizational configurations, and lack of access to other commercial devices at hand to sell their work, the legitimacy of some primary market auctions in nineteenth-century France also lay in moral values. The auctions provided fellow artists and friends with an opportunity to express care for an artist: it was common for these colleagues to appear at auction and to start bidding when nobody else did, in order to save the reputation of their companion. Those acquisitions were, in other words, infused with gift or charity elements. Also, the auctions that followed the retrospective exhibitions after the artist’s death provided a last chance for the artist’s colleagues and beloved to pay tribute. These sales had, as Michael Jensen put it, “an altruistic character” (Jensen 1994: 116).

Finally, art historians have argued that auctions could be used on the primary market because they were embedded in a wider speculative culture that prevailed in mid-nineteenth-century France. For instance, one art critic and frequent visitor to the Hôtel Drouot, which was located close to the Paris stock exchange, noted of the auction house that “its success corresponded to that financial surge which for ten years made the Bourse a speculator’s paradise” (Green 1987: 62; see also Jensen 1994).

**Charity Art Auctions**

The second example of auctions being used systematically for the sale of contemporary art is the charity art auction. For these auctions, nonprofit
organizations or an agent working for them invite contemporary artists to
donate one or more works from their studios. The works are auctioned at a
special fundraising event that sometimes requires the purchase of tickets for admittance. Although silent auctions are used for cheaper items, the charity
art auction is usually an English, open-cry sale. After the costs are subtracted,
the benefits of the auction go to the nonprofit organization. These proceeds
may range from several thousand dollars for a local auction in which artists
without a widely recognized reputation participate to $42 million for the most
successful charity art auction ever: the Red auction organized in the spring of
2008 at Sotheby’s New York. Famous artists such as Jeff Koons and Tracey
Emin contributed work to the latter of these, and celebrities attended. The
proceeds went to the Geneva-based Global Fund to Fight Aids, Tuberculosis,
and Malaria.6 The show was organized by Damien Hirst and the rock star
Bono. The seven works that Hirst himself donated to the auction fared
extremely well, raising almost half of the total auction revenue.

No systematic data regarding the history, frequency, or average sale revenue
of charity art auctions exists.7 Anecdotal information suggests that they are
more frequent in the United States than in Europe, presumably because of the
comparatively small government contributions to nonprofit organizations.
“In an economy that has become less than friendly to many non-profit
organizations, the fundraising auction has emerged as a popular, effective,
and ethical income source,” two experts on charity auctions write (Miller and
Miller 1996: 95).8 In the media, New York galleries say they get several
requests per week to contribute works. Artists complain of being “inundated”
with requests, resulting in charity auction fatigue. That a cottage industry has
emerged of American companies that organize charity art auctions for non-
profit organizations (often with their own inventory of artworks at the
disposal of the client) also attests to the popularity of this type of sale.

If the public, overtly commercial character of regular art auctions is
deplored in the contemporary art world because it violates the rules of art,
to use Bourdieu’s terms, it is this very public character which lends legitimacy
to the charity art auction. Requiring the potlatch rituals of Indian societies,
buyers at these auctions establish status by paying more than fair market value
for a work of art. Thus, the charity art auction is infused with elements of gift
transactions, with the surplus value (the auction price minus the fair market
value of the artwork) exchanged for status.

Another reason why auction the bidding process creates no the events spectacular or ple
Randall Collins, the charity at that result in emotional ener
Webber 2003: 123). Or as t auction is a theatrical produc when the emotional energy is larl. One observer recounted shed tears when hardly anybo

In short, the auction mecha simply would not make sense i or posted prices. This does n considered legitimate by all th Three arguments are frequent dealers see the charity auction of revenue. Likewise, and ever artists wonder why they shoul in their eyes highly valuable. A its Guidelines for Professional Events: "Artmaking is a prove find it difficult to make a livi community groups continual inventory for fund-raising pr works of art outright to any o

Secondly, artists complain of their career because the pr the prices that artists can fetc structure is hampered. The negative quality signal to the this carefully constructed pric well-to-do citizens at a charity had all heretofore believed to find a buyer at a couple of f former organizer of these eve:

6 This section is partially based on newspaper and magazine articles on charity art auctions retrieved
through a systematic search on Lexis Nexis (1990–2009). The key articles retrieved are: CBC News

7 In 2007, Sotheby’s reportedly participated in more than 300 charity auctions, generating total

8 For instance, the number of press reports that can be retrieved through the electronic media
archive Lexis Nexis about charity art auctions in the United States far outnumber those in Europe.

9 Similar advice is given by the Phii ng & Art Auction Guidelines; av (accessed September 5, 2010).

10 Therefore, the Professional Guide fundraising auctions state: “Every artist work...Since auctioned artwork often
impossible. The ultimate result of this... the ability of a gallery to command full
affected.”
invite contemporary artists to

Another reason why auctions are used for these fundraising events is that the bidding process creates moments of collective effervescence, which makes the events spectacular or pleasurable in themselves; to put it in terms of Randall Collins, the charity art auction comprises a set of interaction rituals that result in emotional energy (Collins 2004; cf. Miller and Miller 1996; Webber 2003: 123). Or as the anthropologist Heidy Geismar notes, “the auction is a theatrical production of price” (Geismar 2001: 43). Conversely, when the emotional energy is lacking, the charity auction may fail spectacularly. One observer recounted a time when artists were embarrassed and even shed tears when hardly anybody bid on their work.

In short, the auction mechanism is ingrained in these fundraising events. It simply would not make sense to substitute the bidding for private negotiations or posted prices. This does not mean, however, that charity art auctions are considered legitimate by all the actors that are directly or indirectly involved. Three arguments are frequently invoked against the institution. First of all, dealers see the charity auction as a form of competition that may result in loss of revenue. Likewise, and even more astutely given their low average income, artists wonder why they should be obliged to give away works of art which are in their eyes highly valuable. As the Canadian Artists Representation writes in its Guidelines for Professional Standards in the Organization of Fund-Raising Events: “Artmaking is a profession like any other, yet most Canadian artists find it difficult to make a living wage from their artwork. At the same time, community groups continually approach artists to donate portions of their inventory for fund-raising projects. No artists should be expected to donate works of art outright to any organization for fund-raising purposes.”

Secondly, artists complain that charity art auctions harm the development of their career because the prices established there are frequently lower than the prices that artists can fetch in the gallery, meaning that the latter pricing structure is hampered. The lower auction price, in other words, sends a negative quality signal to the audience. “What happens to the credibility of this carefully constructed pricing structure when, as is very often the case, 300 well-to-do citizens at a charity auction witness an artist’s painting, which they had all heretofore believed to be worth a couple of thousands of dollars, fail to find a buyer at a couple of hundred dollars?” wonders an art appraiser and former organizer of these events.


10 Therefore, the Professional Guidelines of the Society of North American Goldsmiths regarding fundraising auctions state: “Every artist should maintain control over the selling prices of his or her work… Since auctioned artwork often sells far below retail price, maintaining control of pricing is impossible. The ultimate result of this discounted selling price is that the value of an artist’s work and the ability of a gallery to command full retail prices for the entire body of an artist’s work is adversely affected.”
Finally, artists complain that the charity art auction entails an unwelcome diversion from the established path of a work of art, to put it in terms of the anthropologist Arjun Appadurai (Appadurai 1986). Since the auctions generally attract a public of art world outsiders, artists’ work ends up in the hands of buyers who spend money during these events for social rather than aesthetic reasons. As one artist complains: “Most of these auction-goers are noncollectors. They are inexperienced in the art world, cannot appreciate the value... A bunch of doctors and researchers are more likely to bid up a scuba-diving excursion. You get the idea.”

