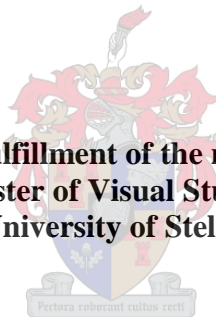


**CONSTRUCTING THE VALUE OF ART:  
A Sociological Perspective on Value Creation at South African Art  
Auctions.**

**by  
Marelize van Zyl**

**Thesis presented in partial fulfillment of the requirements for the degree of  
Master of Visual Studies  
at the University of Stellenbosch**



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## DECLARATION

I, Marelize van Zyl, hereby declare that this dissertation is my own original work and that all sources have been accurately reported and acknowledged, and that this document has not previously in its entirety or in any part been submitted at any University in order to obtain an academic qualification.

Marelize van Zyl

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## SUMMARY

The *value of art* is a critical concept in theoretical discourse. As a result, the high prices of artworks on auctions pose questions about the various processes of value construction and the status of art in these processes.

This thesis adopts a sociological approach to the construction of value of art on South African auctions. This approach is situated within a socio-historical perspective, which introduces the various social structures and conditions of cultural production. The main premise of this approach is that a multiplicity of social and cultural influences permeates the art market, its processes and structures, and therefore the determination of value. This research therefore indicates that the value of art on auction is socially constructed. As such, the value of an artwork does not reside in itself, but is produced (and constantly reproduced) through processes that are subject to the codes and conventions of the art world.

Within the context of the art market, artworks function as commodities for economic exchange. Since economic exchange is socially and culturally situated, the distinctive ways in which art auctions in South Africa (as a market intermediary) encompass certain social and cultural processes, is also explored. To assess the various factors that influence the value and exchange of artworks on auction, the study introduces the Components of Value Model. The Aesthetic and Historical Factors; the Supporting Documentation and Material Attributes of an artwork, as well as the Financial and Economic Factors collectively indicate that values are, first and foremost, social categories. The value of art on auction is therefore a socially constructed value.

## OPSOMMING

Die waarde van kuns is 'n kritiese konsep in teoretiese gesprekvoering. Na aanleiding van die hoë pryse wat kunswerke op Suid-Afrikaanse veilings behaal, word verskeie vroeë gevolglik gestel rondom die verskillende prosesse van waarde samestelling en die status van kuns in hierdie prosesse.

Hierdie verhandeling neem 'n sosiologiese benadering aan tot die samestelling van die waarde van kuns op veilings. Dié benadering is gesetel binne 'n sosio-historiese perspektief wat verskeie sosiale strukture en voorwaardes van kulturele-produksie inlei. Die hoof premis van hierdie benadering is dat 'n aantal sosiale en kulturele invloede die kunsmark se prosesse en strukture deurweek, en gevolglik ook die bepaling van waarde. Hierdie navorsing kom dus tot die gevolgtrekking dat die waarde van kuns op veilings sosiaal geskep word. Gevolglik is die waarde van kuns nie intrinsiek nie, maar word geproduseer (en aanhoudend geherproduseer) deur prosesse wat onderhewig is aan die kodes en konvensies van die kunswêreld.

Binne die konteks van die kunsmark, funksioneer kunswerke bloot as kommoditeite vir ekonomiese verhandeling. Omdat ekonomiese verhandeling sosiaal en kultureel gesetel is, word die eiesoortige wyse van hoe kunsveilings (as 'n marktussenganger) sekere sosiale en kulturele prosesse omvat, ook ondersoek. Om die verskeie faktore wat die waarde van kunswerke op veilings beïnvloed te ondersoek, word die 'Komponente van Waarde Model' ingebring. Gevolglik dui die Esteties- en Historiese Faktore; Ondersteunende Dokumentasie en Materiële Eienskappe van kunswerke asook die Finansiële en Ekonomiese Faktore gesamentlik aan dat waardes hoofsaaklik sosiale kategorieë is. Die waarde van kuns op veiling is gevolglik sosiaal gekonstrueer.

## **ACKNOWLEDGEMENTS**

I would like to acknowledge my sincere gratitude to my father Jan van Zyl, family and friends for their encouragement and support during this project. Also to my supervisor Prof Lize van Robbroeck for her enthusiasm and moral support, guidance and advice throughout the past three years.

Marelize van Zyl

November 2011

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## **CHAPTER 1**

### **Introduction**

#### **1.1. Judging Value**

**Assumptions about value are inescapable in the study of art. Even in the most iconoclastic histories, which expose as fictive the intrinsic worth of their object, art, presume the value of iconoclasm itself.**

**(Koerner & Rausing 1996:433)**

**Even the art market is sometimes romanticized; and the payment of super-prices for works of art is widely taken as proof of art's essential sacredness.**

**(Alsop 1982:19)**

The focus of this thesis is to examine the ways in which works of art circulate on the art market and how value is constructed. Value is considered to be one of the most critical terms in the theory and history of art. Rooted in a philosophical tradition since the seventeenth century, the concept of value fundamentally signifies that which criticism<sup>1</sup>, as an act of judgment or evaluation, decides about its object or subject (Koerner & Rausing 1996:419). Art critic and writer Clement Greenberg (2000:59) stated:

The experience of value is the experience – how it could not be? – of judgement; the presence of value requires the presence of judgement; neither is there without the other.

Art (as an object or subject) has always been a site of intersection of a number of different ideological and material forces. For this reason, theories of the value of art have always been of two kinds; intrinsic and extrinsic. According to the first view, art has value and is valuable in and for its own sake, while the latter view maintains that art is valuable because it is a means to independently specifiable effects that are valuable (Davies 2006:199).

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<sup>1</sup> According to Koerner & Rausing (1996: 419), criticism as the “test of free and open examination”, began with the study of art.

Today, it appears that the value of art is publicly established by auction; either directly through an actual sale, or indirectly, by referencing other sales. Auctions have long earned their status as the main and preferred arbiter of value. Prices realised for artworks on auction are generally considered reliable because of their so-called responsiveness to supply and demand, and because of their public character<sup>2</sup>.

The South African art market has been moving forward at a growing rate since 2005. Renowned South African art auctioneer Stephan Welz commented that “the market for South African art [was] currently at its highest level ever with collectors paying top prices to acquire rare works that are of good quality and fresh to the market”<sup>3</sup>. 2006 in particular saw the benchmark for values being raised when prices for art works by various artists on auction reached the million Rand mark and numerous new auction records have since been established<sup>4</sup>.

This phenomenon of “super-prices” or rather ‘record-prices’ being paid for South African art poses the following questions;

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<sup>2</sup> Art auctions are usually covered by newspapers and magazines and their prices are publicly available.

<sup>3</sup> Stephan Welz & Co 2005 Auction Highlights

<sup>4</sup> Some of these significant record prices achieved on auction for works of ‘established’ South African post-war modern artists include for instance R 2.8 million in 2006 for *A Summer Afternoon, Bushveld*, 1928, and R 3.1 million for *Naderende Storm in die Bosveld* in 2008 by Jacob Hendrik Pierneef. Both works were sold by Stephan Welz in Association with Sotheby’s. In 2006, the painting by Maria Magdalena (Maggie) Loubser entitled *Mother and Child*, 1924, sold for R 4 million at the Stephan Welz in Association with Sotheby’s November sale and broke all records when it set the highest price for any painting by a South African artist sold in South Africa at that time. Irma Stern has been dubbed the Grande dame of South African art since her work entitled *Still Life with fruit and Dahlias* sold for R 1.1 million in 1999 also by Stephan Welz in Association with Sotheby’s, the first for a South African artist’s work on a local auction. New price records for Stern’s work were set in 2007 when Stephan Welz in Association with Sotheby’s sold *Indian Woman* for R 7.26 million and in 2010 Strauss & Co sold *Still Life with Gladioli and Fruit* for R 7.575 million, setting a world record for a still life by Irma Stern as well as a world record for a South African still life at the time. The sale of *Fruits of Bali* by Vladimir Griegorovich Tretchikoff for R 3 740 000.00 caused a stir in the South African art world in 2009. Another South African record was set for an artist in 2007 when *Seated Woman doing Needlework*, c 1946-47, by Gerard Sekoto was sold by Bernardi Auctioneers for R 1.1 million. The following year, Stephan Welz in Association with Sotheby’s sold Sekoto’s *Terum Go Itsheba* at R 2.64 million. In 2006, R 2.2 million was paid at the Stephan Welz in Association with Sotheby’s for Irma Stern’s, *Lady of the Harem*, 1945, a gouache on paper work. This is to date the highest price ever attained in the South African art market for a work of art on paper. More recently, Strauss and Co sold *Magnolias* by Frans David Oerder for R 1.76 million and a portrait of an *Old Oyster Woman* by Dorothy Moss Kay (an artist whose work has gone largely unnoticed) sold for R 1.4 million. Both were once again world record prices for these artists (Stephan Welz & Co Online; Strauss & Co Online).

- How is the value of artworks determined or created on the South African art market?
- How valuable are artworks in terms of currency?
- What makes a great work of art? In other words, what are the factors that, taken individually or combined, contribute to the worth of an artwork?
- Through which processes are views about such values created?
- Why are works of art as material objects considered valuable?

Literature on the sociology of art indicates that value is socially constructed. In other words, the value of an artwork does not reside in the work itself, but is, under conditions of uncertainty, produced and constantly reproduced through certain processes that are subject to numerous conventions and codes of the art world. By deconstructing notions of value, it is possible to reveal the social relations that help create and define the value of art.

Within the art market, artworks are considered a special kind of commodity for economic exchange. And it is through economic exchange that the value of art on auction is determined reciprocally, as Appadurai (1986:3) states:

Economic exchange creates value. Value is embodied in commodities that are exchanged. Focusing on the things that are exchanged, rather than simply on the forms or functions of exchange, makes it possible to argue that what creates the link between exchange and value is *politics*, construed broadly.

By focussing on of art as a commodity, this thesis aims to reveal the extent to which the exchange of art on auctions creates value; are constrained by different levels of knowledge, produce and reproduce art world communities and reflect certain political, social, cultural and economic interests.

Velthuis (2008:28) indicates that economic exchange is socially and culturally situated. This study is therefore also concerned with the distinctive ways in which auctions encompass these social and cultural processes (Smith 1989:186).

Since value is socially determined and negotiated, ‘super-prices’ paid for works on auction in South Africa are worthy of close scrutiny, because they indicate that social agreement on the value of art and on the value of a certain work (or on an artist) has been reached. In this respect, this thesis aims to contribute in opening up a new field for cultural analysis.

## **1.2. Background and Purpose of Study**

**The art market as a whole is an extraordinary business. Art values are the product of a weird mix of cultural, aesthetic, psychological and financial pressures – always in a state of flux, always dependent on human nature.**

**(Keen 1971:195)**

In a seminal work entitled *The Rare Art Traditions* (1982), art historian Joseph Alsop singled out certain distinct art-related traditions and phenomena which exhibit a conspicuous and unifying peculiarity. He identified art collecting, art history and the art market as the inseparable primary ‘by-products of art’.

Art collecting is considered to be the basic by-product of art because the rest of the ‘by-products’ system has never developed without the phenomenon of art collecting. Art history goes hand in hand with art collecting to provide a framework for comparative analysis, and an art market is considered to exist wherever there is an exchange of art works. A true art market cannot exist without art collecting and art collecting automatically begets an art market to supply collectors.

The secondary by-products of art are art museums, art faking, revaluation and super-prices. Art museums are considered a uniquely Western phenomenon founded to keep art collections permanently intact.

However, although art museums are to an extent 'ruled' by art history, they are not simply receptacles for art history but are also powerful value-laden agents that shape power relations and history. Revaluation produces a kind of stock market of taste, in which works of art of all forms increase and decrease in value estimation. Also, wherever there is a 'booming' art market that serves competitive art collectors, the faking of artworks is an inevitable development. The payment of super-prices for works of art announces the last and most luxuriant phase of the development of the by-products of art. According to Alsop (1982: 1, 16-17), these phenomena constitute an integrated and closely interacting cultural-behavioural system, with "frequent and far-reaching effects on art itself".

According to Alsop (1982:1), centuries of familiarity have caused the "by-products of art" phenomena to be taken for granted, as they are rarely seen as highly idiosyncratic, exceedingly complex and, in some degree, quite irrational cultural-behavioural developments. It is in this regard that the links within this cultural-behavioural system are revealed with special clarity by super-prices:

Those who marvel at these fortunes being paid for major and/or minor works of art, and even semi-art, have never seriously studied the by-product of art or considered how they work together as a system.....staggering prices for works of art simply cannot prevail without art collectors competing on the art market to pay them (Alsop 1982:17).

The objective of this thesis is therefore to investigate and study the South African art market as such a cultural-behavioural development. The focus is primarily on art auctions since the auction mechanism provides a very public report on the estimated and realized values of works of art.

Because art auctions, as Smith (1989:163) explains, occur within a rich interpretive and normative social context, which not only constraints what can occur but also makes possible what does occur, it allows for examining the ways in which certain meanings,

practices and values are mutually determined through complex social and cultural processes;

Auctions resolve ambiguities and uncertainties; they establish value, identity, and ownership of items; they entertain and they shape social relationships; and they reallocate vast sums of money. They also tell us a great deal about economic life and social behaviour (1989:162).

It is in this latter capacity, as a paradigm of socio-cultural behaviour that art auctions have their greatest impact on the determinants of value.

An analysis of how the art auction system<sup>5</sup> functions is thus a critical determinant of how social preferences are translated into the evaluation of artistic work. Although art auctions are certainly not the only important determinants in the judgment of art and artists, it certainly seems to be one of the key components of the public's general understanding of what is considered valuable art.

In summary, it is important to note that it is not the purpose of this thesis to develop and explore a new grand theory of value in art. The study rather deals with two related key issues in the sociology of art; namely how art market actors through art auctions generate and assign value to art, and how an art work itself can take up the role of generating and shaping the practices and values of the art market.

Through this approach to the art market, narratives of meanings are encountered through the circulation and valuation of art works. Within this understanding, the prices achieved for art works on auction as indicators of values, which in turn have long been considered to be devoid of any meaning at all, can be thought of as cultural entities. The prices of art, therefore, have symbolic and cultural meanings apart from just economic ones (Velthuis 2005:3).

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<sup>5</sup> The art auction system encompasses the practices, places, participants and conventions of the auction itself. It could also be called the art auction's "social structure" (Smith 1989:162).

### **1.3. Context of Study**

The context of this research is the recent unprecedented, possibly temporary, economic upturn in the South African auction market since 2005 to 2010.

It is clear that over the past five years, dramatic changes have occurred in the South African art market, where prices of artworks have risen sharply with large amounts being paid for works of art at auctions. Super prices achieved at auction sales have established new levels for the works of many South African artists. As a result, buyers and sellers of South African art are, more than ever, concerned with values (and trends) in South African art market.

As a consequence of this economic upturn, the art market and the values realised for artworks have attracted a lot of public and critical attention. Economists in particular have attempted to analyze the performances and outcomes of the art market, reporting their findings by means of reduced financial notions and economic paradigms.

However these reviews provide limited insight into the social processes whereby works of art acquire value and how the art market functions.

### **1.4. Theoretical Framework**

The social construction of value of art works on auction is the focus of this dissertation. The theoretical framework within which this study is situated based predominantly on the discourses and methodologies that underpin art history, sociology, visual and culture studies as well as social and cultural economics.

Since no empirical analysis has been undertaken on the prices of South African art on auction, the study remains exploratory in nature.

A sociological study of the value of art on the art market necessarily involves the incorporation of two opposing and mutually exclusive disciplines; art history and economics.



Attempts at forging a new discourse between these two disciplines may inevitably create friction and disputes. However, despite their disciplinary and theoretical separation, their paths overlap within the field of material culture, as both disciplines are concerned with the domain of human made and material objects and the ways they are used, circulated, experienced and valued in a particular society at a given time.

## **1.5. Literature Review**

Alsop (1982), Stevenson (1992) and De Marchi & Miegroet (2006) provided beneficial historical overviews on emergence and formation of the art market. Alsop (1982) in particular focuses on the relation between art collecting, the art market and art history as primary “by-product of art” as well as the complex nature of the art market as a “cultural-behavioural system”.

Bourdieu’s (1993) analysis and social theory of the cultural field, which situates artistic works within their social conditions of production, circulation and consumption, informed the theoretical framework for this thesis. Bourdieu’s theory of practice sheds light on how the artistic field and the art market functions, and the implications their processes and methods have for art, its value and artistic processes.

Smith (1981) presents an informed and insightful analysis of the dynamics of the auction market how it impacts the social construction of value. The empirical survey of auctions by Graddy and Ashenfelter (2002) also sheds light on how the auction system works and what it indicates about price formation in particular. Their research exposes the various ways of how works of art are valued on auctions, and presents primary objective information on certain preferences regarding art. Stevenson’s (1992) theory on the various components of value provided a number of social, cultural and economic variables to assess the factors that contribute to the construction of value on the market.

It is clear that the art market and the value construction of art have to be studied and investigated in a cross-disciplinary way. *Sublime Economy. On the Intersection of Art and Economics* (2009), edited by Jack Amariglio, Joseph W. Childers and Stephan E. Cullenberg, reflects upon the intricate intersections of arts and economics. The publication consists of fourteen individual essays from some of the leading scholars (including de Marchi; Ginsburgh; Weyers; Watkins; Velthuis and Kalmer) in the fields of economy, literary, art, philosophy and sociology, who are currently studying the crossroads of economic and aesthetic discourses. *Sublime Economy* proved to be a valuable resource to explore this critical territory, and the ways in which the diverse concepts of economy and economic value have been culturally constituted and disseminated through cultural practices.

The sociological research of Velthuis (2005) on the symbolic meanings of prices on the art market reveals that price is not just an economic, but also a social, cultural (and moral) entity. Whereas sociological thought has long viewed prices as reducing qualities to quantities, Velthuis makes clear that on the art market, prices as signs convey social and cultural meanings. Although primarily focussed on analyzing the price mechanism on the market for contemporary art, Velthuis's perspectives and arguments on pricing as a signifying act could be related to the price formations of artworks on auctions.

Throughout the study, Appadurai's (1986) argument that commodities (such as artworks on the market) have social lives because they embody socially created values. Appadurai's theories on commodities and the politics of value were informative in outlining the socialized view of commodities that signify complex, context-dependent meanings of value, which operates within a culturally constructed framework.

Although the two art market reviews by Welz (1989 and 1995) are primarily intended to be a reflection of the company's activities and an attempt to reveal the range and sort of South African art on auction since 1969, they proved useful as an historical documentation and survey of prices paid for certain South African art works sold by the company over four decades.

Other literature pertinent to this research included the various social economic studies on price formation on the art market.

## **1.6. Chapter Outline**

This Chapter provides an overview of the main aim of this thesis; namely to examine the social construction of the value of art on South African auctions in order to draw conclusions on the multiplicity of social and cultural influences that permeates the art market (as a primary by-product of art), its processes and structures, and therefore the determination of value.

Chapter 2 gives a discursive overview of art and economics in discourse. Since the history and functioning of the art market has not always been a major concern for art history, economists on the other hand have made inroads in discussions about typical economic issues on art such as the prices of artworks on the market, procuring costs, investment as well as supply and demand. The chapter further explores the various ways in which art historians have set out to study the social contexts of art which has led to an increasing interest in the socio-economic aspects of art. The chapter concludes with a brief overview of the existing studies of the South African art market.

The various methodological approaches to studying the art market and the value formation of artworks on the market are identified and discussed in Chapter 3. These approaches include neo-classical economics, economic anthropology, economic sociology, cultural sociology and sociology. The chapter further introduces Bourdieu's (1993) sociological theory that explains the functioning and structures of the art market, and how value is socially constructed in the fields of cultural production. Bourdieu's social theory of practice is discussed as a methodological approach to incorporate the Components of Value Model (Stevenson 1992:151).

Chapters 4 and 5 focus on the logics, structures and hierarchies of the art market as an economic and cultural constellation. The main premise of these chapters is that an interdisciplinary approach to the art market, and the value construction of art on auctions, requires a cultural analysis of the market's economic processes along an economic understanding of art. Chapter 4 in addition provides an overview of South African art at auction.

Chapter 6 is a short chapter that briefly explores the main theoretical principles of commoditisation as an introduction to the Components of Value. Since value judgments are made within specific social contexts, various factors are at play in the evaluation process, indicating the complexities and dynamics of various positions in the field of cultural production. Works of art enter a commodity phase when subjected to the context of the art market, and auctions in particular function to accentuate the commodity candidacy of an artwork. To identify the exchangeability of an artwork in the commodity context of an auction, the Components of Value Model incorporates a number of social, cultural and economic variables to assess the factors that contribute to the construction of value. The Components of Value are divided into the 'Aesthetic and Historical Factors'; 'Supporting Documentation'; 'Physical Attributes' and the Economic and Financial Factors.

The 'Aesthetic and Historical Factors' of the Components of Value Model are discussed in Chapter 7. These factors involve the information properties of an artwork and include artist-related and artwork-specific aspects. The identity of the artist as well as the reputation and position of the artist in the hierarchy of the art world are essential artist-related factors that have a significant impact on the value formation of an artwork. Artwork-specific factors include attribution, authenticity, the aesthetic and historical significance as well as the quality of the work. Considered fundamental to the secondary market in valuing works of art, many of these factors are easily observable, however some, especially aesthetic quality and historical significance which are socially and historically negotiated, are hard to measure. As a consequence, translating them into quantitative terms of value implies a degree of subjectivity.

The value of the artworks exchanged on auction can not be realized without the political economy of taste, which is constituted by the various role players in the art world. The remainder of the chapter therefore explores the activities and influence of art historians, critics and art museums as major role players in the South African art world in contributing to creating and establishing the value of art on auction.

Bourdieu (1993:35) states that the production of historical and critical discourse about a work of art is one of the essential conditions of the production of the work, since critical affirmation establishes and recognises the value of the work. In Chapter 8, Supporting Documentation as a Component of Value is discussed. A key factor is the provenance of an artwork which indicates to the previous ownership of the work, as well as the history of an artwork's circulation and movement within the art world. Provenance has a marked effect on the value of art in various ways and is a well known marketing strategy used by the auction mechanism. The number of exhibitions and publications an artwork appeared in is positively correlated with the value of the work. The exhibition history of a work is therefore an imperative value component in validating the quality and significance of the work. Literature on artists and artists is a key component of value construction that enables art world participants to position and reference artists and artworks within the hierarchies of the art field.

Chapter 9 considers the third group of the Components of Value Model. The Physical Attributes relate to characteristic features or the physical and material aspects of an artwork as determinants of value. These include the size, medium and condition of the work. The subject matter has an influence on the appeal and reception of the artwork. The effect of an artwork's subject matter on value cannot be generalized since it differs across artists, time periods, buyer types and markets. Nevertheless, certain subjects are preferred by the auction market in South Africa which in turn, reflects in higher values. As a commodity on the market, artworks consist of both exchange value and use value. The value of and artworks may therefore be impacted according to the need of and use value to the buyer's type. The country of origin of an artwork usually remains the major source of supply and demand.

The impact of geographical considerations (such as the location of trade and the artist's and buyers' nationality) on the value of art becomes clear when demand is often driven by buyers of a particular nationality.

Chapter 10 deals with the Economic and Financial Factors that are prone to influence the valuation of artworks on auctions. These factors include the investment potential of the work; the holding costs incurred by owning and artwork; the price of an artwork which is usually associated in the market with quality and importance; as well as the structural characteristics particular the local market that could impair or enhance the value of an artwork. The chapter also discusses the auction system as an art market intermediary that exerts influence on the value of artworks in various ways. In addition, purchasing art on auction involves substantial additional costs such as buyer's and seller's premiums as well as taxation. The effect of these additional costs on the value construction of art works is also reviewed in this chapter. Although the state between the art market and the economy is difficult to determine, it is likely that the art market is in some ways sensitive to the general economic conditions. Certain economic conditions affecting the art market are therefore briefly referred to. The disposable income of the buyer is also correlated with the overall state of the economy and is one of the most decisive factors affecting demand, and consequently the values and prices of art on auction. The chapter concludes with a sociological discussion on expenditure on auctions and the appropriation of artworks as signs of personal wealth and cultural power.

The conclusion briefly summarises the main outcomes of the study.

## CHAPTER 2

### Art and Economics in Discourse

#### 2.1. A Discursive Overview

The history and functioning of the art market have in the main not been a major concern for art history and theory which has been traditionally predominantly engaged with aesthetic and cultural tenets. The reason for this may be that the market appears to be too overtly economic and financial to the discipline of art history, and a lack of familiarity with economics on the part of art historians and theorists who have also not paid much attention to the realities and nuances of the art market, since this is traditionally not regarded as a common approach in art history and cultural studies as De Marchi and Van Miegroet (1994:451) remarks;

On the contrary, the behaviour of artists, who are trying to make their way in an uncertain world, or of merchants who trade in paintings along with other goods, will sometimes seem at odds with the theoretical writings or the traditional, broad-canvas “historical backgrounds” sketched as a context for art.

It is clear that the discipline of art history has in the past concerned itself predominantly with the “source of supply in the art market”, namely the artist; and to a limited degree, the “demand” side namely the collector or patron. However, the linking of ‘supply and demand’, in other words the intermediaries and the art market, has not received much academic attention (Stevenson 1992:1). This is particularly the case with the South African art market.

However economists have made some inroads in discussions on certain typical economic issues on art such as the prices of artworks on the market, the costs of procuring them, the economic impact of investment, supply and demand, contingent valuations, government subsidies and other related economic topics, that have relatively little import in the field of art history, which in turn have dominated academic discourses on cultural goods such as works of art.

At this point it is also important to emphasize that economists are critical about the failure of art historians to acknowledge the economics of the art industry and more broadly of the cultural heritage industry even as they foreground their own perspectives on the value of artworks (Kalmer 2009:252-253).

Since the late 1970s, art historians concern themselves less with individual artists, formal and stylistic notions, connoisseurship and iconography in order to explore more of the social context surrounding the making and uses of art (Ormond 1999:544)<sup>6</sup>. This New Art History represented a series of criticisms of earlier approaches, rather than just a single point of departure, and opened up new lines of enquiry which crossed the terrain of other disciplines, including that of social economics and the history and functioning of the art market. Their common starting point is a view of art works as material objects or ‘special commodities’, and the art market as part of the economic – “an industry like any other” (Ormond 1999:545).

The main premise of economic sociology regards the fundamental element of modernity as the historical shift towards the greater significance of the economy within the whole of society. From being a “thing in itself”, the economy becomes a “thing for itself” (Bourdieu in Fowler 1999:1). It is clearly in accordance with this view that Amariglio, Childers and Cullenberg (2009:7), reveals that the economy in particular has always been a favourite object and subject of critical, and even practical, reflections and representations in the arts. Highlighting the idea that “economics is everywhere” and has functioned for (at least) the past century and a half in the arts sector and the broader sphere of ‘culture’, they further state that economic discourse is itself unrestrained in regard to when and where it appears.

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<sup>6</sup> As stated, the history of art has conventionally been concerned with the works of artists and their technique while the actual, social conditions of production were obscured. Grenfell & Hardy (2007:51) writes that such “discussions of art takes place in an atemporal realm, highlighting the particular characteristic subjects, themes and style of the artist concerned as if out of time. Here, it is as if art proceeds in an evolutionary manner across history”. A modernist narrative would see art in terms of the movement towards refined expression and technique.



Although attempts of economists to highlight the economic dimensions of the art sector appear to have made little impact on art historical studies, the art sector may constitute a legitimate and consequential location not only for the representation, but also for the production and distribution of economic concepts and theories, including that of ‘economic value’ (Amariglio, Childers & Cullenberg 2009:9).

The potential and actual connections between art and economics are therefore numerous and substantial. Amariglio (2009:30) points out that these connections are ones that show up even in the realm of what is represented in art as well as what they could possibly mean. One strong component of any intersection of art and the sphere of economics is that artworks have throughout history, been bought and sold on the market. Amariglio (2009:31) further states that:

Art has been extremely important in generating and affecting the ways in which others understood economic ideas – ideas about what is and has economic value, how various economic activities work, how they can be known and measured. [Furthermore] the economic constructions of value that can be read in art diverge in important ways from – but also have a relationship to – the dominant modes of economic thought that have existed in the West since the mid-nineteenth century.

There is now an increasing interest in the socio-economic aspects of art that led to detailed historical surveys of the Western art market in particular and its development since late medieval to early modern times. Attempting to situate art within socio-economic frameworks, these studies refer specifically to social and economic analyses of the conditions surrounding the production and demand of artworks. These analyses also include matters of taste, distribution, form and the social and cultural function of art objects. Art historians have since also produced proliferating studies on art collecting and patronage, and the social background, status, and training of artists, guild and civic regulation of the art trade, the shift from patronage to market mechanisms, the growth of auctions and the rise of the art dealer as a market intermediary are well documented.

However, this growth in art historical literature on the art market has not always facilitated the formulation of clearer or otherwise critical notions of the value construction of art works. In addition, according to Amariglio, Childers and Cullenberg (2009:9), the analysis of cultural productions, such as works of art, for the ways they represent or construct economic values, concepts and theories is still in its infancy among those trained in either art history and cultural studies or economics.

The research posed here therefore explores the question of how works of art may be read as constructive of economic discourses and particularly discourses that presume notions of economic value, that is, the determination and effects of the economic worth of objects.

## **2.2. Studies of the South African Art Market**

Within the South African context, a comprehensive history and survey of the local art market and the value constructions of South African artworks on the market is still lacking. Only a few and seemingly insignificant studies and minimal literature on the South African art market exist. These include a small handbook for collectors entitled *The South African Art Market* edited and published by historian Esmé Berman in 1971. Well-known South African art auctioneer Stephan Welz published two informative reviews on art at auction in South Africa which first covered the initial twenty years of Sotheby's/Stephan Welz & Co's activities in the South African art market from 1969 to 1989 followed by an updated art market review of the country's auction history which covered a wider period from 1969 to 1995. These reviews are for the most part narrative and descriptive in approach.

A significant addition to the limited South African literature on the local art market is Michael Stevenson's *Art and Aspirations*, published in 2002, which deals with the art collecting practices of the Randlords; the 'early South African millionaires' of the second half of the nineteenth century.

Although this publication is an important contribution to colonial social and cultural history in South Africa, it does not provide insight into the South African history of art collecting and the market in South Africa and the value accorded to South African art as such since the Randlords were primarily collectors of Old English Masters during the 1890s.

It is clear that the history and a sociological investigation of the South African art market is in need of and requires extensive research and documentation.

## CHAPTER 3

### Methodological Approaches to the Art Market

#### 3.1. Neo-Classical Economics

Although markets are considered to be one of the most central institutions of any society, economic sociologists have claimed that the question of how markets function has not always been given critical attention within the traditional discipline of economics. Since the end of the nineteenth century, economic theories of the market have been reduced to the abstract concept of the price mechanism that mainly serves analytical interests of a highly mathematical nature (Velthuis 2008:9).

Relating such abstract financial and economic theory and models to the art market is potentially problematic if support of such hypotheses and models is solely in the form of empirically orientated analysis (Stevenson 1992:2,153). Such uses of analytical and predictive economic models are problematic in the case of the art market for several reasons. Firstly works of art are diverse and unique in their form; and secondly, the structure of the market is such that the prospect of obtaining accurate and complete data is minimal.

Neoclassical economists have long analyzed markets as autonomous, de-contextualized mechanisms that are devoid of an institutional grounding and are not affected by any social or cultural interference. According to Velthuis (2008:9), the problem is not just that these markets do not exist in reality, but also that active economic actors would most certainly feel lost within them. When observing the art market, neoclassical economists prefer to look at outcomes like actual market prices achieved for works of art, which directly reveal the behaviour and preferences of economic agents (Velthuis 2008:3). Value is therefore assumed *a priori* as given and fixed by the market.

### **3.2. Economic Anthropology**

Economic anthropologists, since the 1970s, have countered this neoclassical economic notion of universal, acultural markets by arguing that economic value relies as much on cultural beliefs as on material practices; that consumption is at once determinant and expressive of identity and that objects can be seen as having a social biography of their own (Velthuis 2005:10).

### **3.3. Economic Sociology**

Dissatisfied with the “under socialized” perspective of neoclassical economics, economic sociologists have since the mid-1980s argued that market exchange is always embedded in social networks. These networks can be formalized and have a decisive and measurable effect in the art market especially on prices (Velthuis 2005:13). Theories in social economics applied in this thesis, therefore maintains that attention should be given to the different ways in which economic life is socially constructed and the role that culture plays in the structuring of economic institutions. (2005:10).

Treating the market as social action and economic transactions as social relationships implies that “aspects of social life” once thought to be the sole province of sociology are thus seen to be essential to the explanation of economics (Zafirovski 2000:268).

However, by only privileging the role of social structures may leave cultural aspects of markets unexamined.

### **3.4. Cultural Sociology**

The project of cultural studies is concerned with “the generation and circulation of meanings in industrial societies”. This suggest that the formulation of meaning is considered to be inextricably linked to culture and, ultimately, to social structures which are held “in place by, among other forces, the meaning that culture produces” (Fiske 1996:115).

These meanings include social experiences and the structure of identity, which enables individuals to make sense of themselves, and the nature of their social relations within capitalist societies in which they live. Cultural studies allows for the analysis of social relations in terms of social power; of dominance and subordination; of hegemony and ideology by looking in particular at culture as a site of constant struggle.

Cultural sociology, therefore, recognizes a wide range of vehicles of meaning which includes beliefs, ritual practices, art forms and ceremonies, as well as informal cultural practices and the symbolic content of economic entities such as prices and values which has hardly ever been considered (Velthuis 2005:11).

The art market as an object of investigation is, for the purpose of this thesis, central to the project of cultural studies. Just as culture infuses other social settings that sociologists and cultural anthropologists study, it also infuses market settings. Velthuis (2005:3) states that this infusion is of such a degree, that it may be virtually impossible to separate the market and culture analytically<sup>7</sup>. Cultural studies may then be regarded as a political project which is informed by ideologies, in terms of their capacity to structure, shape and inform texts. A cultural approach and study of the art market, as informed by ideology, is in turn, grounded in sociology and sociologists have much to contribute to debates concerning cultural studies of the art market.

### **3.5. Sociology**

To date, the French sociologist Pierre Bourdieu has proposed the most sophisticated sociological theory for an account of how the structures of the art market function and how value is socially constructed. His theory of the “fields of cultural production” covers not only the material production, but also the symbolic production of cultural works such as works of art. In other words, it refers to the production of the value of the artwork, and the collective belief in the value of the work.

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<sup>7</sup> In advocating the role of culture in socio-economic life, Velthuis does not mean to endorse a culturalist point of view in which culture is the only or prime explanatory concept. Neither does he consider culture as a stable, coherent set of values that decisively sets one group of people apart from another (2005:4).

This theory entails taking into account the multiple mediators which contribute to the artwork's meaning and value while sustaining the space of belief which is the cultural field (Johnson 1993:20-21). Pertinent to this thesis is that much of Bourdieu's theory is concerned with the ways in which culture contributes to field domination and to the process of social reproduction.

Advocating a socio-historical approach to art, art history and aesthetics, Bourdieu indicates that art and its valuing does not depend on the individual characteristic of the work or disposition of the artist alone, but arises out of structural meaning rooted in a particular time and place (Grenfell & Hardy 2007:54). Therefore, to understand an artwork, a structural theory should be adopted to understand the work as part of a larger system<sup>8</sup>. The full explanation of an artwork must therefore go beyond a mere straight examination of the work's internal features, the stylistic movement it is part of or the social context and biography of the artist. Instead, meaning is found in the history and the analysis of the structural homologies of social spaces, cultural products, producers and consumers and the way these reflect wider socio-economic trends in society. Bourdieu states:

I think that the sociology of art has to take as its object not only the social conditions of production of the producers (i.e. the social determinates of the training or selection of artists) but also the social conditions of the production of the field of production as the site of work tending (and not aiming) to produce the artist as a producer of sacred objects, fetishes; or, which amounts to the same thing, producing the work of art as an object of belief, love and aesthetic pleasure (in Grenfell & Hardy 2007:58).

Any work of art is therefore not only the work of an individual artist; rather, it is the creation of the field of cultural production as a whole. This field may include all the arts and artists in their structured positions relative to one another as well as the agents and intermediaries allied or influential to the actual production itself, for example art schools,

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<sup>8</sup> The methodological implications of such a procedure were made explicit by the philosopher Arthur C. Danto in his 1964 article "The Art World". Danto shows that these ways of interpreting an artwork have far reaching implications for the ways art history is understood.

museums, writers, critics, dealers etc. In addition, the field of artistic production is related not only to certain sub-fields which it may include, but also to its position in the totality of all social fields, including economic, scientific and political fields. Value is consequently conferred and legitimized as one part of institutional control over its sphere of influence (Grenfell & Hardy 2007: 55-56);

Bourdieu's theory of the cultural field might be characterized as a radical contextualization as it takes into consideration not only the artworks themselves, but also the producers of the works in terms of their strategies and trajectories which is based on their individual habitus as well as their objective position within the field. It also entails the analysis of the structure of the field itself, which includes the positions occupied by other producers as well as those occupied by all the institutions of consecration and legitimization which makes the cultural products what they are (Johnson 1993:9). The theory also involves an analysis of the position of the cultural field within the broader field of power, be that political or economic.

To put this theory into practice, Bourdieu presents a three stage methodology of analysis by applying the theoretical concepts of *habitus*, *field* and *capital* in order to illuminate empirical data (Grenfell & Hardy 2007:3). One of the central concerns in this theoretical framework is the role of culture in the reproduction of social structures, or, as stated, the way in which unequal power relations, unrecognized as such and thus accepted as legitimate are embedded in systems of classification used to describe and classify social life, cultural practices and in the ways of perceiving reality that are taken for granted by members of society (Johnson 1993:2). Bourdieu's approach is therefore characterized by a concern to connect the social realm of ideas with the structured patterning of society. The following section is a brief outline of his basic tenets.

### **3.5.1. A Social Theory of Practice**

Bourdieu first introduced into his theory of cultural production and consumption the notion of habitus as socialized subjectivity.



He formally defines it as “both a system of schemata of production of practices and a system of perception and appreciation of practices” (in Grenfell & Hardy 2007: 28);

[The] habitus is the system of durable, transposable dispositions; structured structures predisposed to function as structuring structures, that is, as principles which generate and organize practices and representations that can be objectively adapted to their outcomes without presupposing a conscious at ends or an express mastery of the operations necessary in order to attain them. Objectively ‘regulated’ and ‘regular’ without being in any way the product of obedience to rules, they can be collectively orchestrated without being the product of the organizing action of the conductor (in Johnson 1993:5).

Johnson (1992:5) further explains that the habitus can be described as a “feel for the game”, a “practical sense” that inclines agents to act and react in specific situations in a manner that is not always calculated and that is not “simply a question of conscious obedience to rules”. Rather, it is a set of dispositions which generates practices and perceptions.

In this regard, the habitus accounts for the creative, active and inventive capacities of human agents to connect with and mediate through objective structures and practices;

Its operation expresses the social position in which it was elaborated. Consequently, habitus produces practices and representations which are available for classification, which are objectively differentiated; however, they are immediately perceived as such only by those agents who possess the code, the classificatory schemes necessary to understand their social meaning. Habitus thus implied knowing one’s place but also a ‘sense of place of others’ (in Grenfell & Hardy 2007: 29).

In sum, the habitus represents a theoretical intention of the agent as a practical operator of object constructions (Johnson 1992:5).

It is important to understand that agents do not act in a vacuum, but rather in concrete social situations governed by a set of objective social relations.

To account for these situations or contexts, Bourdieu developed the concept of field. Emphasizing culture's embeddedness in the social, Bourdieu argues that any social formation or society as a whole is composed of and structured by a hierarchically organized series of relatively autonomous, but structurally homologous, fields (Johnson 1992:6). These fields include for example the economic field, the education field, the political field and the cultural field. Each field is defined as a structured space with its own laws of functioning and its own relations of force.

[Fields are] synchronically [defined] as structured spaces of positions, or posts, whose properties depend on their position within these spaces and which can be analyzed independently of the characteristics of their occupants....a state of power relations among the agents or institutions (in Grenfell & Hardy 2007:29)

Thus, the structure of a specific field, at any given moment, is determined by the relations between the positions agents occupy in the field. As such, a field is a dynamic concept since a change in the agent's positions necessarily entails a change in the structure of the field (Johnson 1992:6).

In any given field, agents occupying diverse available positions, or in some cases creating new positions, engage in competition for control of interests or resources which are specific to the field in question (Johnson 1992:7). In the cultural field, of which the art market is a part of, competition often concerns the authority inherent in recognition, consecration, prestige and ultimately a consensus of value. However, because what happens in the field is essentially arbitrary, it needs to be understood symbolically; it does not have value in itself, but accrues value because it is attributed meaning according to the logic of the field (Grenfell & Hardy 2007: 30).

Bourdieu uses the term capital to designate such valuing of intermediaries in the field<sup>9</sup>. Capital is symptomatic of field positioning according to a hierarchy logically defined by the field. It is therefore the medium through which the processes of the field operate and it expresses everything that passes for social reality within the fields. Bourdieu distinguishes between three basic forms of capital. Cultural capital refers to the possession of symbolically valued cultural attributes or dispositions. These may be material in nature or symbolically prestigious. In the field of the art market, cultural capital is considered an important component of value. Economic capital is the most material form of capital as it refers to financial wealth and possessions. In the context of the art market, economic capital may also refer to economic worth. This form of capital speaks for itself and is not symbolic. Social capital refers to the network of social relations that an individual or organization builds up holds. Such networks are symbolic and act to amplify the efficiency of both economic and cultural capital (Grenfell & Hardy 2007: 30, Johnson 1992:6-8)

It is important to note that capital only works through a process of acknowledgement and recognition within the field. For Bourdieu, capital can only have value, especially in its most symbolic form, if it is recognized as such. This is once again ensured by the symbolic manifestations of the logic of the particular fields (Grenfell & Hardy 2007: 31).

Bourdieu's sociological theory and methodology will be adopted as the premise for this research and as an approach to consider the value production of artworks on auction as well as the functioning of the South African art market. The main premise of this research will also incorporate the 'Components of Value Model', proposed by the South African art historian and art dealer Michael Stevenson, to critically examine the aspects of art works that have (through history) contributed to their value and exchange (1992:151).

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<sup>9</sup> Although capital is a term resonant with Marxist undertones that refers, as it does, to the basic features of a capitalist economy such as the possession of materials and human resources, it is important to note that Bourdieu does not explicitly connect with the Marxist notion of capital (Grenfell & Hardy 2007:30).

The Components of Value Model incorporates a number of variables in order to assess those factors that, depending on the artwork and period in which it is exchanged, contributes to or influences the economic value of works of art;

The essence of this proposition is that, by examining the factors that influence the value and price of an artwork from the perspective of both the supplier and consumer, market participants can estimate economic worth by preparing an ordinal (as opposed to cardinal) ranking of Components for each of the parties (Stevenson 1992:8).

These components of value are the Aesthetic and Historical factors, the Supporting Documentation and Material Attributes of the work as well as Financial and Economic factors (Stevenson 1992:154). With the purpose of critically discussing and analyzing the varying ways and the process in which artworks on South African art auctions may acquire worth, Bourdieu's theory of practice will be further applied to the Components of Value Model. This application will necessarily involve different levels of analysis and case studies to account for the different aspects of cultural practice, ranging from the relationship between the artistic field and the broader field of power to the strategies, trajectories and works of individual agents within the fields. All levels of analysis, each composed of the multiple components will be taken into consideration through case studies to gain a full understanding of the artworks, the market and value configuration.

Although represented only schematically in this study, the significance of Bourdieu's model for contemporary discourse and criticism, especially theories concerned with the relations between art, its value and its socio-historical ground is clear. Bourdieu's work in the sociology of culture attempts to reinsert issues such as the meaning and the value of works into the multiple and complex set of historically constituted social relations which authorize and sustain them (Johnson 1992:25).

Bourdieu's theory furthermore coincides in a number of ways with the New Historicism, and in a broad sense cultural studies, which is aimed at attempting to develop a methodology that would avoid the reductionism of both internal, formalist and external, more frankly sociological or Marxian paradigms of criticism.

It aimed at refiguring the artistic field, by resituating works "not only in relationship to other genres and modes of discourse but also in relationship to contemporaneous social institutions and non-discursive practices" (Johnson 1992:19). The New Historicism hypothesize, like Bourdieu's theory, that formal and historical concerns are inseparable, that human consciousness and thought are socially constituted, and that possibilities of action are socially and historically situated and defined.

## **CHAPTER 4**

### **Logics of the Art Market**

#### **4.1. Introduction**

A sociological approach the functioning of the art market and the complex process of value formation, recognizes that the art market is part of two different social worlds simultaneously, namely the economic world and cultural world.

The economic world and the cultural world each consist of different contexts, logics institutional spheres and regimes of value and are characterized by their own conventions and routines and understanding of what is appropriate and legitimate (Velthuis 2005:23). As a result, economic and cultural discussions on the notions of the value of art are so distinct that it makes sense to speak of two separate discursive practices (even cultures) which interact very little (Kalmer 2009:252).

However, the art market is a site where action is informed by these two contradictory logics of art and of economic markets. The logic of art is understood to be a qualitative logic that centres on the creation of symbolic and cultural meaningful goods, whose value cannot be measured, let alone in the monetary metric of the market. The logic of economic markets in contrast is a quantitative logic that centres on commoditisation and commensuration of art (Velthuis 2005:24). When these contradictory logics interact, the markets for cultural goods and contested commodities, such as works of art, are infused by non-market values and extra-economic logics that modify and inform the alleged instrumental orientation of the market. Two perspective models are identified and distinguished in this regard namely the “Nothing But” and “Hostile Worlds” models of the art market (Velthuis:2005:24).

#### 4.2. The Hostile Worlds of Art and the Economy

The “Hostile Worlds” model of art and the market is predominantly a culturalist’s<sup>10</sup> perspective and emphasize the negative effects the conflict between the logic of art and the logic of economic markets has on the value of art. The origin of this perspective is based on a Marxist notion of commoditisation to argue that the aesthetic (or cultural and symbolic) value of an artwork and economic value can not be reconciled (Velthuis 2005:24). Through the price mechanism that supposedly reduces all qualities to quantities, the market commensurate those aspects of an artwork that are considered to be incommensurable.

A culturalists’ discourse on art and value takes into account artistic and aesthetic traditions, cultural contexts and histories while the economy (or price) as a determinant of value is not considered. Cultural values are those values that evoke quality over and beyond the economic (Kalmer 2009:252-259) and include aesthetic (artistic), spiritual, social, historical, symbolical and authenticity values (Throsby 2001:28).

Outside the economic context, prices as signifiers (or pure indicators) of the value of artworks, are perceived as less neutral and the distinctive qualities of an artwork is “trivialized” by pricing it. To come to terms with the art market as a commensurating process, the “Hostile Worlds” perspective dichotomizes price and the cultural significance of art. Either prices contaminate the incommensurable value of art, or price and value are located in two different spheres. This dichotomization clearly breaks down into two separate models which Velthuis (2003:185) calls the “Independent Spheres” model and the “Contamination” model.

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<sup>10</sup> Kalmer (2009:252) refers to art historians and academics, artists, art critics, ‘art lovers’, directors, curators, conservationists, cultural scholars and others who have manifest affinity for art or other cultural goods as culturalists. Another possible label might be humanists.

According to the “Independent Spheres” model, the economy and culture still constitute two unrelated spheres. Within this model, it is accepted and taken for granted that the price of an artwork is established by the objective forces of supply and demand in the market; however, it is viewed that these forces do not influence the aesthetic or cultural valuation of art because price and cultural value inhabit independent spheres (Velthuis 2003:183). In this view, the economic value of an artwork on the one hand and the aesthetic, artistic or cultural value on the other hand cannot be reconciled. Whereas artworks are considered to be unique, incommensurable objects and cultural goods, market exchange and monetary measurement reduce their unique value to mere numbers. Therefore, rather than prices contaminating the art world, the intrinsic values of art and the instrumental values of the economy are radically separated.

The “Contamination” model on the other hand is grounded in a Marxist conception of value. Here the relationship between the spheres of economy and culture are allowed for, but these relations lead price or economic value to contaminate the cultural value of art (Velthuis 2003:183). Speculative sentiments and status considerations would therefore prevail over aesthetic ones if the buyer’s motives are primarily in the ‘sign value’ of the artworks on auction. Such *quid pro quo* measurements of the value fail to recognize the artistic and aesthetic qualities of an artwork on auction. In this respect, Velthuis (2005:25) indicates that the logic of the art market hardly differs from the logic of commercial branding as it emerged during the late twentieth century in retail markets.

Another corrosive effect of the art market, according to the “Contamination” model adherents is that the market turns art into a fetish, a godlike icon to be worshipped, sought after and possessed. Huges (in Bumpus 2008:45) argues that the fact that artworks command high market prices, burdens them with a fetishist connotation;

Twenty-five years ago it was easier to appreciate works of art in their true quality; what the masterpiece, laden with fetishistic value, has lost today is a certain freedom of access – buoyancy, an availability to the eye and the mind. It has been invested with a spurious authority, like the façade of a bank”.



Thus, the purity and significance of the artwork is lost while the visual experience and aesthetic or cultural meaning of the work collapses under the brute weight of price and economic value.

The ultimate concern of culturalists is that the market, or economy, insufficiently recognize and appreciate the values of cultural heritage, and are not supportive in preserving and fortifying the cultural sector.

### **4.3. Nothing *But* Another Market**

**Assume the economic perspective and you will look at the world with a demand-supply diagram engraved on your glasses. You will view everything in terms of demand, supply, product and price. You will like markets because they do a superior job pricing goods. You will think that pricing equals valuing the good.**

**(Kalmer 2009:252)**

In economic theory, the market is a superior instrument for the allocation of scarce resources, and prices are interpreted as an expression of people's willingness to pay for a specific good. In context of the art market, Kalmer (2009:252) states that:

The great attraction of the market is that in a market exchange, the party that pays is also the party that benefits. The good gets the correct party, that is, the party that is willing *to pay most* for it.

Alfred Marshall, the founding father of modern economics in the seventeenth-century argued that: "the desire to obtain anything that is ordinarily bought and sold for money, is measurable by the price that people are willing to pay for it". By "voting" on the market with money, consumers reveal their preferences; the price or economic worth system translates these monetary votes into supra-individual market prices (in Velthuis 2003:185).

In contrast to the cultural approach, the main presupposition of the economic approach is the unconditional commensurability of goods. Within the ‘Nothing But’<sup>11</sup> perspective of the art market, the value construction of artworks are no exception to these economic principles. As stated previously, according to neo-classical economists, behaviour on the art market is no different from the behaviour of participants in any other market. No matter how unique or culturally significant the art work is, the art market is *nothing but* any other market where individual agents are perceived to act rationally in order to maximize utility (Velthuis 2003:185). Grampp (1989:8) an outspoken proponent of the “Nothing But” model further states:

[W]orks of art are economic goods, that their value can be measured by the market, that the sellers and buyers of art – the people who create and benefit from it – are people who try and get as much as they can from what they have.

The assumption of this reductive model is that in principle, the art world benefits from the market since it allocates the scarce resources of artists (artistic and creative talent materialised) and buyers or collectors (purchasing power) efficiently by means of the price mechanism (Velthuis 2005:26). The art auction mechanism is therefore essentially an art market intermediary - its role limited to matching supply and demand, reducing search costs for both buyers and sellers of art, and providing both parties with information relevant to a potential exchange. With respect to the valuations and prices set for artworks on the market, Heilbrun & Gray (1993:152) states:

As is the case in any other market, the resulting price [on the auction] reflects the operation of the forces of supply and demand.

The most valuable work of art to the buyer therefore has the highest price by necessity. Within this view, price is therefore perceived as a perfect representation of value (Velthuis 2003:185) as Grampp (1989: 20-21) concludes:

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<sup>11</sup> One of the strongholds of this model has long been and continues to be the neo-classical school within economics (Velthuis 2005:26).

“Economic value, strictly speaking, is the general form of all value, including that which is aesthetic and that which is not aesthetic but is value of another kind...To say that aesthetic value is ‘consistent’ with economic value is to say no more than that the particular comes with the general, or that aesthetic value is a form of economic value just as every other form of value is”.

Aesthetic or artistic value is in other words, “Nothing But” a particular form or a subset of the general category of economic value (Grampp 1989:26).

However, it is important to realize that demand and supply on the art market are never straightforward, but have to be socially and culturally generated as the circuits of cultural production and consumption are multidirectional. This aspect draws heavily on Bourdieu’s theory of how the art market as an economy for symbolic goods operates. Although the two different logics at play are acknowledged, economic interests ultimately seem to drive this economy as the agents in the field of cultural production are primarily considered as socio-economic maximizers, motivated, if only unconsciously, by an interest in some form of capital, be that cultural, symbolic or economic capital (Velthuis: 27). Despite their disciplinary separation, the logics of the art world and the economy need to be negotiated in the daily practice of the art market.

#### **4.4. A Cultural Economy**

The art market brings about a seemingly irrational form of commerce, which rejects a straightforward capitalist logic, but instead also endorses the more profound goals of the aesthetic, artistic and cultural (Velthuis 2005:17). It is, in Bourdieu’s (1993:29) words, an “economic world reversed.”

The art market is structured along both a commercial and artistic axis. As stated previously, a sociological understanding of the functioning of the art market and the values it confers on art exceeds conventional understandings of markets. Velthuis (2003:51) writes:

In order to come to an understanding of everyday commercial practices of the art market, it does not make sense to reduce this market to an ordinary retail market, where action is governed by a capitalist logic exclusively. Likewise, one misses the point by endorsing compartmentalized views of society that see art and commerce as entirely separate worlds.

It is therefore important to focus on the distinctive characteristics and discourses in which the values of works of art are realized. It is clear that normal economic arguments would play a subordinate role in such deliberations since “their contributions do not have a notable effect on outcomes” (Kalmer 2009:250).

According to Green (1989:23) an effective and interdisciplinary approach to the art market requires a cultural analysis of the economic processes along an economic understanding of art. He argues that an “adequate historical understanding means coming to grips with art as an economic process as much as an aesthetic one”. Velthuis (2005:3) further suggests that the art market is, apart from anything else, a cultural constellation. Advocating the role of culture in the everyday functioning of markets, he writes that: “Like any other type of social interaction, market exchange is highly ritualized; it involves a wide variety of symbols that transfer rich meanings between people who exchange goods with each other”.

The fundamental difference between conventional markets and the art market is found in the characteristics of the object being exchanged. In contrast to other commodities, artworks are (with some exceptions) heterogeneous and are institutionally defined and validated;

A work of art in the classificatory sense is an artefact of a kind created to be presented to an art world public (Dickie 2001:92).

An art work exists as such only by virtue of the collective belief which knows and acknowledges it as a work of art, in other words, socially instituted as works of art and received by an audience prepared and capable of knowing and recognizing it as such

(Bourdieu 1993:37, Dickie 2001:61). The economy of the art market is therefore based and reliant on a particular form of belief – the belief in the value of the artwork, through its symbolic production within the art world system (Bourdieu 1993:33 - 35);

[The value of a work of art] is determined by the resolution within the art system, by interaction and mediation of the values it has acquired in contact with the component parts of the system during its effective ‘life’ or duration within the system, and in competition with other artworks in the system.

At this point it is important to note that the art world system is not simply a system of relative relations. It is the manifestation of a field as whole in which, all the determinants inherent in its structure and functioning are concentrated, and all agents are mutually engaged in a symbiotic practice, the totality of which is the value art.

Within the economy of the art market, Bourdieu (1993:113) defines an art work as a symbolic good, being both a commodity and a symbolic object. He further states that their cultural and commercial value remain relatively independent, although the economic endorsement may come to reinforce the work’s cultural consecration. The cultural economy of the art market as a particular social form can be considered to consist not only in exchanging values, but in the exchange of values (Appadurai 1986:4).

## **CHAPTER 5**

### **Structuring the Art Market**

**[W]e finds a very old reality. In all ages, works of art have been traded for cash - and lots of it too. To this end, sophisticated systems were put in place. It is surprising to discover how long ago the principles underpinning the art market of the twenty-first century were actually conceived.**

**(Benhamou-Huet 2008:22)**

#### **5.1. Introduction**

Any market requires a market-place as a centre of operations. This role is generally occupied by art dealers, galleries and auction houses who act as intermediaries, endeavouring to match the supply and demand for art. At its most basic then, the art market is the marketplace that brings together, in a highly specialized and intricate system, those who create or own works of art and those who want to own it.

The art market is thus a place of the economic exchange of art, a defined space within which the supply and demand for art comes together (Benhamou-Huet 2008:24). It is at this moment that the art market signifies the commodity situation of an artwork. This position in the social life of an art work is “the situation in which is exchangeability (past, present or future) for some other thing (financial capital) is its socially relevant feature” Appadurai (1986:13). The commodity situation of an artwork in the art market further reveals its commodity phase, current commodity candidacy as well as the commodity context in which it is placed.

#### **5.2. Art Market Hierarchies**

The art market is hierarchical and can be characterised as a series of closely linked markets. A distinction can be made between the primary and secondary market for art<sup>12</sup>. This distinction centres predominantly on the roles of the intermediaries in field of the art market (Stevenson 1992:II).

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<sup>12</sup> Stevenson (1992: II) further distinguishes between “past” or historical works of art that is perceived as being consecrated by history, and contemporary works of art which is not.

Historically, the primary market was established as a derivative of the commission market for one of a kind works of art, mainly religious paintings, in places such as Florence and Bruges in the second half of the fifteenth century (De Marchi & Van Miegroet 2006:70). The primary art market refers to the first time an artwork enters the market and is sold for the first time. In the primary market, the intermediary links the artist as producer of a new artwork with the buyer. The primary market is, in general, the sole domain of galleries, contemporary art dealers or artist agents. It is also the stage where the value of the artwork is established for the first time in terms of fixed-pricing scripts and private treaty forms of quantitative and qualitative valuing (Velthuis 2005:96).

Once a previously purchased or owned artwork re-enters the market to be resold, it enters the secondary market. Resale markets for art, temporally, followed primary markets with a lag of a few years (De Marchi & Van Miegroet 2006:70). Auctions are almost exclusively the economic context of the secondary market since a great majority of artworks exchanged on auction has been purchased and owned once before (Velthuis 2005:81). The clearest evidence concerning the auctions that served the secondary market for art pertains to early seventeenth-century Amsterdam, late seventeenth-century London and Paris in the first half of the eighteenth-century (De Marchi & Van Miegroet 2006:70).

In the secondary market, the artist is not usually part of and integral to the exchange of an artwork which is between buyers, sellers and the market intermediary (Stevenson 1992:II). The auction system therefore plays a prominent part in directing the flow of artworks exchanged on the secondary market<sup>13</sup> as Ashenfelter & Graddy (2002:3) writes:

The auction system is central in the determination of the incentives for artistic work, and the efficiency of the auction system is a key determinant of the cost of creating and distributing works of art.

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<sup>13</sup> Stevenson (1992: II) further notes that the artworks traded in the secondary market could be divided between two categories namely that of the “old masters” and “contemporary masters”. A contemporary artist may still be supplying works to the primary market and the art galleries and dealers representing the artist in the primary market may also be closely involved in the secondary market for their work. In that manner galleries and dealers aim to support the value and price level set on the primary market for the artist’s work and to protect the market of an artist’s work (Velthuis 2005: 65)

The very existence of an auction indicates that conventional economic methods for determining value are ineffective or unsuccessful. Reasons for this may be an uncertainty regarding the inherent value of the item; uncertainty over supply and demand and problems of classification. The source of these difficulties resides primarily in the character of the good such as an artwork, where there is a relatively high degree of value ambiguity because it can not be related easily to a standard market or a standard accepted formula for evaluation (Smith 1990:164).

While both the fixed-price and private treaty forms of valuing, pricing and exchange on the primary market allow for adjustments in worth evaluations in response to market conditions, they lack the public competition and social interaction among buyers and sellers of art in which the value is determined by what is offered and accepted. The advantage of auctions is that all buyers have to reveal their willingness to pay for an artwork by bidding on it (Velthuis 2005:82).

The term *auction* is used specifically to refer to such price-governed, public and competitive transactions (Smith 1990:16). Velthuis (2005:42) comments that the business repertoire of the secondary market is therefore less restrained as apposed to the “passive waiting game” of the primary market. The secondary market can be perceived as an active brokering game where the “sales rhetoric is blunt and does not fail to elaborate on the solidity of the economic value of the work”.

### **5.3. Art Auctions**

Historically, the major auctioneers of art have been the English houses of Sotheby's and Christies. These houses have contributed in refining and developing many of the details of art auction protocol as it is known today. Most works of art are auctioned in the ascending-sequence format. Bidding starts low and the auctioneer successively calls out higher and higher prices. When the bidding stops, the item is said to be ‘knocked down’ or ‘hammered down’, and the final price achieved is the ‘hammer price’.



Prior to an art auction, the auction house will publish a catalogue with information on the individual works coming up for sale<sup>14</sup>. Included in the catalogue information is the name of the artist, the title of the artwork as well as the medium and size of the work. Additional information pertaining to the provenance, exhibition history and literature of the artwork is also included. The catalogue further lists a low- and high-price value estimate for each work. When paging through an auction sales catalogue, it is noteworthy that artworks that are valued higher in terms of price estimates by the auction house are set apart on single pages or at times on a double page spread with an additional write-up, therefore indicating their importance and significance in terms of value. On the other hand, artworks of lower estimates are grouped together in terms of artistic import, stylistic similarities or subject matter.

#### **5.4. South African Art at Auction**

Using terminology most commonly applied to markets, the South African art market could be described as an ‘emerging’ market. This is not only due to its relatively young age, but mainly thinness, and the ongoing process of stabilization and maturation of the market. Nevertheless, some major characteristic features of the South African art market resemble those encountered internationally. These features include amongst others the clear division of the market into primary and secondary segments as discussed, and the concentration of the art trade in two major cities namely Johannesburg and Cape Town which is home to prominent commercial and institutional galleries, the major art auction houses and other cultural institutions.

Art auctions represent an important and growing part of the market for the trade in artworks in South Africa. The majority of sales through auctions are secondary or resale of artworks that have already circulated the market or have changed hands before. The South African auction houses generally operate at the so called top end of the market, dealing largely in the works of artists whose reputations and positions within the art world have been established and confirmed, therefore commanding high values.

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<sup>14</sup> The auction house usually charges a purchasing fee for the catalogue and participation in the auction without the buying the catalogue would be difficult.

As mentioned above, the auction market for art in South Africa can be considered one of the youngest internationally with its most recent history dating back to 1969. The arrival of Sotheby's in South Africa over twenty five years ago brought a strong catalyst into the South African art market. Welz (1996: 49) writes that the firm arrived in South Africa with its long established understanding and experience of the auction market, its mechanisms and reputation for art scholar- and connoisseurship<sup>15</sup>. The first highly anticipated Sotheby's auction of Africana and South African art was held on 24 November 1971 in Johannesburg and was attended by a thousand people (Welz 1989:7).

The total sales results of that evening was R 92 000.00 nett, then by far the largest sum realised at any auction of Africana and South African art. The highest price paid on that auction was R 8 8000.00 for a landscape by J.H. Pierneef followed by Anton van Wouw's *Miner with Machine Drill* for R 8 000.00. Both artists currently command high prices on auction.

According to Welz (1989:22) through Sotheby's sales of artworks the company has not only created a greater awareness of the variety and quality of South African art but has also introduced greater security and stability into the market place.

South African art at auction has travelled a considerable distance since that first Sotheby's sale. With the general opening up of the economy in the post-apartheid period, the local auction market for South African art has gone through a period of substantial economic growth, especially during the last decade with escalating prices for Twentieth Century and early Modern South African art in particular as indicated previously.

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<sup>15</sup> Sotheby's business activities in South Africa began in 1967 when Derek Johns, the London Sotheby's expert in Old Master paintings, visited the Republic of South Africa and Zimbabwe to do art valuations and to assess the potential for the kind of art market services Sotheby's can offer locally. In 1968, Reinhold Cassirer put forward the suggestion that Sotheby's open an office in South Africa which was accepted by Peter Wilson, Chairman of Sotheby's at the time. The following year, Cassirer opened Sotheby's first office in South Africa, the fifth foreign office to be established outside London.

Although the market was still dominated by a single auction house, Stephan Welz & Co in association with Sotheby's, less than ten years ago, this has changed dramatically with seven companies now trading in South African art, each distinct categories in their offering. At present the auction market is dominated by two major auction houses, Stephan Welz & Co and Strauss & Co (a competitive newcomer to the market since 2008). Both companies operate on a national level. The other smaller auction houses that specialise in fine arts, and operate only on a regional level, are Ashbey's Galleries, 5<sup>th</sup> Avenue Auctioneers, Westgate Walding, Russel Kaplan Auctioneers and Bernardi Auctioneers. The London-based auction house Bonhams is the only major auction house outside of the country that also specialises and trade in South African art. Although Bonhams can be regarded as part of the market in South African art, it is according to Hundt (2009:1) not part of the South African art market.<sup>16</sup>

The two major auction houses Stephan Welz & Co and Strauss & Co organize between three to six auction sales annually in Johannesburg and Cape Town. The smaller auction houses conduct between one and four auction sales. According to Hundt (2009:2) in general, within the last two decades, there has been a great increase in the number of auctions held each year in South Africa and comments that this indicates an enormous growth in the supply of both purchases as well as sellers;

Some fifteen years ago when the total sales of art works at an auction crept over the R 1 000 000 mark, this was celebrated as a significant record. Results exceeding R 15 000 000 per sale event is now common expectation. Given these figures, one can hardly speak of economic crisis in the market for traditional art.

In terms of revenue, there is a huge gap between the turnovers of Stephan Welz & Co and Strauss & Co and the other smaller companies. Stephan Welz & Co's total turnover for 2009 was estimated by Art Vault at R 52 000 000.00 gross.

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<sup>16</sup> However, it is important to take into consideration that a significant portion of the South African artworks offered by Bonhams are sourced in South Africa and many of the works return to South Africa following their sale on auction. Also the works are usually exhibited in South Africa prior to the sale in London. Their presence in the auction market also significantly alters and influences the estimates and strategies of the South African companies such as Stephan Welz & Co and Strauss & Co.

Following the same statistics released by Art Vault at the end of 2009, Strauss & Co was the premier art auction house in South Africa with a total turnover for that year of R 86 617 150.00 (R 100 million inclusive of premiums and VAT)<sup>17</sup> (Coulson 2009:1). These results showed that within its first year of operation, Strauss & Co captured nearly 50% of the auction market (Coulson 2009:1). In the following year, the total turnover for Strauss & Co was estimated at R 187 million, an increase of 86% over the same period the previous year. Strauss & Co's market share is currently the highest in South Africa and internationally in leading the market in the specialist trading of South African art (Bradley 2010: 1)

The total value of South African art sold at local auctions was estimated in 2009 as being in the region of R 260 million (Coulson 2009:1).

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<sup>17</sup> This amount is nearly double that of Strauss & Co's nearest competitor Stephan Welz & Co whilst having handled half the amounts of lots. Strauss & Co. held three successful auctions in 2009 with an average of 192 lots each and an average hammer price per lot of R 150 000.00, by far the highest average achieved amongst the other auction houses handling South African Art. It is important to note that Coulson (2009:1) has calculated that the total amount for artwork sales grossed just R 91.5 million, with another R 4.8 million from its furniture and silver sales.

## CHAPTER 6

### Commoditisation and the Components of Value

And yet an artist work has to translate in cash value, which is why tangible criteria have very naturally emerged in an attempt to rationalize the irrational.

(Benhamou-Huet 2008:24)

Notwithstanding the information given in the captions to the works illustrated, it must be emphasized that *other* factors contribute to the selling price. It was neither practical nor feasible to include more detailed captions, such as condition and period of a particular artist's work. Unless otherwise stated, the medium is oil on canvas.

(Welz 1989:32)

#### 5.1. Introduction

Value is generally defined as “the regard that something is held to deserve; its importance or worth” and signifies the various social distinctions and hierarchies of worth and whatever those valuations may be based upon (Kalmer 2009:253). Assessments and statements of value are usually made within specific social contexts and in distinct spheres. Artworks circulate and pass through various stages during which their values are being realized, sustained, affirmed or questioned. Multiple factors are at play in the evaluation of art, and the functioning of different (sometimes competing) values, shows the complexities as well as the dynamics of various positions in the field of cultural production. These “regimes of value” (Appadurai 1986:5), indicate that the degree of value coherence is highly variable from situation to situation.

The context in which a work of art is placed to realize its value is therefore of importance here. When an artwork enters the commodity phase and is subjected to the economic context of the art market, its values may be affected or altered for the duration of this part of its social life. The artwork will also be subjected to discourses that are characteristic of the art market where the economic value and commodity candidacy of an artwork takes centre stage.

## **6.2. Commodity Candidacy**

The commodity candidacy of an artwork refers to the standards and criteria that define the exchangeability of the work in a particular social and historical context (Appadurai 1986:14). Since its formation, the art market continually imposed its own valuations on works of art. Specific aspects of art works were favoured or treated as irrelevant at varying times by the participants of the art market. It is these socially constructed preferences that have led to certain changes in the economic valuing and commoditisation of art (Stevenson 1992:151).

Works of art are characterized by a set of attributes that distinguish them from other goods. A Lancastrian analysis is generally applied where the various attributes or characteristics of an artwork – such as subject matter, medium and size – are considered to be key factors in market valuation. However other, less quantifiable, variables that may be considered important determinants of value - such as artist related and external factors - are usually omitted. The significant characteristics and idiosyncrasies particular to the art market are also often overlooked. It is in this regard that Stevenson's (1992:153) Components of Value Model incorporates a larger number of variables than other models constructed to assess the factors that contribute to the value of art.

## **6.3. Components of Value**

Since valuation is the means by which certain choices are made, rational or otherwise, the Components of Value are basically those attributes that the buyer (demanding art) would respond to and would rank in the process of maximizing utility. Certain preferences are therefore expressed when a collector for example buys an artwork on auction. These preferences reflect values that are weighed in any number of ways (consciously or unconsciously) against others. In turn the Components of Value are also those aspects of artworks that a seller (supply the art market) will assess and rank in order to maximize the value of exchange. The Components of Value therefore provide an understanding of the various factors and criteria that will come into play in determining the worth and commodity candidacy of a particular artwork (Stevenson 1992:151-153).

The Components of Value are divided into four groups namely; 'Aesthetic and Historical Factors', 'Supporting Documentation', 'Physical Attributes' and the 'Economic and Financial Factors'. In considering the nature of an artwork as a symbolic good in the economic context, it is not only the material work being exchanged, but also its symbolic attributes produced by the art world. An artwork could therefore be seen to consist of two mutually co-dependent aspects; the material aspect and the information about the artwork. Both the 'Aesthetic and Historical Factors' as well as the 'Supporting Documentation' groups consist of the information aspects of an artwork. 'Physical Attributes' relate to the material and tangible features as well as the possible utilitarian function of an artwork. 'Economic and Financial Factors' are concerned with the exchange mechanisms and the conditions of the specific market in which the exchange takes place (Stevenson 1992:154).

These Components of Value are not independent but are interrelated and reliant on each other. It is in this regard that the Components of Value indicates the commodity context of an artwork, referring to the various social arenas, within or between cultural units, that assist in linking the commodity candidacy of an artwork to the its commodity phase. Thus, commoditization lies at the complex intersection of temporal, cultural and social factors (Appadurai 1986:14).

In the following chapters, each Component of Value will be discussed and analysed separately to critically review the social and cultural systems in which value is attributed to art works on auctions. In an effort to reveal the inner workings of each of the different Components of Value as well as their historical and cultural motives for their existence, the economic analysis of the Components (Stevenson 1992:152), will be supplemented with an interpretive account based on a social perspective. Selected case studies will further indicate the connections and interactions of the Components within the systems of the cultural field and show that the commoditisation of art is a culturally complex and symbolically charged process.

## **CHAPTER 7**

### **Aesthetic and Historical Factors**

#### **7.1. The Identity of the Creator.**

**The outer limits of values for an artwork would be roughly determined by the reputation of its maker.**

**(Stevenson 1992:160)**

**There are in fact very few other field in which the glorification of ‘great individuals’, unique creators irreducible to any condition or conditioning, is more common or uncontroversial – as one can see, for example, in the fact that most analysts uncritically accept the division of the corpus that is imposed on them by the names of authors or the titles of works.**

**(Bourdieu 1993: 29)**

If there was no common belief that throughout history there were certain artists who were considered socially and culturally significant, the art market as a whole would have ceased to exist<sup>18</sup>. The identity and stature of an artwork’s creator is therefore regarded to be one of the most important factors in establishing or constructing the value of an artwork.

Stevenson (1992:161) furthermore states that a crucial function of the art world is to assign (with some certainty) the name of the artist (or the creative force) responsible for the production of the artwork, and to place the work in a social context from which the other components of value can begin to be explored. The certainty of authorship is also paramount since it would be difficult to value an artwork which is not the work of a particular artist (McNulty 2006:6).

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<sup>18</sup> The West saw this invention of the ‘individual artist-personality’ during the Renaissance. This was soon followed by the concept of the artist as genius guided by a creative and intellectual impulse. This was due to a social and historical process, which resulted in ever increasing attention being paid to individual artists, rather than particular artworks. This concept is clearly in opposition to the medieval notion of the artist as craftsman, working through years of apprenticeship.



It stands to reason that only certain artists are canonised and considered valuable on the South African auction market. An artist requires a certain validated artistic career in order to become recognized in the market. Such symbolic valuation occurs only as a result of social and cultural recognition, which legitimizes and consecrates the artist and his/her work. The most basic measures of social recognition to consider is the critical reception of the artist's work in terms of its aesthetic and art historical significance, the exhibition history of the artist, literature on the artist and the inclusion of the artist's work in major public and private collections (McNulty 2006:6-7). It is in this regard that Bourdieu (1993:61) refers to the history, oeuvre and biography of the artist as the artist's habitus<sup>19</sup> that directs and positions the artist in the art field in terms of the capital configuration they possess and how it resonates (or not) with the ruling principles of the logic of the field.

For an artist to gain legitimacy on the art market and, as a result, symbolic capital through artistic recognition, is to become a canonized 'name', as Bartholomew (2009: 7) states: "having a name ensures a state of scarcity and, therefore, a rise in the price of artworks".

These positions of recognition are however not simple assertions based on pure artistic or aesthetic sense, but are the outcome of the social conditions of a particular time and place:

[T]he autonomy of the artist finds its basis not in the miracle of his creative genius but in the social product of its social history of a relatively autonomous field – methods, techniques, styles, etc" Bourdieu (1993:147).

It is in this regard that the oeuvre of the artist, as a cultural product, emerges as a method of organization, resulting from certain historical, social and economic realities.

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<sup>19</sup> The artist's habitus comprises the background, trajectory and scope of artistic activity only in so far as they relate to the art field, presently and in the past. The basic signifiers are the artist's age or generational group, geographical and social origins as well as centre of artistic activity, gender and ethnic origins, education and art school.

According to Bourdieu (1993:61), to understand the practice of artists and their work, requires an understanding that they are the result of the meeting of two histories: “the history of the positions they occupy and the history of their dispositions”. Since an artwork must be understood and valued in terms of the particular socio-cultural conditions of its production, the name and identity of the artist does not merely identify an individual, but also serves as a method of interpreting and valuing a specific artwork. Hence the fact that a specific artwork is identified as an authentic work created by a certain artist is central to the study, explanation, classification and marketing of the work (Stevenson 1992:162).

The work of an artist can also be read and valued in the light of the ‘myth’ with which the artist is associated:

[The artist’s] experiments may be failures or the result of existential unease, but it is often enough, simply, that [the artist] should embody a myth, a story of a novel (Benhamou-Huet 2008:111).

It is for this reason that certain aspects of an artist’s biography are considered more important or significant than others, and those aspects which correspond most often to the tropes which define the artist are expounded in the hagiographies produced by the art world for the “consumption of the artist” (Bartholomew 2009:13). Portrayals of the artist’s extravagant lifestyle or controversies surrounding the artist’s life and oeuvre, notions of the artist as a figure of genius of his/her time or “characteristically bohemian”, “misunderstood” or “rejected” and devoted to “the sacrifices necessary for art” typically emerge out of the active selection of biographical information (Fowler 1999:2). This subjective selection reinforces a meaningful method of interpretation and ensures the unity of the artist’s oeuvre.

Considered a substantial “subcomponent of value” (Stevenson 1992:162) the myth or fame of the artist is not always indicative of artistic quality, but in some cases it assures an artist a place in the market as well as in the history of art.

## 7.2. Certainty of the Attribution.

Look out for and note the *signature* and *date* as well as any other *inscription*.

(Harmsen 1985:319)

The painting is a signed object as much as it is a painted surface.

(Baudrillard 1981: 102)

Becker (1982:22) states that if an artist is judged on the basis of an artwork, or the artwork on the basis of the artist, it is imperative to know who really created the work and therefore deserves the judgements that are made of its worth and the worth of its maker. When considering artworks that appear on sale at auction, the following questions asked are pertinent;

Did the artist supposed to have done this work really do it? Has anyone else interfered with the original work, altered or edited in some way so that what the artist intended and created is not what we now have before us? Did the artist, once the work was made, alter it in the light of subsequent experience or criticism and if so, what does that mean with respect to the artist's abilities? (Becker 1982:22).

An artist's position within the hierarchy of the art world depends on the merit and value of art works produced that embody and express his/her talents. As a result the art world and the art market are most concerned about the authenticity of artworks circulating on the market. The assurance with which attribution can be made will therefore be a crucial determinant of the value of an artwork (Stevenson 1992:163).

The impact of attribution on the value of an artwork is best illustrated by the fact that changes in attribution are always followed by adjustments in value estimations. If attributions change, the direction in which market value changes will depend on the reputation and standing of both the previous and the newly established creator of a given work.

Attribution emerges from consensus amongst experts about the artist, nature, origin and date of execution of a particular artwork. Attributions are usually based on the distinguishing signs of the work's physical identity. This includes certain external evidences such as a signature, date or any other inscriptions and formalistic evidences such as the artist's personal style, technique, mark-making, distinctive handling of materials and the choice and interpretation of a particular subject-matter<sup>20</sup>.

An example of the extent to which auction houses will go to attribute an artwork, (especially a work with high pre-sale value estimates) is the case of *White Lilies* (1936) by Irma Stern which was the cover lot of Strauss & Co's November 2010 sale in Johannesburg. The painting was reproduced in the sales catalogue on a double page spread together with a short descriptive overview of the work. The spread also included an archival photograph of Stern standing in front of the painting at the opening of her solo exhibition at the Argus Gallery in March 1941. The photograph serves as physical evidence which immediately attributes the work to the artist. There is also a photograph of the fabric that was supposedly used in the still-life. The details of the painting are methodically catalogued indicating that the work is signed and dated. The size and medium of the work is also confirmed. Describing the painting as among the best works on the 1941 exhibition, the text in the auction catalogue further stated that:

All the *hallmarks* of Stern's mature style are evident in this relatively early painting. The white lilies are articulated mainly through strong brushwork and thick, impasto paint, providing the perfect foil for the bold designs of the exotic objects and textile in the foreground. The fabric is probably of Indonesian origin and may have been acquired along the east coast on one of Stern's journeys en route from Cape Town to Europe. Cut and sewn into a favourite cushion cover, it is still in the UCT Irma Stern Museum today (Strauss & Co 2010:98).

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<sup>20</sup> It is important to take into consideration that there are many levels of attribution and very often only an art historian, connoisseur or expert on the artist, style or school will be able to provide a definite opinion on authorship based on formal analysis (Bartholomew 2009:3)

The pre-sale value of *White Lilies* was estimated at R 4 000 000.00 – R 5 000 000.00. The work sold for R 11 000 000.00.

Of all the evidences of attribution, the signature of the artist is paramount as a source of identification and as a sign of an artwork's authenticity<sup>21</sup>. Baudrillard (1981:105) explains that the social consensus of value and all the "subtle combinations of supply and demand" depends first and foremost upon the signature. He further states that "the paraph of the creator of an artwork seems to actually increase its singularity" (1981:102). The signature indicates the subject who produced the work of art<sup>22</sup>. In other words the very act of artistic production is designated by a sign.

The signature therefore also signifies the oeuvre to which the artwork belongs (Baudrillard 1981:102). The oeuvre in turn becomes a model to which an "extraordinary", "differential" value is brought by a visible sign. However, it is important to realize that the signature is not a "meaning value" since the meaning of the work is not in question, but a differential value carried by a sign. This sign does not cause the artwork to be seen but to be recognized and evaluated in a system of signs, while also differentiating the work as a model and integrating it in a series of works;

Once legitimacy is transferred to the act [of production], the latter can only prove itself untiringly: by this very fact it constitutes a series. [I]t becomes essential to indicate this subject as such, and in the same act to declare the oeuvre as the object of this subject: that is the function of the signature; it is from that necessity that it derives its present privilege (Baudrillard 1981:104).

In considering this relation between the artist and the artistic product of an artwork, O'Connor (2003:8) states that:

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<sup>21</sup> Off course one can not assume that the signature is automatically by the artist's hand. A signature might be forged, and an artwork's authenticity can then only be proved through expertise.

<sup>22</sup> Baudrillard refers to the art of painting in particular, however, for the purpose of this thesis his theory can also be applied to other forms of fine art.

[A]nyone can achieve a particular subject or symbol; only the artist can paint it in his way – and that way is revealed through [the] formal and structural characteristics [of the artwork].

This view relies on Bourdieu's belief that style and form does not only derive from the technique used by the artist, but from the artist and his particular psychology, as situated within a particular artistic age, place and time (Grenfell & Hardy 2007:113). The artist's oeuvre then also becomes a cultural object by means of attribution and the signature (Baudrillard 1981:103-104).

Attribution may also be accompanied by a certain degree of uncertainty, which is discounted in the valuation of the artwork on auction (Savage 1969:40). A 'hierarchy' of degrees of attribution therefore exists, which in turn affects the pre sale value estimates and the final realized price of an artwork to a varying extent<sup>23</sup>. The value estimates for an artwork known to be by an artist is usually noticeably higher than that for a work attributed to the artist, and in turn also higher for an attributed work than for a work from the artist's studio, or circle, or by a follower, or in the style of the artist or after one of the artist's works.

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<sup>23</sup> When the artist name is listed with a work of art, for example 'Irma Stern', the auction house is certain of the opinion that the catalogued work is executed by the hand of artist. When the work is catalogued as 'Attributed to Irma Stern' the auction house is of opinion that the work is probably by the artist, but less certainty is expressed as to authorship. A catalogue entry stating 'Studio of Irma Stern' would mean that the auction house is of the opinion that a work is by an unknown hand in the studio of the artist which may or may not have been executed under the artist's direction and 'Circle of Irma Stern' indicates that a work is by an unidentified but distinct hand, closely associated with the named artist but not necessary a pupil of the artist. An artwork listing stating 'Style of Irma Stern' or 'Follower of Irma Stern' means that the auction house is of the opinion that the artwork is a work by another artist working in the artist's style, contemporary or nearly contemporary, but not necessarily a pupil of the artist. 'Manner of Irma Stern' would indicate that the catalogued work is executed in the style of the artist and of a later date. When the catalogue listing states 'After Irma Stern' the auction house is of the opinion the artwork is a copy of a known work of the artist. Furthermore, the terms 'signed', 'dated' and 'inscribed' means that the auction house affirms that the signature, date and inscription are from the hand of the artist. In contrast, the term 'bears the signature', 'date' and 'inscription' indicates that the signature, date and inscription have been added by another hand (Stephan Welz & Co 2008: 210).

Artworks are rarely sold on auction without this qualifying information or the signature of the artist as sign that attributes the work<sup>24</sup>. Baudrillard (1981:105) assigns this occurrence in the art market to the “mythical value” taken on by the signature as the “guarantee of vintage”:

[I]t is that which tells us what the work signifies: the artist’s gestures that are materialized in it. [T]he signature always retain legendary values. [T]he sign of the [artwork] retraces the subject in its act, only the signature designates him explicitly, giving us that particle of meaning, that reference and, hence, that security, which in modern [art], is no longer given by the illegible truth of the world.

To give *White Lilies* its ‘mythical value’ and meaning to prospective buyers, Stern’s so-called gestures and the legendary values of this work were further summed up in the Strauss & Co sales catalogue:

On the right is a picnic basket that Stern famously carried with her on many outings. Stories abound of the substantial lunches and delectable edibles that would emerge from the basket that accompanied her on her daily visits to the Argus Gallery where custodian Stella Chiappini welcomed her visitors. Evidence of the pleasures of reading, relaxing and feasting on figs that spill from a blue plate, anchors the foreground with their rich patterning (2010:98).

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<sup>24</sup> However it is interesting to note that the sale catalogues of both Stephan Welz & Co and Strauss & Co has a built in clause that concern these cataloguing terms and attributive information. The clause asserts that “any statement as to the authorship, attribution, origin, date, age, provenance and condition is a qualified statement of *opinion* and should not be taken as a statement of fact” (Strauss & Co Sales 2010: 12). The clause further affirms that these statements “are made subject to the provisions of the Conditions of Business and Terms of Sale by Auction” and that although the auction house “reserves the right to informing [their] *opinion*, to consult and rely upon any expert or authority considered by [them] to be reliable” prospective buyers interested in an artwork “should exercise and rely on his/her own judgment as to such matters and neither [the auction house] nor its servants or agents are responsible for the correctness of such *opinions*” (Stephan Welz & Co 2010b:205 & 207). It is therefore clear that within the auction market attribution remains subjective and ever open to doubt.

This information aspect – the mythical value - is of such importance that, as mentioned before, a change in attribution would influence the value of the work even though the physical artwork itself remains unchanged (Stevenson 1992:164).

It is clear that attribution as a component of value and the ‘mythical value’ of the artist’s signature is not purely and simply only an effect of commercial orchestration on the art market. Baudrillard (1981:105) explains that there is a conjunction of sign and name in the signature; “a sign different from other signs in the [artwork], but homogeneous with them; a name different from the names of other [artists] but complicit in the same game”. It is through this equivocal combination of a “subjective series” (the artist’s oeuvre and authenticity) and an objective series (code, social consensus and economic value), through the signature as an inflected sign, that the system of consumption, in other words buying art at auction, can operate.

### **7.3. Authenticity.**

**Since the first successful art market was organized, all art markets throughout history have been habitually sordid and fake ridden.**

**(Alsop 1982: 19)**

**The essential task then is to preserve the authenticity of the sign.**

**(Baudrillard 1981: 105)**

**If the art world really is just another market, there is no reason to prefer a work with heavy theoretical or art historical content painted by an individual over one lacking such content, inasmuch as both are distinguished only by their price. Similarly, if an artist does not paint in an irreproducible manner, there is no reason to prefer the original work of the artist over a copy.**

**(Bartholomew 2009: 2)**

Authenticity is a fundamental component of value that points towards the importance of originality and novelty in an artist’s oeuvre. Because value today is most commonly assigned to the singularity of the artist and his/her gesture in creating works of art (Baudrillard 1981:106), the oeuvre serves to reinforce the value of the artworks that the



artist produces (Bartholomew 2009: 6). Only those artworks that are produced within an artist's oeuvre are therefore considered to be of a certain value. The oeuvre, according to Bartholomew (2009: 7), therefore aids in ensuring the tenuous independence of the artistic field by reinforcing the socially constructed values of the field, phrasing economic concerns in artistic terms and hiding the commercial aspect (or commodity candidacy) of the artwork intended for sale. It is for this reason that the forgery and the copy<sup>25</sup> are denied legitimate entry into the field of cultural production. Perceived as rejected practices, they conflict with the legitimacy of the field (Bourdieu 1993: 43). Authenticity risk, therefore, leads to a material increase or decrease in value within the cultural field.

Since the authenticity of an artwork is one of the major factors affecting its value<sup>26</sup>, the art market places a substantial premium on an authenticated artwork as it is considered a "non-renewable" source (Stevenson 1992:165). This is reflected in the fact that once an artwork's authenticity is questioned, a substantial decrease in both its cultural and market valuation can be observed. Jones (2009:10) indicates that the reason for this reassessment is because the artwork loses its value as a relic;

It no longer provides a direct link with the hand of the painter of genius, and it ceases to provide either spiritual refreshment to its viewer or status to its owner. And even though the work in question remains physically unaltered, our aesthetic response to it is profoundly changed.

The importance of the veracity of the creator is at the centre of this analysis. As indicated, the art world relies on the conception of the artist as 'subject-creator', whose individual experience and gesture is signified through the artwork, and upon whose consistency and unique artistic ability authentication and value depends. The forgery is thus considered a misrepresentation of an artwork (Bartholomew 2009: 2).

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<sup>25</sup> There is a distinction between artworks that are forgeries and artworks that are copies. A forgery is presented with the intent to deceive buyers about the author of the work in question (Bartholomew 2009: 2). The forgery therefore plays upon the signature of the artist and presents itself as authentic. The copy, on the other hand, plays upon the content and avows itself a copy (Baudrillard 1981:106).

<sup>26</sup> 'Authenticity' should be distinguished from 'originality'. The former implies that the artwork was created by the artist it is attributed to, whereas the latter refers to artistic innovation and invention (Lazzaro 2006:31).

In the South African art market, paintings are most commonly targeted for forgery, and take the form of copying works through the imitation of styles and subject matter as well as the application of false signatures. This occurrence corresponds to the ease with which an artist style can be imitated - as is the case with the large number of forgeries as well as posthumously retouched and finished paintings that were presented to the market as the work of Pranas Domsaitis. In 2008, auction houses were alarmed at the increase in fake paintings purported to be the works of George Pemba coming to the market.

Forgeries are produced only of art which already has some sort of legitimacy and a position in the art market or within the hierarchy of the art world. Jones (2009:10) further notes that the appearance of forgeries indicates a high demand in the market for the artist or the works imitated. Forgers are not encumbered by artistic individualism and move quickly to take advantage of the high values produced by a new fashion in the market and before the development of expertise that might hamper the circulation of the forgeries or the destabilization of the art market due to an overflow of forged works. In this regard, Welz (in Bester 2009:49) comments that “there is nothing that kills the market for an artist than the fear of fakes” leading to the devaluation of an artist’s oeuvre and negatively impacting the position of the artist in market. The reputation of the artist Frans Claerhout and the value of his work on auction have suffered the most as a result of forgeries entering the market (Bester 2009:49).

#### **7.4. Aesthetic Significance of the Artwork**

**In the aesthetic context, judging means liking or not liking (or you can say being moved or not, stirred, exhilarated, or not, or not enough, along a scale of degrees that’s as infinitely divisible as any total continuum). If, as I’ve said more or less, the essence of the experience of art as art consists in degrees of liking and not liking, then what has to be pointed to in the first place when talking about art are those degrees. It’s there that the interest and excitement of talking about art is – or at least starts from. Moments of taste.**

**(Greenberg 2000:63)**

The concept of art inevitably points towards the importance of the traditional link with ‘the aesthetic’ (Carrier 1985:183). The aesthetic significance (an intrinsic value) of an artwork is probably the most important among the other components of value. It implies a collective judgment by the members of the cultural field, which is verified in the course of history. In determining the aesthetic and artistic quality of a work on auction, a set of objective factors such as harmony, homogeneity and subject matter, are usually taken into account (Sagot-Duvauroux, Pflieger & Rouget 1992:42)

Aesthetics, a branch of philosophy that deals with questions of beauty and taste, is concerned with art in the broadest sense of the term, denoting the process of affective and intellectual responses towards the artwork (Grenfell & Hardy 2007:37)<sup>27</sup>. As the theoretical or philosophical examination of art, aesthetics is often classified as a branch of value theory (Walton 1993:499) and the value of artworks most often depends upon beliefs about their aesthetic significance;

Given that a work of art exists as such (i.e. as a symbolic object endowed with meaning and value) only if it is apprehended by spectators possessing the disposition and the aesthetic competence which are tacitly required, one could say that it is the aesthete’s eye which constitutes the work of art as a work of art (Bourdieu 1993:257).

It is in this regard, that as a component of value, the aesthetic significance and artistic merits accorded to an artwork by art historians and critics will determine the position of the artwork and the artist within the hierarchy of the art world (Stevenson 1992:168). This aesthetic judgement of an artwork, with all the aspects of singularity that it appears to possess (including the sense of uniqueness that contributes greatly to its worth), is itself an institution which is the product of historical invention, and can only be understood through historical analysis (Bourdieu 1993:255-256).

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<sup>27</sup> Criticism and the psychology of art, although independent disciplines, are also related to aesthetics. The psychology of art is concerned with such elements of the arts as human responses to colour, sound, line, form, and words, and with the ways in which the emotions condition such responses. Criticism confines itself to particular works of art, analysing their structures, meanings, and problems, comparing them with other works, and evaluating them (Walton 1993:504).

Behind aesthetic judgement is what Bourdieu (1993:256) terms ‘an aristocracy of culture’ which is not a separate realm removed from every day life, but is part and parcel of an entire social situation (Grenfell & Hardy 2007:44). An aesthetic evaluation of artworks on auctions should therefore consider the socio-historical development of the art field. A fundamental issue in assessing the art historical significance of an artwork on auction, especially for art collectors, is the degree of innovation and originality of the artist and the artwork (Stevenson 1992:168). The degree of innovation and originality may refer to the formal elements of the artwork and the artist’s specific style, manner of execution, use of material and approach to subject matter. Stevenson (1992:169) further indicates that in economic terms, the motives for working in an original and distinctive style could be explained directly as the desire for a differentiated product. “The more distinctive the product, the less exposed it would be to possible substitution and price competition”. However, the motive for this ‘product differentiation’ may be misread if analysed in economic terms alone.

Carrier (1985:35) furthermore argues that within the art market, aesthetic relativism is true, that judgements of aesthetic value (the artistic worth of an artwork) do change with time. This makes plausible a reductionist theory of aesthetic value. Aesthetic value, that theory claims, is thus also market value.

### **7.5. Quality and Coherency in the Artist’s Oeuvre.**

**The oeuvre seems indispensable if coherence is to be granted to the judgement of artistic works, and so it must be asked how important the individual artist is relative to its coherence.**

**(Bartholomew 2009: 11).**

**On the white canvas Baldessari had painted the words “Quality material. