Introduction

"I am not really interested in art," explains the founder of a now defunct art investment fund. "It is simply a commodity, which … produces substantial returns for investors."[1] When I came across this quote online, I had just put down an academic essay characterizing the art business rather differently as "a trade in things that have no price."[2] The inadvertent concurrence of these statements sums up one of the great ironies of the art market. On the one hand, art has little intrinsic economic value (beyond the cost of its materials and the time taken to produce it), sometimes appears purposefully anticommercial, and is often deemed "priceless"; on the other hand, and perhaps as a direct result of these negations, it can generate immense symbolic and commercial dividends. Such apparent contradictions have occupied and bemused art market commentators for generations, but they were thrown into new relief during the latest art bubble as further and increasingly sophisticated art investment initiatives surfaced and as ever greater prices were reached for works with little provenance or art historical acclaim.

This book was originally conceived as a critical account of art investing. When research commenced in 2003, this seemed especially urgent. With prices accelerating after the fallout from the dot-com bubble, speculation was rife about how to make money from art and there was a sharp rise in the number of art investment funds seeking to strategically buy and sell artworks for profit. Yet scholarly literature on the subject was disparate and few had paused to weigh the actual business models of these investment practices or to consider their impact on the ecology of the art market. Discussion of the subject matter from the fields of economics and art was also incompatible. Those in the former camp spoke of investment risks and rewards, and art, when addressed, principally meant painting and the auction circuit; for the art world, painting comprised but one, typically conservative, tangent of diverse cultural practices, and art investment was usually only approached as evidence of art's debased cooptation by capitalism. The time seemed ripe for a hybrid study of these issues capable of integrating the rhetoric of both disciplines and providing a salient account of art investing, neither upbeat nor disillusioned, to audiences of both areas, and beyond.

That my focus has shifted away from this preliminary formulation is hardly because of a weakening urgency of the matter. Art fund initiatives continue to be undertaken, and intrigue around art investing has accelerated precipitously, spilling over into conferences, books, exhibitions, and widespread coverage across the Internet and mainstream media.[3] More generally, sensational stories about the extraordinary prices recently achieved for contemporary art have been churned out with dizzying force. This has added to the allure of art as a transcendent consumer product, marrying the qualities of luxury goods with promises of high investment returns and unrivaled social prestige.

Three principal factors precipitated a different outlook for this book. The first is practical. Limited information exists on the performance of art funds: the majority, like most hedge funds and private equity funds, are unregulated and do not have public disclosure requirements. Reporting on them is thus fraught with inaccuracies while many, rather than constituting the diversified pools of capital they are commonly perceived to be, are small insider stockpiles of speculative inventory. In addition, very few actually exist beyond preparatory stages, and the field, like many business sectors at the start of the new decade, is facing some trying times due to the lingering effects of the economic crisis and the tapering of demand for unconventional financial products.

The second reason is intrinsic. Art investment funds paint a rather black-and-white picture of the art market. They typically base their business models on a specific and limited product—durable, singular art goods (paintings, overwhelmingly), while practically turning a blind eye to the rest of art production. And their rationale—their fundamental pitch to investors—tends to be based upon a selective reading of how the art market works, drawn from academic studies of art prices at auction. Although this narrow scope is sensible from the perspective of the funds, it offers a highly limited and insular view of art today and hardly provides a sound basis for engaging with many of the equally profound developments also taking place within the contemporary art market. These limitations have been set even further in relief in the wake of the global financial crisis, which has thrown into question the very validity of these funds' assumptions about the "efficiency" of the financial markets and the behavior of art as an alternative asset class.

Leading on from this, the third, and most potent, reason is that contrary to popular belief, art investment funds are not a single, extreme example of art's instrumentality. Although undeniably distinct, they are correlated to other, far more pervasive recent developments, limiting the scope and relevance of an exclusive study. The common denominator is the professionalization of the art industry as a whole, from the escalation of pragmatic career-oriented emphasis in arts education in the 1960s to the flourishing of innovative marketing, financing, and sales strategies by galleries, auction houses, banks, and entrepreneurial art businesses today.[4]

Viewed from this wider lens, it seemed urgent to explore how the recent onset of art funds related to these developments, rather than how they were a historical aversion to the rule; to critically trace their evolution through the arc of contemporaneous shifts within the art economy—and vice-versa. Despite the considerable literature that exists on the history of art markets, the operation of galleries and auction houses, and even the branding of contemporary art, few critical studies have managed to adequately achieve this or to answer some of the most acute questions about the value of art today.[5] Tools inherited from previous decades for making sense of the contemporary art market can look rusty and outdated, and numerous theories have come and gone over the years, annulled by their own overambition to either embrace or shun the new order. This book aims to resolve these shortcomings by providing the first historical account of its kind to shine light on some of the more extreme and novel ways that value is generated in the contemporary art economy. The evolution of art investment funds is considered in conjunction with how a market has arisen for video and experiential art, practices that previously existed on the periphery of the commercial circuit but now reside at its core.

A Historical Perspective

In a bull market, rampant debate about the values of art is unsurprising. For perspective, consider that the last major art bubble of the 1980s, which burst as a result of overexuberant and at times corrupt speculation on painting prices (most egregiously by Japanese investors with Impressionist canvases), inspired a first sustained wave of academic literature on art investment returns.[6] This interest was a result of not only rapid price appreciation but a flooding of new arts institutions and geographies as well as a growing fixation with art celebrities (spiraling outward from the cult of Andy Warhol, who died in 1987). Sotheby's inauguration of its Financial Services Division in 1988 and sales made by the British Rail Pension Fund (BRPF), the first genuine art investment vehicle, at the end of the decade shined further attention on questions of art's economic worth.

But interest in the relationship between art and money far predates this moment. Vasari's *Lives of Artists*, published in the fifteenth century, is one of the earliest and most famous records of the patronage system in Renaissance Italy.[7] Its discussion of the prices and demands of commissions as well as the intense competition among artists to win favor of the papal courts, nobility, and wealthy merchant class has informed research on the subject ever since and leaves little doubt that these issues were as divisive then as now. The origination of public auctions in Holland and Flanders at the dawn of the seventeenth century, spreading to England toward the end of that century, helped evolve the market from an older system of courtly patronage to a more modern supply/demand economy in which members of the predominantly elite social classes vied for distinction through their purchases—and through the public display of bidding itself.[8]

Scores of secondary accounts on the history of the art market have left no shortage of research on who bought what, why, and for how much. This spans the excellent writing on the origins of modern consumer culture in Italy during the Renaissance to the extensive sales records and social histories unearthed in other fascinating research on the seventeenth-century Dutch art trade.[9] Other recent books have shed new light on centuries-old issues by looking at how concepts such as signaling and signposting, drawn from the sphere of game theory, apply to earlier patronage systems: what did artistic commissions signal about their patrons, and how were they used to assert one's stature within the society of the time?[10]

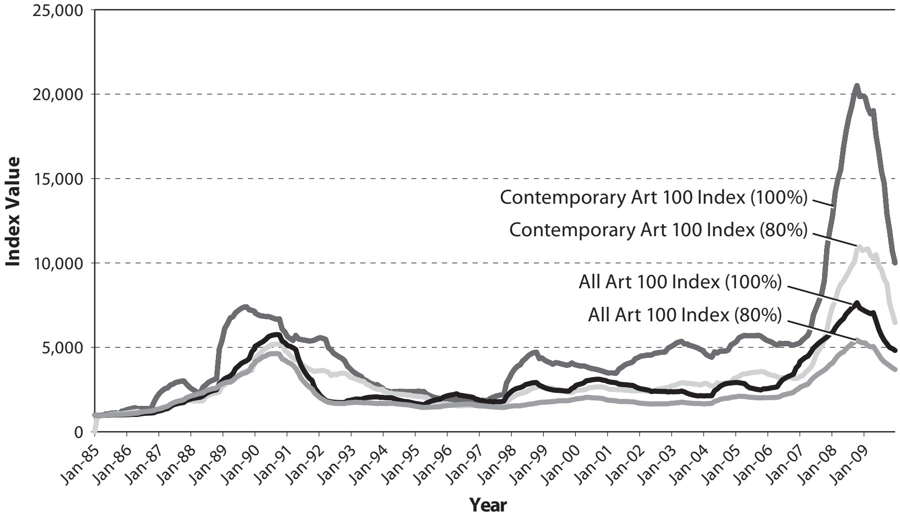
Yet while art's role as a marker of social and economic distinction has been well documented in these historical periods, comprehension of, and interest in, the values of art certainly escalated during the twentieth century. Richard Rush's *Art as an Investment* (1961), one of the first books dedicated exclusively to this subject matter, was a product of the 1950s painting boom and grappled with many of the same questions that have preoccupied later writers.[11] How much longer could these escalating prices, which witnessed some of the first-ever six-figure (dollar) sales of Impressionist paintings, keep apace? Do rising tides lift the value of all works equally, or some more than others? Is investing in art, rather than merely collecting, a viable pursuit? We do not need to reconcile these points to appreciate the cornerstone of Rush's book that it is "doubtful … whether collectors have ever been *unmindful* of the investment value of art."[12]

Rush's text has slipped off the radar of most present-day commentators, owing equally to its discussion of long forgotten names, its outdated methodology (in which the market is cleanly divided into different "schools"), and its usurping by Gerald Reitlinger's *The Economics of*

Taste (published in three volumes between 1961 and 1970) as the quintessential reference point of the period.[13] Yet it still has some notable merits, not least in helping us put the most recent speculative bubble in perspective. Rush's much remarked upon "extraordinary" prices of the 1950s era, for example, offer a sobering wake-up call to commentators nowadays all too eager to herald the utter singularity of the market's recent heights. Consider the then record $770,000 paid in 1959 for Rubens's *Adoration of the Magi*. There is little arguing that this figure pales in comparison to Sotheby's 2004 sale of Picasso's *Garçon à la pipe* for $104.2 million, the first artwork to break the $100 million dollar threshold at auction, let alone the $135 and $140 million sales reportedly brokered behind closed doors in the private market for Klimt's *Portrait of Adele Bloch-Bauer I* and Pollock's *No. 5, 1948*, both in 2006. But adjusted for inflation, Rush's earlier reference point comes to $5.6 million in 2009 dollars. This may no longer be a record-breaking sum, but it is still noteworthy even by today's inflated standards, and especially significant given the context of the time. Whereas the recent flourishing of the art trade has come on the back of an extended period of economic growth and prosperity, and also had the benefit of the 1980s bubble to anchor itself against, the art market at midcentury rose essentially from naught in the postwar years and is all the more impressive because of this.

Similarly, it is worth remembering that global art price levels, commonly believed to have shattered previous records for years on end during the latest boom, actually only drew level with their peak of 1990 in 2007–08. Indexes published by Art Market Research, which are based on the average prices of artworks sold at auction, give a good sense of this: the central 80 percent of the contemporary art market (excluding the top 10 percent and bottom 10 percent) did not eclipse these earlier heights until September 2007, while it took the overall art market even longer—April 2008. Nor should we ignore the fact that three of the top five most expensive artworks ever sold at auction in *real* terms still hail from the 1980s.[14]

A number of important new developments have nevertheless come into focus in the new millennium, and it is worth pointing to some of these to clarify the distinguishing features of our present time.[15] For one, the gap between the top end of the market and everything else has widened, enabling certain artists to enjoy levels of financial success virtually unthinkable in any previous period. Damien Hirst is, again, the ultimate case in point, with his business empire ranking him at number 238 in Britain's 2009 *Sunday Times Rich List*, at an estimated net worth of £235 million.[16] We should be careful not to exaggerate the affluence of today's artists—very few are fortunate enough to sustain themselves through their art, let alone reap windfall returns—but the view from the top is



Graph 1. Global Art Price Levels ($, real terms), 1985–2009. Source: Art Market Research.

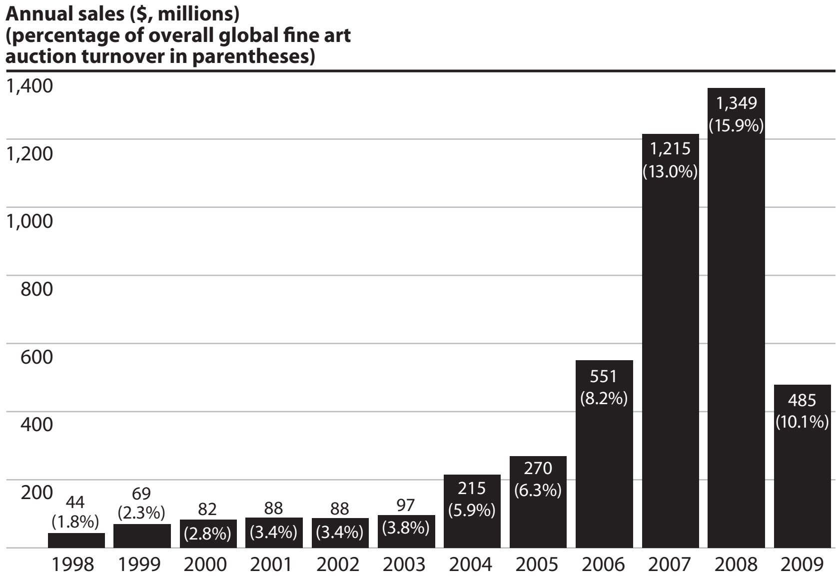
undoubtedly different from before as certain artists' wealth has come to equal, and even exceed, that of some of the most prominent collectors. For perspective, consider that even before Hirst's Beautiful sale in 2008, his earnings were believed to exceed those of Picasso, Dali, and Warhol combined at the same age (43); even the most successful earlier artists were impoverished by comparison.[17]

Hirst may be one of the most direct beneficiaries of this—leading to him being heralded as the most powerful person in the art world in 2008 —but celebrated successes of this kind also have their knock-on effects.[18] One of the most immediate is the sheer rise in the number of artists today, also something unprecedented. This is abetted by increasing coverage of the contemporary art scene in vanity and mainstream media, which has thrust the art lifestyle onto a new level of pop cultural fixation. Indeed, if it were not for the bevy of press on the riches and glamorous habitudes of Hirst and some of his contemporaries, and the varied connections with Hollywood celebritydom that extend from this, it is doubtful that so many would aspire to the profession.

The relationship between art and money, never straightforward historically, has transformed into a new kind of union, at once glamorous, provocative, and banal. During the post-2000 boom, the ever-steeper excesses of the art market ran the gamut from gala beachfront parties in honor of artists, collectors, or institutions, to VIP dinners on art-curated yachts, to any number of art sales and entertainment functions in exclusive, hard-to-reach places. Such excesses were also evident in the ambitious corporate partnering with art, architecture, and design that progressed from mere sponsorship to the commissioning of exclusive artist-designed consumer products. American artist Richard Prince's £10,000 limited edition *Jamais* handbag for Louis Vuitton in 2008 was only one of many such "imaginative" partnerships. So, while art certainly continued, and perhaps even reinforced, its long history of serving a public good—more art was being seen and discussed by wider audiences than ever previously—there was little doubting which public much of it actually served: an upwardly mobile elite with money to burn.

Though every era inevitably possesses its headline-grabbing prices and household names, and the web of social commentary and competition this yields, there has also never been such an intense and widespread focus on the economics of art as there is today: market information is more exhaustive and accessible, leading people to be more savvy about the benefits of art as a specifically financial asset. We see this concretely in the ballooning of art funds, art financial services firms, and media coverage of the art market's goings-on. Yet these developments have been made possible only through the more widespread and interrelated changes in the global economy at large (at least up to the latest economic meltdown). These include an extended period of corporate profitability and equity market appreciation, dating to the mid-1960s, that has encouraged large-scale investments in the infrastructure of the art market (from galleries and museums to fairs, biennials, and ancillary services); widening levels of income disparity, most acute and disproportionate at the top end of the earnings spectrum, setting the bedrock for new art buyers; the winning out of privatization over public-sector subsidizing, inspiring greater innovation for artists and arts institutions to make ends meet; and lastly, leading on from each of these points, the preeminence of finance, which has yielded new ways of thinking about and conducting business across diverse economic sectors, including, though hardly limited to, art. The net effect is that more money, from more places, has poured into the art market than ever before, inspiring ever more creative ways to put this capital to work.

The much remarked upon rise of both hedge fund collectors and newly rich players from developing markets during the latest boom is a particularly obvious manifestation of these changes. Yet its ultimate unfurling is far more widespread, drawing successively younger and more diverse types of buyers to the mix. This has rung the final death knell of the classical connoisseur and substituted in its place an intoxicating mixture of speculators, fashion seekers, and newly curious aficionados for whom collecting is often but an extension of a broader social and/or financial



Graph 2. Global Contemporary Art Auction Turnover, 1998–2009. Source: © Artprice.com.

agenda. A seismic shift in the market's taste has followed in suit. Contemporary art has never been more popular, and there has been a generational shift in the focus of art collecting from objects of an established past to those of a present that is still in formation—the search for the diamond in rough. This has been brewing since at least the middle of the last century with the New York School and Pop artists, and again during the 1980s bubble, but it reached a new level of intensity following the market's subsequent recovery and expansion. In the decade from 1998 to 2008, worldwide sales of contemporary art at auction swelled from just $48 million to over $1.3 billion, representing a more than eightfold rise in the sector's market share, from 1.8 percent to 15.9 percent of the global fine art trade.[19] During this same period, contemporary art would also overtake Impressionist and modern art as the most valuable sales category at the world's leading auction houses, an astonishing feat given the long-standing supremacy of these established categories and the sheer speed of its ascent; whereas just 8 percent of artworks selling above $100,000 were contemporary in 2005, this figure more than doubled, to 19.5 percent, at its peak two years later.[20]

One overriding factor in this shift is the diminishing supply of high-quality older artworks in circulation, which have been steadily absorbed into museum and elite private collections. This is particularly important in driving the demand of more established collectors toward contemporary art. A second reason is the immediate rewards of collecting contemporary art: it looks and feels unmistakably like "art" and can enhance one's sense of cultural erudition and fashion wherewithal in a single turn; its meanings and values can be easily shared, communicated, and reinforced (through social engagements and via media outlets); and there is a visceral competitive thrill in acquiring it—in being ahead of the curve and standing to benefit from a newly discovered artist's sudden popularity. In a world in which forms of consumption are increasingly serialized, contemporary art offers an alternative prospect that is anything but. Arguably more so than even architecture, design and haute couture, it is unmistakably unique, thereby reinforcing collectors' individuality, *tout court*. Stratospheric prices of many contemporary artworks further cement this attractiveness, yielding exponentially greater social and financial dividends the higher up the ladder one climbs.

Lastly, contemporary art has become a global phenomenon. This has profoundly shifted the dynamic of the trade since Rush's day. Even if we acknowledge that record prices are always relative, there is no denying that influential buyers and sellers of art have seeped well beyond the conventional Euro-American axis, enabling contemporary art to transgress linguistic and cultural boundaries in a way that few other outlets can: it has become a veritable social glue. This is particularly vital nowadays, for in a globalized world split by social, political, and religious strife, contemporary art is a leveling force offering a tabula rasa relieved of history and anchored to the spirit of progress, innovation, and inclusivity. More types of art are being seen, produced, and collected by more artists and audiences internationally than in any previous period, and the more diverse and pluralistic this work becomes, the more these attributes are reinforced.

Time Frame

Against this backdrop, this book covers the period from 1960 to present, with emphasis on the post-1990 context. This time frame comprises the emergence of Modern Portfolio Theory (MPT, 1952) and its metamorphosis into the Capital Asset Pricing Model (CAPM, 1964) that underpinned the rollout of the first art funds and helped fuel the growth of the financial services industry, drawing new collectors and business initiatives into the frame.[21] British Rail's art investment program was inaugurated in 1974, Citibank launched its Art Advisory Service five years later—the first such initiative for a financial institution of this scale—while the most recent generation of art funds is anchored both to the fundamentals of portfolio theory and to the residue of these institutional developments. Gerald Reitlinger's aforementioned tome, *The Economics of Taste*, which surveyed the development of the Western art market beginning in the eighteenth century, was published in 1961. More so than Rush's book of the same period, it gave academic credibility to speculative ventures such as BRPF; its sales data also served as the basis for later econometric studies of the art market.[22] And 1973 included two important feats for the auction sector: Sotheby's became the first international art auctioneer to conduct sales in Hong Kong, signaling the importance of the East within what was then a predominantly Western art trade; and Sotheby's sold Robert and Ethel Scull's collection in New York, the first stand-alone auction of contemporary art from a private collection in the United States.[23] If the balance of power in the art market was already recognized to have transferred across the Atlantic from Paris—triggered by the emigration of artists to America during the war years, the concentration of modern art museums in Manhattan, the notoriety of the New York School and Pop artists, and Sotheby's 1964 acquisition of Parke-Bernet, the largest fine art auction house in the United States—these events were momentous insofar as they reiterated these shifting dynamics and validated the profitability of contemporary art.[24] Indeed, Sotheby's has held its Contemporary Art auctions at least twice yearly ever since in both London and New York, with Christie's inaugurating its own such sales in 1974.[25]

The Scull sale, in particular, has come to be regarded as a watershed in the upward trajectory of the contemporary art market. Olav Velthuis, in his important book on the subject, speaks of this auction as highlighting a divide between the "new" art world and its nostalgic past. Dealers in the "old" era were far fewer, had more intimate community bonds, and tended to run their galleries as "small, seemingly nonprofit enterprises"; they were "motivated by love for art," not money. In the aftermath of the Scull sale, a more financially shrewd era in the art market seemingly emerged. Dealers, artists, and collectors became more status and investment conscious, both the scale and ambition of work grew ever larger, and prices were set more aggressively. Whether this break is factually correct, as Velthuis himself points out, is questionable to say the least.[26] But its perceived significance in art market lore is undeniably real and corresponds to a number of other contemporaneous changes that were in the process of manifesting themselves during the 1960s and 1970s.

At a greater level of abstraction, our time frame also corresponds to the birth of the postmodern economy, attributed to the transition from a Fordist to a flexible model of accumulation: top-down bureaucratic managerialism, high levels of state economic intervention, and a manufacturing-centric economy, on one hand, versus a neoliberal ethos of free markets, free trade, and an accentuation of the service-provision industries and labor market flexibility, on the other. The financial market downturn, the adoption of a fluctuating exchange rate system, the birth of the financial derivatives market, and the termination of the Bretton Woods Agreement (which pegged international gold reserves to the U.S. dollar) during the early 1970s, compounded by the infamous oil crisis and onset of stagflation, demarcated this passage.[27] It is a political-economic system of intense innovation and deregulation that, at least up to the current shakeout from the global credit crisis (which has given the state greater leverage in business through the nationalization of leading financial institutions and the tightening of trade regulations), has remained very much in evidence over the last three decades.

These events had a direct impact on the art market. BRPF's art investments were designed to hedge the inflationary risks of this period; the passage to a more fluid system of international trade was a major step in the construction of a truly global art economy; and this increasingly pervasive free-market ideology led to the diminution of public-sector arts funding and the acceleration of policy-led arts subsidizing. This book will not delve into all of these subjects, but their evolution forms an important backdrop to the deliberations around artistic commodification and art investing that follow.[28]

Postmodernism, more broadly, is also associated with the dematerialization of the art object beginning in the 1960s.[29] This is best encapsulated by the advent of conceptual art, which drew on the avant-garde precedent of artists like Marcel Duchamp and prioritized the contextual and philosophical frameworks of artistic activity to the making of tangible artworks. But dematerialization also spans the emergence of Fluxus, Minimalism, installation art, performance art, body art, video art, and related offshoots that ruptured conventional approaches to art making and spectatorship during this period. As with economic postmodernism, these developments are characterized by a shift toward mobile and networked labor models and an overturning of essentialist principles of authorship and objecthood. They affirmed, once and for all, that art was much more than the painting of pictures or the molding of sculpture—that it was to encompass a great variety of media, practices, and self-critical ideas. Jean-François Lyotard's 1985 exhibition, Les Immatériaux, co-curated with Thierry Chaput and presented at the Centre Georges Pompidou, Paris, offers an excellent crystallization of the link between postmodern theory (of which Lyotard was one of the most famous exponents by the late 1970s) and aesthetic dematerialization.[30]

Dematerialization is a subject of paramount importance to our enquiry because it broadened the economic spectrum of the art marketplace from near exclusive focus on tangible objects to immaterial articles such as content and intellectual property rights.[31] These developments widened the ambit of tangible objects in circulation, too, as documents and ephemera from temporal events—performances, actions, happenings—gained museological and, eventually, market significance.[32] Far from eradicating the circulation of durable goods, they encouraged their further dissemination and have led to more sophisticated exhibition and sales strategies that I will explore at length.

The post-1990 emphasis derives from several factors. Prior to this period, dematerialized art was marginalized in the market. Dealers' attempts to sell artists' videos had hitherto failed with regularity, and most other activities under the dematerialized art umbrella were posited as either ambivalent or hostile to commercial interests; only limited efforts were made to explore how such output could be sold. Conceptual art, which exceptionally had attracted the interest of private collectors from the outset, still constituted but a minor component of the 1980s art market boom, which was driven predominantly by figurative painting.[33] The market crash at the turn of the 1990s helped reverse this trend by opening a decisive entry point into the commercial gallery circuit for practices that had never gained extensive footing here but emerged as cheaper, viable collectibles as the opportunity cost of presenting them diminished—notably video, experiential and installation art, and practices that have since been popularized under the rubric of "relational aesthetics."[34] Many of the artists associated with these developments are now integral to the contemporary art discourse and market. Three decisive issues that I will examine in this book are how these artists' work enters the market, how this relates to earlier precedents, and what the implications of this are for the contemporary art economy, moving forward.

Globalization

The dawn of the 1990s was framed by the Tiananmen Square protests, the collapse of the Berlin Wall, and the dissolution of the Soviet Union, which saw the neoliberal dogma ushered in by Thatcher and Reagan take on ever more global dimensions. The geopolitical aftermath of this is well known, contributing, among other factors, to the 1992 Maastricht Treaty, which transformed the European Economic Community into the European Union, followed by its subsequent expansion into the former Eastern Bloc; Russia's 1997 accession into the Group of Eight; the launch of the euro in 1999 and its onset as physical currency in 2002; and unprecedented levels of interchange among financial markets internationally, drawing regions such as the Far East, Middle East, Africa, and both Central and South America into ever more dynamic business relationships with North America and Europe. The net impact of these changes remains a subject of debate, though it is widely heralded as evincing a dramatic shift of power from the United States to actors such as China, India, Russia, the Middle East, and the European Union. Globalization is certain to entertain considerable theoretical and empirical analysis for years to come.[35]

Globalization rhetoric is a clichéd minefield and one should be prudent in deploying it. As Immanuel Wallerstein has demonstrated, far from being unique to the post-1989 context (as is commonly supposed), the course of globalization has been several hundred years in the making.[36] Wallerstein's long-term theorization of the capitalist world-economy has its roots in the crisis of the feudalist system in the mid-fifteenth century that encouraged the major Western European countries to expand beyond established national borders in order to secure continued economic growth. The resulting economic system was more international than previously and far more dynamic than under earlier empires; it was to be articulated through a constantly evolving trade equilibrium across what Wallerstein calls core, peripheral, and semiperipheral countries. The dramatic events of 1989 did not so much push this system into uncharted territory as ask new questions of a U.S. hegemony that had already been in decline since the 1970s oil crises and the failures in Vietnam. The latest financial crisis that struck industrialized nations like the United States first and most overtly has brought this power shift from West to East into even greater focus.[37]

The art market has long possessed international dimensions, especially since the rise to prominence of major American collectors and civic museums in the nineteenth century. The truth, however, is that even if we should be cautious in applying the term globalization to the art economy, basic generalizations are not altogether incorrect. The post–Cold War world order has had a profound impact on the art economy's structure, drawing new artists, collectors, and institutions to the market to an unprecedented extent.[38]

Let us look at some concrete examples. The following highlights are from two recent studies of the international art market by Clare McAndrew: India's art exports surged from €2.6 million in 2000 to €486 million in 2006, with the most rapid increase coming in 2003 when exports jumped up to €508 million, nearly one hundred times the previous year's total. In 2006 China's share of the global market for contemporary art sold at auction (defined as art made after 1970) grew level with Britain (at 20 percent each), with the country possessing the fourth, fifth, and sixth largest auctioneers of contemporary art (China Guardian, Poly International Auction Company, and Shanghai Auction House). In 2007 China became the world's third largest auction market, commanding an 8 percent global share of such sales. And in the five years through to 2006, auctions of Chinese, Indian, and Russian contemporary art displayed some of the sharpest price inflation at 336 percent, 684 percent, and 253 percent growth, respectively.[39] These lofty figures, as McAndrew wisely points out, are in part due to the low base to which they are anchored.[40] They nevertheless underline the growth of prices and volumes in these regions and the new rungs of collectors who are now actively participating in the art market for the first time.

The strength of these regional economies for much of the post-2000 period, coupled with the subsequent acceleration in the number of their high net worth individuals, undergirds this art market ascent. As the art economy continued its rise in 2006, China, India, and Russia had flourishing financial markets and sustained real GDP growth of 10.5, 8.8, and 6.6 percent, respectively—considerably apace of the United States and Britain at 3.3 and 2.7 percent. These gains were translated into robust rates of growth for the high and ultrahigh net worth individuals (people with a net worth in excess of $1 million and $30 million, respectively) in these countries, far in excess of those in Europe and North America.[41] These shifting dynamics are reflected in the art market statistics above and also in anecdotal accounts: "Five years ago buyers who spent more than $500,000 at our auctions came from 36 countries," a spokesman for Sotheby's remarked in 2008. "Last year they came from 58."[42] There are great differences in the wealth distributions across these various countries, and each will feel the impact of the financial crisis in different ways. But it is a fact that the art market is more global than ever previously, and that new collectors and institutions from developing regions will play an important role in the future development of the art economy.

This flowering of wealth and art collecting is inseparable from the global art museum boom, including the inauguration of new institutions, the physical expansion of others, and the opening of satellite branches. Thomas Krens's directorship of the Guggenheim Museum (1988–2008) is emblematic of this tendency and coincides almost precisely with the thawing of the Cold War. Krens's pursuit of these objectives is so visible and thorough that it is today commonplace simply to refer to it as "the Guggenheim effect."[43] For instance, the 1997 launch of the Frank Gehry–designed Guggenheim Museum Bilbao, matched in the same year by the inauguration of the Deutsche Guggenheim Berlin, involved the American institution partnering with the Basque government and Deutsche Bank to loan works from its collection and extend curatorial and administrative services to fill and manage these overseas branches.[44] These undertakings were followed by the 2001 inauguration of the Las Vegas Guggenheim and the 2006 announcement of the Guggenheim Abu Dhabi, again to be built by Gehry, set to open in 2011–12; the institution also manages the Peggy Guggenheim Collection, Venice.[45]

Elsewhere, New York's Museum of Modern Art completed an $865 million renovation in 2004, and London's Tate Modern, which opened to the public in 2000 and became the third most visited museum in the world in 2007—a further indication of the magnetic appeal of contemporary art nowadays—is overseeing a £165 million expansion of its facilities.[46] And in 2007 the Louvre in Paris announced a twenty-year partnership with the city of Abu Dhabi, encompassing a strategic agreement estimated at $1 billion, covering loans, curatorial expertise, exhibitions, acquisitions, and rights to use the institution's name on a new museum (to be built by Jean Nouvel).[47] In fact, this partnership represents only one of five museums planned for a multibillion-dollar tourist development on Saadiyat Island (which will also house the proposed Guggenheim).[48]

Nestling alongside these two trajectories is the equally profound upsurge in commercial galleries with international satellite branches. This phenomenon is among the purest extensions of economic globalization into the art market, enabling galleries to leverage their brand identity, access a widening client base, and provide economies of scale. It may not be entirely new—the global outlets of Marlborough Fine Arts provide an especially good example from the 1970s—but it is certainly more emphatic than ever before. Larry Gagosian's empire of contemporary art galleries—extending from Beverly Hills to Athens, with London, New York, and Rome sandwiched prominently in between (where he operates a total of six spaces)—is the ultimate case in point.[49] Yet others, such as Hauser & Wirth and PaceWildenstein, echo this development and further testify to its far-reaching dynamic.[50] Haunch of Venison, which has galleries in London, Berlin, and New York, was controversially purchased by Christie's in 2007 and offers an even further illustration of the strategic economic function served by these international expansions as well as the centrality of contemporary art to the broader art market—the auction house ostensibly acquiring the gallery both to gain a foothold in the primary sector and to exploit its client base.[51]

These advances are echoed by the swell of private art museums internationally. Advertising magnate Charles Saatchi set the benchmark for this when his eponymous space first opened in London in 1985. However, if a combination of tax incentives (encouraging charitable donations to museums), access to capital, and even restraint once mitigated against these monumental endeavors—or at least restricted them to a more limited, typically posthumous phenomenon—this is hardly so as of late. In the past decade, in lockstep with the global art boom and the flourishing of ever more ambitious individual collections (many contemporary, some not), we have seen a watershed in the rise of private museums and privately funded contemporary art exhibition spaces and foundations. Some notables and their founders, chronologically, include the Astrup Fearnley Museum of Modern Art (Thomas Fearnley, Heddy and Nils Astrup Foundation, Oslo, 1993); the Rubell Family Collection (Don and Mera Rubell, Miami, 1996); La Colección Jumex (Eugenio Lopez, Mexico City, 2001); the Moore Space (Rosa de la Cruz and Craig Robbins, Miami, 2001); the Neue Gallerie (Ronald Lauder, New York, 2001); Guan Yi Contemporary (Guan Yi, Beijing, 2003); La maison rouge (Antoine de Galbert, Paris, 2004); Palazzo Grassi (Francois Pinault, Venice, 2006); the PinchukArtCentre (Victor Pinchuk, Kiev, 2006); Initial Access: The Frank Cohen Collection (Frank Cohen, Wolverhampton, 2007); the Ullens Center for Contemporary Art (Guy Ullens, Beijing, 2007); the Broad Art Museum (Eli Broad, Los Angeles, 2008); the Devi Art Foundation (Lekha and Anupam Poddar, Gurgaon, India, 2008); the Garage Centre for Contemporary Art (Daria Zhukova, Moscow, 2008); and the Brant Foundation Art Study Center (Peter Brant, Greenwich, 2009). Not one for wanting to be left out, Damien Hirst is also in the process of converting his estate in the English countryside, Toddington Manor, into a museum that will showcase his own art and works from his collection.

These developments mirror the ambitious multicultural contemporary art exhibitions that came into vogue at the tail-end of the 1980s and, in particular, the biennial boom that served as the major critical mouthpiece of art to international audiences during the 1990s. The Centre Pompidou's Magiciens de la Terre (Magicians of the Earth), 1989, is the most famous example of the former tendency and is among the first exhibitions at a major museum to present art of the first and third worlds together in a single show. The exhibition had some major flaws—especially its patronizing use of the word magicians rather than artists in the title—but it set off an important wave of curating around the subjects of globalization and postcolonialism.[52] In terms of the latter tendency, though recurring exhibitions such as biennials are not unique to recent times, the biennial's post–Cold War augmentation is indisputable.[53] Characterized by an unprecedented global inflection and occurring in lockstep with an amplification of contemporary art galleries, museums, journals, websites, prizes, and fairs, biennials' temporal nature and adaptability to transborder flows (of information, goods, services, people) make them well-suited heirs to the flexible managerialism of postmodernism.[54]

Art fairs offer a final illustrative elaboration of the art world's globalization. Where once Art Basel (established 1969) was the principal contemporary art sales event of this sort, notables now include New York's Armory Show ("The International Fair of New Art," 1999, originally set up as the Gramercy International Art Fair in 1994), Art Basel Miami Beach (2002), and London's Frieze Art Fair (2003). Art Cologne (1967), FIAC (Paris, 1974), ARCO (Madrid, 1982), and more recent advents such as ARTissima (Turin, 1994), Art Forum Berlin (1995), and Paris Photo (1997) exist below this upper echelon. The 2007 inauguration of the DIFC Gulf Art Fair, Dubai (renamed Art Dubai in 2008), and ShContemporary, Shanghai, demonstrates their continued international expansion. The remarkable success of these headline fairs instigated a post-2000 subgenre of satellite fairs composed of mainly younger and lower-profile galleries, which are barred from the main proceedings due to institutional hierarchies and steep entry costs. They seek to profit from the period-specific influx of wealthy collectors, museum officials, critics, enthusiasts, and media during these events.[55] In aggregate, fairs have proved extremely significant in facilitating the ease of galleries' presentation and selling of contemporary art to global audiences and are evocative of the event-driven ethos of the contemporary art world.

Despite the effects of globalization on the art world in recent decades, the emphasis in this book is on developments in the United States and Britain. This reflects the fact that these two countries remain the most important locations for art sales, accounting for upwards of three quarters of global auction turnover in the recent period.[56] New York and London, in particular, are anchors of the art financial services and auction industries, possess large concentrations of museums and contemporary art galleries, host prominent art fairs, are the historical and current headquarters of many art investment funds, and are the cities where the greatest numbers of leading art market players continue to reside and interact.

The decision to focus on these areas is also symptomatic of the schism between globalization and regionalization in the art market.[57] On the one hand, as we have just seen, rising levels of wealth among the international financial elite and the spread of contemporary art museums, biennials, and fairs have made collecting a more distinctly global phenomenon. Yet, on the other hand, there has also been a noted segmenting of art sales into highly specialized, regionally focused trading blocs (Hong Kong as the epicenter of the Chinese trade, Dubai for the Middle East, and so on). While this latter dynamic may change as these developing markets mature, at present New York and London nevertheless remain the primary axes of the international contemporary art trade. This does not belittle the extent of the art market's expansion; it simply acknowledges that if this industry is experiencing an unprecedented level of global growth, the dominant Anglo-American market centers have yet to be unseated.[58]

Art Market Structure

Some background on the structure of the art market and what I mean when I speak of artistic value is essential. I should begin by differentiating between the art market and the art world: the former refers to the makers, buyers, and sellers of art (artists, dealers, auctioneers, collectors, art financial services firms, etc.); the latter, to the marketplace as well as the expansive web of stakeholders involved in the producing, exhibiting, viewing, and discussing of art (from studio assistants and museum curators to gallery-goers, critics, and art historians). Distinctions are rarely absolute—we often think that museums operate outside the market even though they enter it explicitly through acquisitions and support it implicitly through the exhibiting, and thus validating, of art—but it is nevertheless important to establish an overarching clarification of terms.

It is also instructive to differentiate between the art economy and other asset markets. Strictly speaking, artworks cannot be classified as commodities: perfect substitutes do not exist for most artworks (though they do in principle for reproducible media such as photography, film, and video); artworks do not generate money while in ownership (unlike stocks that pay dividends or property that generates rent); there is no financial derivatives market for art (one cannot sell an artwork "short"); art is highly illiquid and burdened by steep insurance, storage, shipping, and transaction costs (making it a cash-flow negative asset while in holding); and externalities such as the "Three Ds" (death, divorce, and debt) have a comparatively large impact in driving supply to the art market. Like luxury real estate and jewelry, though dissimilar to stocks and bonds, artworks are also what economists call "positional goods": their value is correlated to *relative* desirability (positionality) as predicated upon rarity and the social prestige of ownership. Trades in equity markets, meanwhile, are cleared electronically or through brokers on the floor of an exchange on a real-time basis, virtually 24/7. Despite significant recent improvements in the transparency of art prices online, only auction results are captured here (but not dealer or private sales).[59] Moreover, there remains no centralized clearinghouse for art transactions.

Regarding the art market's composition, artists and collectors are certainly the most numerous yet also the most difficult to quantify. Many of the former are part-timers and most only ever make art as a hobby, while the latter are at once exceptionally diverse (most people of at least moderate means have bought some type of artwork in their life) and impressively concentrated, with not considerably more than a thousand or so major collectors actively vying for premium blue-chip art at any given time. This is reflected in an important recent study in which McAndrew neglects quantifying the size of artists and collectors but notes that the worldwide fine art, decorative art, and antiquities marketplace comprises upwards of seventy-one thousand dealers, of which a core of four thousand account for 75 percent of business and as few as one thousand are responsible for half the market by transaction value; the remainder of sales are executed by smaller brokers and dealers selling lower-value art.[60] The auction circuit, which accounts for roughly half of the global art trade, is narrower yet and comprises approximately five thousand fine and decorative art auctioneers globally.[61] In the fine art segment, the focus of this book, Sotheby's and Christie's dominate the international auction trade and together accounted for 73 percent of art auction sales by value worldwide in 2008, from just 16 percent of transactions, with the remainder of business conducted by successive tiers of national and local operators.[62]

The art market's ancillary service providers add density to this institutional system. These comprise art lawyers, insurers, shippers and handlers, interior design consultants, collection advisors, agencies that manage resale and image royalties, the private wealth management divisions of banks, art investment funds, and art financial services firms. Corporations, governments, charities, and not-for-profit organizations also play crucial roles in supporting, funding, and presenting art activities. It is estimated that in 2006, the European art market spent €2.5 billion on these ancillary services, which employed over seventy thousand workers, against sales of €19.2 billion.[63]

Artist and writer Martha Rosler proposes two models for conceptualizing the structure of the art market.[64] One involves a pyramid with the most influential players concentrated at the pinnacle, followed by a downward and outward spread of lesser significant actors and institutions. This is useful in depicting the intense competition for a place at the apogee of the art world's elite and is reflected in the fact that only a few main auction houses and several hundred key dealers are responsible for the majority of the market's turnover.[65] It is misleading, however, in giving the impression that upward progression is linear and that there is only one single standard of success. Rosler is aware of these shortcomings and so proposes a second model conceived as a "set of interlocking rings, some close to the center, others further away." This draws on Wallerstein's aforementioned world theory that segments the geopolitical map into core, peripheral, and semiperipheral zones. When applied to the art market, it explains the agglomeration economies of cities like New York and London (characterized by a dense concentration of rings) and the complementary relationship of regions outside of these centers. This is also an important model because it adjusts for overlap in motives. This deemphasises the zero-sum nature of competition attributed to the pyramid model (I win, you lose) and is more consistent with the reality of an art market composed of interlocking circuits of commerce (i.e., that the pinnacle of success and the allocation of resources for contemporary art dealers are not necessarily congruent with those for, say, Old Master painting, nor are they uniform within either of these broad specializations). Despite differences, both models are effective at portraying the art world, correctly, as an industry in which a very small number of actors control a disproportionate level of power in earnings, reputation, and taste-setting parity: "The contemporary art world, like all modern technical/professional discursive fields, is cohesive and (inadvertently) exclusionary. Few people not professionally implicated can meaningfully participate in it."

The definition of art adhered to in this book reflects this hierarchical institutional reading. In the case of a painting, the transition from a completed work to sanctioned Art is not implicit, but dependent upon interaction with the players and institutions denominated above; the more frequent and meaningful these interactions, the better the artwork's provenance and the more credible it becomes. Dealer René Gimpel describes this transition elegantly: "The studio-bound painting is only a chrysalis. The apparently finished painting is now in an embryonic state of becoming. What it becomes depends on how it is consumed but only in consumption does it fulfil its manifest destiny."[66] If demand exists for an artwork, its trajectory toward consumption will begin with its fabrication and progress into a cycle of public presentation, debate, sales, and so forth. The repetition of this cycle, unto interaction with ever higher-order actors, is a key aspect of the value-creation paradigm and explains Rosler's insistence that "the art world is most potently envisioned as a universe of discourse (secured by its economic base)." Failure to inscribe oneself within this discourse or to win the support of its major institutions and collectors marginalizes one to the periphery and restricts the "finished painting's" metamorphosis from becoming high art, proper.[67]

Two major factors, alongside provenance, that affect an artwork's value are its availability and differentiability. Artists need to generate a certain level of supply to create demand—and some even thrive by strategically oversupplying the market for publicity, provenance, and income—but all things being equal, scarcity tends to boost prestige values. In addition, the uniqueness of artworks—that an individual piece may have no perfect substitute—sets them apart from ordinary commodities and enables "monopoly rent" to be charged.[68] This resurfaces prominently in discussions of the contemporary art market that follow and explains the extreme prices artworks may command. As long as at least two collectors wish to acquire a single artwork—the *only* item capable of satisfying their demand—its price may escalate precipitously as they bid against each other.

This boils down to the fact that there are essentially two main variables —one static, the other dynamic—that impact an artwork's price. The former refers to the universe of essentially inalterable features of a work: the name of the artist, the year it was made, whether the work was unique or editioned, as well as its size, weight, shape, color, and content.[69] The latter, which include its provenance, sales history, and critical reception, changes over time. Despite obvious differences, both can be and are actively manipulated by the producers of art and others with vested interests in its welfare. These actions form the essence of the art of the deal, and it is the task of this book to uncover some of the more extreme ways in which they are put to work.

Value

In addition to how we define art and the market's structure, we must also clarify the role of value. Thus far, I have casually glossed over the rise in contemporary art prices as evidence that art works have discernible *economic* values—that they can be bought and sold for profit (or loss)—as well as noting the *critical* values that works possess—those features that differentiate one piece of art from the next. But artworks also have important *symbolic* values, linked to the social status and prestige of ownership, that distinguish the art economy from other markets. Understanding how these symbolic values function is crucial to appreciating the operation of the art market and this book's main arguments.

Neoclassical economic analyses of the arts, epitomized by those of economist William Grampp, contend that the market is the most efficient arbiter of value (economic and critical) and the optimal device for allocating resources.[70] Grampp argues for the abolition of public-sector arts subsidies altogether, and Velthuis calls him the most outspoken proponent of "Nothing But" theorizations of the art economy, which posit that the art world's structure mirrors that of other economic sectors (that it is *nothing but* an ordinary business system) and that the manners in which art market players interact are essentially meaningless—the law of price, alone, rules.[71]

Suffice it to say, the neoclassical model is hardly popular with those who believe that prices do not fully reflect the range of values—metaphysical, aesthetic, philosophical—that art making connotes. Even more relevant for us is that it does not adequately account for some softer variables that also determine the values and uses of art: the neoclassical perspective is not altogether incorrect, but it must be expanded to account for a full range of factors that motivate participation in the art market. Sociologist Pierre Bourdieu advances this discussion through the integration of what he calls "symbolic capital":

> Alongside the pursuit of "economic" profit, which treats the cultural goods business as a business like any other, … there is also room for the accumulation of symbolic capital. "Symbolic capital" is to be

> understood as economic or political capital that is disavowed, misrecognized and thereby recognized, hence legitimate, a "credit" which, under certain conditions, and always in the long run, guarantees "economic" profits.[72]

In other words, while some art market players may see art only as a means of financial enrichment, Bourdieu also accounts for those willing, for the sake of reputation or status-building, to forgo profits for the accrual of long-term symbolic and economic dividends. Unlike stock market investors, then, who we may assume seek financial gain above all else, this implies that the art market more accurately comprises what we might call "socioeconomic maximizers" for whom economic dividends are only one of many motivating factors.[73]

Bourdieu's ideas are not without their problems, and many of the black-and-white polarities advanced in his writing are rooted in an antiquated theorization of the avant-garde that has been ruptured with the onset of postmodernity, especially the lowering of boundaries between high and low culture.[74] The continued valence of his model in light of today's collectors-cum-speculators (as opposed to Bourdieu's envisioned fine art connoisseurs) is certainly questionable in this regard, as is his straightforward equation for how symbolic capital can be churned into economic capital; the art world is seldom as deterministic as he lets on.

Limitations aside, Bourdieu's general theory has many relevant applications. Perhaps its most obvious usage is to distinguish between "commercial" and "genuine" players: high street art dealers who operate as "Nothing But" ordinary businesspeople versus elite dealers who are characterized by a "Hostile Worlds" view of the art market in which capitalist interests are seen as corrosive.[75] This distinction is integral to the discussions that follow as it provides a more nuanced understanding of how investments in the art market are made. At one extreme, we have art investment funds whose raison d'être is to turn a trading profit: they buy and sell art to generate economic capital alone. At the opposite end of the spectrum, we have a wide spectrum of actors who may seek to make money through art but who may also sacrifice short-term capital gains in order to build credibility within the art community: they seek economic and symbolic capital. Between these poles, we find the ranks of trophy hunters and status seekers who pay top dollar, and even willingly overpay, to acquire the social prestige that comes with being recognizable, leading collectors.[76] All of these players are "invested" in the art market, but their mode of operation and objectives can diverge greatly.

A further extension of this corresponds to the division between art dealers' front-room and backroom business—the work they present to the public and that which they sell behind closed doors. This dichotomy is second nature to many of those who work (at least successfully) in the commercial art trade, yet it remains poorly understood in the literature and mainstream press—most likely as a result of the opaque nature of the art business. In his study of contemporary art galleries in Amsterdam and New York, Velthuis argues that galleries' front-room activity is essentially break-even and associated with symbolic investments in the promotion of living artists' careers; backroom dealings, on the other hand, are more explicitly commercial and are often focused on the more liquid secondary, or resale, trade. In fact, he finds that secondary market sales comprise roughly 25 to 60 percent these galleries' earnings—often strategically using secondary market sales either to finance the "promotion of more innovative, experimental art" or to "provide a cultural and historic context for the artists that the gallery represents on the primary market."[77]

This is extremely relevant for our discussion, and we will see in the ensuing chapters how dealers utilize their promotion of cutting-edge practices like video or experiential art as a loss-leader. Their commitment to this type of art may enhance credibility, but *real* money is made out of public view on sales of more conventional goods (prints, photographs, paintings). Dealers' adeptness at gaming the market in this way is one of the hallmark developments since the 1960s, and we will look at some of the main strategies they have deployed to generate income streams from—and build symbolic credibility around—practices that may otherwise appear resistant to commercialization. Similarly, the escalating economic significance of contemporary art fairs during this period is due not only to their utility at selling new work to targeted global audiences, but also to their creation of a more liquid secondary market.

A final point to be made about economic value in the art market is that it extends both to ownership of tangible art objects and to the wider set of rights governing the reproduction of artworks as images (copyright) or their use in derivative form (e.g., the generation of other works or merchandise based on the original). Intellectual property scholar Jaime Stapleton calls this the artwork's "doubled domain" of property and situates the emergence of this distinction in the nineteenth century with the then growing circulation of art images in printed matter. Its relevance has skyrocketed lately as dematerialized art has entered the market and as artists and art institutions present content online.[78] This reorients our focus from, as Stapleton observes, the "object an artist makes" to "what kind(s) of property" are associated with this act of production.[79] In other words, although the sale of durable goods is elemental to the functioning of the art market, it is also imperative for us to understand how claims to such property are managed.[80] The professionalization of the art world that frames our enquiry can be encapsulated in the multiple commercial forms that works like video art have come to encompass: they exist at once as sets of property rights (governing the circulation of analog or digital content) and as works in embedded form (through their presentation as three-dimensional video sculptures or immersive video installations); they may be freely distributed on the Internet but may also be sold as editioned fine art objects.

The contemporary art market is not unique in distributing products as such, but its high prices and opaque processes make it especially fascinating. Perhaps the most important implication of this is the realization that "the crucial question is not *if* artworks are commodified, but instead *how* commodification takes place."[81] Such a position doubles as a succinct guideline for this book, which grapples with how the contemporary art market works not merely in theory, but in practice.

Outline

Our journey begins in chapter 1 with an investigation of the emergence of video art during the 1960s and the factors that have enabled its market accommodation. I look at the video art economy not as a monolithic identity composed solely of moving-image content, but as an umbrella system encompassing video stills, production photographs, props, and other ancillary goods. The central argument is that the passage of video art into the market is not an autonomous historical process, but emblematic of the professionalization of the contemporary art economy over the past half century, manifest here in the artificial restricting of supply (through limited editioning) and the increasingly strategic selling of related ephemera. In conclusion, I look at the impact that digital video technologies and the circulation of video art on the Internet is having on this landscape.

Chapter 2 examines how an economic infrastructure has arisen for experiential artworks: such pieces, which hark back to the advent of 1960s conceptual art, may comprise installations, performances, events, or all the above and are often *completed* by their audiences. This chapter identifies how a market has been created for such activity and what collectors veritably acquire when purchasing these artworks, drawing upon intellectual property law and Actor-Network-Theory. Emphasis is placed on the Conceptualist precedent and the legalistic accords that governed, and continue to characterize, this type of production. Discussion then widens onto the market mechanisms of diverse contemporary experiential artists beginning in the 1990s as associated with discourse on services-based art and relational aesthetics.[82] The latter portion of this chapter broadens debate even further by drawing a link between these practices and how experiences have come to frame transactions within the global contemporary art market. The accentuation of an "experience economy" serves as a backdrop for reflections on the lifestyle marketing of contemporary art consumption and the economic function of contemporary art fairs.[83] I consider the implications of these event-driven developments upon the structure of the contemporary art economy, at large, and for the trade in experiential artworks, in particular.

In chapter 3 I shift the locus of debate to art investment funds. Here I assess the onset of these businesses during the 1970s, followed by an up-to-date overview of the structure of this industry. Discussion of finance theory, global investment trends, and the burgeoning field of economic literature about the benefits and risks of art investing is undertaken. Consideration is given to the vision of these funds, to the steep financial and cultural challenges they face and also their relationship to other concurrent developments in the art economy. Crucial points of debate concern their ability to make money in practice and to differentiate themselves from existing players in the market.

The goal of this chapter is twofold: first, to lay the foundations for a sophisticated understanding of the evolution of art investing to date; and second, by its inclusion in this book, to ensure that this history is read through other contemporaneous changes in the art market during the period of discussion. Art funds are often seen as outliers, bearing little resemblance to more conventional dealers and auction houses. This may be true to a degree, but now more than ever it is imperative to view them not as a singular phenomenon but as part and parcel of the significant structural changes that have taken place within the art business in recent years.

To conclude, I look at the impact of the global financial crisis on the contemporary art economy. During the latest bubble a widespread belief circulated that the growth in the market was sustainable. Even at the first signs of the economic meltdown in 2007 and 2008, many maintained that the contemporary art economy was somehow recession-proof—that this time would be "different." Such optimism was put painfully into perspective shortly thereafter as sales dropped and most sectors of the art world experienced major layoffs and closures, along with the tightening of corporate arts sponsorship purses and the scaling back of grants by the trusts and foundations whose money is so vital to the livelihood of artists, curators, scholars, and arts institutions. I return to these developments as they happened and consider what tomorrow's art market might look like. Through such lines of enquiry I seek to come full circle with the value-added paradigm: to fully comprehend the great changes that have recently been wrought on the art market, we must also look ahead to other challenges on the horizon.