Auctions in Emerging Cultural Economies

The third instance of art auctions on the primary art market is in emerging cultural economies. Since the late 1990s, markets for contemporary art have emerged or expanded rapidly outside of Europe and the United States (see e.g. Artprice 2008; McAndrew 2008). In 2008, the size of the auction market for contemporary art in China, for instance, surpassed that of France, the country that until World War II was the center of the international art market. Although these emerging markets are integrating into a global market rapidly and adopting institutional configurations of Western art worlds, they have simultaneously maintained and developed local patterns of organizing exchange. Indeed, in China and to a lesser extent in India, new works of art have been sold at auction since the inception of a market for contemporary art.

In China, these auctions are embedded in a wider speculative culture, which has been developing ever since the country liberalized its economy and integrated into the global financial and commodity markets. Although the main customers at the auction houses are Western, a new class of Chinese collectors buy contemporary art in order to make a quick profit. As one expert on the Chinese art world notes: “There are charges that Chinese collectors are using mainland auction houses to boost prices and engage in widespread speculation, just as if they were trading in stocks or real estate” (Pollack 2008: 118).

Second, the overtly commercial commodity context of the auction house that Western art dealers and artists do not consider appropriate for contemporary art is considered legitimate in China. In more general terms, the “denial of the economy,” according to Bourdieu one of the central features of Western art worlds, is hardly characteristic of China’s art capitals, Beijing and Shanghai (Bourdieu 1993). As one observer notes: “If you’re suddenly purging anti-capitalism from every other part of life, why not from art too—which, after all, prides itself on being at the social forefront” (Vine et al. 2007: 50). Indeed, internationally successful artists like Zhang Xiaogang, Yue Minjun, and Zeng Fanzhi, whose works have sold regularly for more than a million dollars each and who are represented by artists, are ashamed of their financial and they ostentatiously show off their Lexus and Mercedes Benz and

The auction house may be the Western art world than it is in the circuits within the Chinese art dealers and their artists on a long-term focus of Chinese artists. ” Diately on any fleeting opportunistic experience has taught them the limits to an art critic who specializes 52. Whereas Western art deals in high prices, which may harm the long-term may have a higher discount rate on strong demand, etc.

Buyers of contemporary art contextualize art as a practical, character of auctions in these artistic and economic value of decades before. Says Georgi paper, the Art Newspaper: “They see it as more than them” (cited in Carver 2008; c)

provide status-conscious colonial wealth. Whereas art dealers and secrecy, the new middle class that is the exact opposite: opportunities to act as art writer Barbara Pollack p.

Auctions in China also enjoy a rendezvous with the nineteenth-century days of the Chinese market for the official art institutions. Harrell existed that could establish tl [young Chinese artists], the s writes Michael Sullivan, one of the artists who were sanctioned and "professorships at universities denied such opportunities. "I in hastily arranged 'salons,' rented rooms or apartments of foreign artists who were constantly on the lookout for notice that and magazines to feature their attention was better than any other place in" Vine et al. 2007: 49).
Auction entails an unwelcome aspect of art, to put it in terms of the 1986. Since the auctions generated wealth ends up in the hands of social rather than aesthetic auction-goers are noncollectors who cannot appreciate the value... A likely to bid up a scuba-diving

**Economies**

Many art markets in emerging states for contemporary art have developed in the United States (see e.g., size of the auction market for art in India, new works of art market for contemporary art.) Speculative culture, which liberalized its economy and commodity markets. Although the Western art world, they have their local patterns of organizing art in India, new works of art a market for contemporary art.

Despite speculative culture, which Chinese collectors are quick to take advantage of. As one expert forges Chinese collectors are engaged in widespread deals in real estate" (Pollack context of the auction house is less appropriate for contemporary art than for art in general terms, the "denial of the central features of Western capital, Beijing and Shanghai are suddenly purging anti-art too—which, after all, (Vine et al. 2007: 50). Indeed, Yang, Yue Minjun, and Zeng Xian are each a million dollars each

and who are represented by prestigious Western art dealers, hardly feel ashamed of their financial and artistic success. Unlike their Western peers, they ostentatiously show off their wealth by driving in luxury cars made by Lexus and Mercedes Benz and buying opulent houses.

The auction house may be less appropriate for the anticommercial ethic of the Western art world than for the hedonistic ethic that characterizes key circuits within the Chinese art world. The long-term focus of Western art dealers and their artists on building a solid career also contrasts with the short-term focus of Chinese artists. "There's an instinctive urge to capitalize immediately on any fleeting opportunity before it disappears... Everything in their experience has taught them that it's foolish to bet on the long run," according to an art critic who specializes in Chinese contemporary art (Vine et al. 2007: 52). Whereas Western art dealers are concerned about the volatility of auction prices, which may harm the long-term pricing structure of the gallery, Chinese artists may have a higher discount rate for future prices and therefore prefer to capitalize on strong demand, even if it is short-lived, by means of auctions.

Buyers of contemporary art in China and India share this predilection to contextualize art as a public, commercially inspired commodity. The public character of auctions in these countries makes transparent the creation of artistic and economic value for a category of goods that hardly existed a couple of decades before. Says Georgina Adam, editor of the art market's main trade paper, the Art Newspaper: "new buyers tend to be more comfortable at auction: they see it as more transparent, and other people bidding reassures them" (cited in Carver 2008; cf. Vine et al. 2007). Moreover, auctions in Asia provide status-conscious collectors with the opportunity to show off their wealth. Whereas art dealers may offer their Western collectors discretion and secrecy, the new middle classes of emerging economies may look for the exact opposite: opportunities to "flaunt their status by paying record prices," as art writer Barbara Pollack puts it (Pollack 2008: 123).

Auctions in China also enjoy legitimacy by default, just like those of the impressionists in nineteenth-century France: at least in the 1990s—the early days of the Chinese market for contemporary art—they were one of the few official art institutions. Hardly any museums or other cultural institutions existed that could establish the reputations of artists. “For the majority of [young Chinese artists], the search for patronage was a constant struggle,” writes Michael Sullivan, one of the authorities on modern Chinese art. While artists who were sanctioned by the government got occasional commissions, professorships at universities or showroom sales, avant-garde artists were denied such opportunities. “They were lucky if they could show their work in hastily arranged ‘salons,’ private viewings, and cocktail parties in the hotel rooms or apartments of foreign diplomats and journalists. So desperate was their scramble for notice that some would not only bribe television stations and magazines to feature their work but pay critics to attack them. Any attention was better than none” (Sullivan 1996: 278; see also Clunas 1997; Vine et al. 2007: 49).
When the Chinese government began granting auction licenses in 1993, they became the first method of filling this institutional void. In those days, only a handful of art dealers had opened their doors—not until the late 1990s would the gallery scene in Shanghai and Beijing start growing exponentially. By that time, however, artists were so used to selling works directly out of their studios and occasionally dealing with auctions that they frequently refused to buy into the Western practice of exclusive relationships with dealers (Vine et al. 2007). The auction remained an institution where reputations of young artists could be created, contextualizing them in a sale amidst the work of more established, recognized artists (Carver 2008).

The Hirst Sale

The final auction case is the sale that the British celebrity artist Damien Hirst organized in the fall of 2008. The previous examples show that his use of this type of sale was much less unique than media reports suggested. Indeed, the similarity between some of the retrospective exhibitions preceding the one-man posthumous auction sales in nineteenth-century France and the museum-like retrospective show of Hirst’s work that Sotheby’s put up in its London offices on the eve of the sale is striking. Also, it is not farfetched to imagine that the highly successful Red charity auction, which Hirst co-organized and contributed to in the spring of 2008, inspired him to organize his own one-man sale. Sotheby’s moreover, which hosted the sale, had by that time become familiar with the Chinese practice of using auctions on the primary market, and may have been willing to test the waters in the West as well.

For the artist and the auction house, the sale was an overwhelming success: the 223 works, auctioned off in separate sales on two consecutive days, brought in $200.7 million, which was 14% more than Sotheby’s highest estimate. The top lot, The Golden Calf, a bull in formaldehyde with golden hooves, horns, and a gold disc on top of its head, sold for $18.6 million.

How did Hirst manage to get away with this experiment in spite of strong resistance within the art world? First of all, it needs to be noted that the value of Hirst’s work and his own reputation within the art world had been firmly established before the event took place. At auction, his work consistently raised high prices, while at galleries a waiting list existed for the most popular works within his oeuvre. The made above that auctions may established, and not when star was used to determine the e: different—pieces, not to deterio of the artist as such: the: P unfair because, as The Economist habit of making potential new are allowed to purchase a work an auction, every potential b:

Second, Hirst anticipated that would lead to a further comm the endeavor by embedding t release announcing the sale, a democratic way to sell art.” P more Third, Hirst succeeded bec market (cf. Velthuis 2005b), characterized by excessive atte of superstar artists such as His prices for contemporary art, i celebrities; and the emergence fied by the rise of art fairs, wi exclusive parties and VIP oper elite mingled. The Hirst sale w

Taking place on the same Hirst’s auction also marked the have more than halved since : and the newly rich collectors t market. It is therefore unlikely many others have speculated, the end of the studio system in labels in the music business. C between the contemporary art Western artists have subse changing climate within the ; opposite strategy: aware that co afraid that public sales may ; ventured into private dealing, o contemporary art through pr And while sales at Sotheby’s billion in 2008, private sales w

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11 In Japan, by contrast, auctions have historically been taboo on the primary as well as the secondary market and were for a long time even prohibited by law (Haves 1982: 119). Only when the Japanese economy integrated globally and Japan developed an interest in Western modern and contemporary art was this taboo eroded.

12 The Economist, for instance, claimed that “such a sale has never been attempted before” (The Economist 2000).

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13 Sotheby’s Announces £}
anting auction licenses in 1993, institutional void. In those days, in doors—not until the late 1990s—did growing exponentially. to selling works directly out of auctions that they frequently elusive relationships with dealers institution where reputations of them in a sale amidst the work in 2008).

sh celebrity artist Damien Hirst ample shows that his use of this reports suggested. Indeed, the exhibitions preceding the one Eagle of France and the ng that Sotheby’s put up in its nig. Also, it is not farfetched to city auction, which Hirst co-2008, inspired him to organize auction the sale, had by that shape of using auctions on the test the waters in the West was an overwhelming success: aces on two consecutive days, more than Sotheby’s highest in formaldehyde with golden sold for $18.6 million. experiment in spite of strong needs to be noted that the value the art world had been firmly action, his work consistently st existed for the most popular

works within his oeuvre. The sale in other words reinforces the argument made above that auctions may only be used once status and identity have been established, and not when standards of value are entirely absent. The auction was used to determine the exact value of individual—sometimes radically different—pieces, not to determine the value of Hirst’s oeuvre or the reputation of the artist as such: the latter had long been established.

Second, Hirst anticipated the moral criticism of his enterprise—that it would lead to a further commercialization of the art world—and legitimated the endeavor by embedding the sale in another set of values. In the press release announcing the sale, he defended himself by calling auctions “a very democratic way to sell art.” Posting prices in galleries, he argued, would be unfair because, as The Economist learned, Hirst “is irked by their [dealers’] habit of making potential new buyers prove themselves by waiting before they are allowed to purchase a work of art” (The Economist 2008). Instead, through an auction, every potential buyer could have access.

Third, Hirst succeeded because the sale fit into a superstar era in the art market (cf. Velthuis 2005b). This era started in the early 2000s, and was characterized by excessive attention to the lives and work of a small number of superstar artists such as Hirst, Jeff Koons, and Tracey Emin; steeply rising prices for contemporary art; the influx of new money; the participation of celebrities; and the emergence of an event culture. This culture was exemplified by the rise of art fairs, with their refined status machinery consisting of exclusive parties and VIP openings in which the global cultural and financial elite mingled. The Hirst sale was another such event.

Taking place on the same day as Lehman Brothers filed for bankruptcy, Hirst’s auction also marked the end of this era. Prices for contemporary art have more than halved since then, celebrities have stopped visiting art fairs, and the newly rich collectors have at least temporarily dropped out of the art market. It is therefore unlikely, as a journalist for the Wall Street Journal and many others have speculated, that the Hirst sale was “a pivotal moment, like the end of the studio system in movies or the continuing decline of the record labels in the music business. Could the gallerist’s traditional role as mediator between the contemporary artist and his market be passé?” (Kaylan 2008). No Western artists have subsequently imitated Hirst’s attempts. Attesting to the changing climate within the art market, auction houses have followed the opposite strategy: aware that collectors do not want to be seen selling pieces, or afraid that public sales may result in disappointing price levels, they have ventured into private dealing. In the first half of 2009, Christie’s turnover of contemporary art through private sales was higher than through auctions. And while sales at Sotheby’s totaled $2.8 billion in 2009, compared to $5.3 billion in 2008, private sales were up 27%.

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13 Sotheby’s Announces 2009 Fourth Quarter and Full Year Results (2010).
Finally, Hirst’s one-man auction was legitimate because it was perceived as an artistic enterprise in itself, made by an artist who is keenly aware of the art world’s conventions and who knows how to increase his reputation by playing with these conventions and subverting them. In this sense, the sale could be considered a work of art in itself, which fits into a much longer tradition of artists such as Marcel Duchamp, Yves Klein, or Jeff Koons using economic devices reflexively in their work to comment on the (cultural) economy (see Velthuis 2005a). Indeed, the auction can be seen as the sequel to another high-profile work that Hirst had made a year before: For the Love of God, a platinum cast of a skull covered with 8,601 diamonds. The artist claimed in the media, no doubt with tongue firmly in cheek, that the work had been bought by a consortium of investors, including himself (Byrne 2007).

Conclusion

This chapter contributes to a rich and rapidly growing sociological and anthropological literature showing that prices do not follow mechanically from the forces of supply and demand interacting. Instead, price setting is a social activity (Prus 1985) which involves noneconomic values such as fairness (Bolton et al. 2003; Frey 1986; Kahneman et al. 1986) and a wide range of cultural meanings (Velthuis 2005b). Pricing schemes are invariably socially constructed (Yakubovich et al. 2005), while in turn social structures (Uzzi 2004), status factors (Aspers 2001b), and power relations (Zafrovski 2000) must be taken into account to understand the outcome of the pricing process. Furthermore, as Marion Fourcade shows in this volume, national repertoires, institutional traditions, and diverging roles of experts may result in the production of different prices for elusive assets such as environmental goods. Finally, price itself may not be seen as a homogeneous entity. Instead, economic agents produce different types of prices in various commercial settings, of which the market price, that is the price against which a commodity is actually traded, is only one (Caliskan 2007).

Whereas most existing studies have focused on the production of prices per se, this chapter has studied the devices that are used to produce these prices. It has developed a number of arguments to come to terms with the wild historical and geographical variation of pricing devices encountered in empirical markets. Certainly, neoclassical economic theory has failed to do this: it cannot explain why fresh fish is auctioned in wholesale markets in Japan but sold through a combination of posted prices and private negotiations in the United States (Graddy 2006), why some expensive houses are auctioned but others are sold through posted prices, why art auction houses themselves decide to administer private negotiations in times of recession, or why haggling over the price tags of specific classes of retail goods is legitimate and even expected in some countries but unthinkable in others.

To understand this variation, recognize that price mechanisms producing prices and enabling values such as privacy and transparency and accessibility mechanisms imply a specific type from the dense interaction of prior to the anonymous setting of occurrence of a specific device is preexisting social structure of the market order and pricing device.

Second, I have argued that once some form of market order agents involved, and standards absence of auctions on the prior has not yet been established for the segment. Instead, one of the monopolize the primary art market with reputation-building a research should reveal if a similar market order and pricing device.

Third, to understand the social needs to recognize that these do require a wider institutional framework, art dealers, and systems used in the West were by an French art market or in the China auctions have been associated with the establishment from the official 1995). Likewise, the local community are excluded from the off. The auctions have some legitimacy these auctions are not only an eccentric but also a cultural means of gain.

Finally, the chapter has argued frequently conflated, need to be considered legitimate in order to be considered legitimate that work with these devices must, for instance, worked because it centered around speculator and considered legitimate for new art because of a speculative culture. I expect the devices is also related to the local respective markets.
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the work had been bought by a

To understand this variation, I have argued first of all that we need to
recognize that price mechanisms are not only economic devices directed at
producing prices and enabling exchange but also social devices that produce
values such as privacy and exclusivity (in the case of posted prices) or
transparency and accessibility (in the case of auctions). Moreover, price
mechanisms imply a specific type of interaction between economic agents,
from the dense interaction of private negotiations in bazaar economies (Geertz
1979) to the anonymous settings of sealed-bid auctions. I therefore expect the
occurrence of a specific device in empirical markets to be codependent on the
preexisting social structure of that market.

Second, I have argued that pricing devices can only become operational
once some form of market order, including status hierarchies, identities of the
agents involved, and standards of value, is at least temporarily stabilized. The
absence of auctions on the primary art market is partially because this order
has not yet been established for the upcoming artists whose work is sold in this
segment. Instead, one of the reasons that art galleries have managed to
monopolize the primary art market is that they have effectively forged alli-
ances with reputation-building agents such as art critics and curators. Further
research should reveal if a similar connection between the construction of
market order and pricing devices exists in other empirical markets.

Third, to understand the variation in pricing devices encountered, one
needs to recognize that these devices never operate in and of themselves but
require a wider institutional framework. In the case of art auctions, the
museums, art dealers, and system of art criticism that we have become so
used to in the West were by and large absent in the mid-nineteenth-century
French art market or in the Chinese art world of the 1990s. Indeed, historically
auctions have been associated with outsiders who were excluded by the
establishment from the official venues, whether guilds or salons (De Marchi
1995). Likewise, the local community artists that charity auctions frequently
rely on are excluded from the official art world and its tastemaking machinery.
The auctions have some legitimacy for these artists by default. This means that
these auctions are not only an economic means of pricing and allocating goods
but also a cultural means of gaining visibility and establishing reputations.

Finally, the chapter has argued that pricing and valuation, which are so
frequently conflated, need to be disentangled. Pricing devices themselves need
to be considered legitimate in order to become and remain operational, and in
order to be considered legitimate, the shared values of the economic agents
that work with these devices must be taken into account. The first auction,
for instance, worked because it was part of a wider era in the art market
centered around superstar and celebrity values. In China, auctions are consid-
ered legitimate for new art because the art market is more firmly embedded in
a speculative culture. I expect therefore that the historical variation in pricing
devices is also related to the local cultures that predominate in each of these
respective markets.
In short, with this chapter I am contributing to a growing literature on circuits of commerce, where forms of exchange are accompanied by specified morals, manners, symbols, and rituals, each of which in turn has shared meanings for actors within a circuit (Collins 2000; Fourcade and Healy 2007; Zeltzer 2004). Pricing devices, with the patterned social interactions they at once presuppose and reproduce, and the cultural values and meaning structures they are embedded in, are an intricate part of these circuits.

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**Introduction**

There is a category of goods that surprises. The category is old—a Such goods were part of societies the products of crafts and industries producing and distributing such identified as the “creative industrines, books, paintings, and wood museum visits, video and computer services. All the experiences enable degree, novel. There is surprise in going on city tours, listening to original songs, being unexpectedly captivated by .

Novel products can be described as experiences. A concrete description is difficult to come by. Speakers, and they are even morible. And yet, in all the products, works of music and art to design of ranges of valuation. Some of their reproduction, variation, or scalable. Even among new goods, the such value established when the effects of a subjective, mental experience? How do such valuations work singular and vary widely in the .

The first section of this chapter generating products. The second section focus on valuations: the infinity relation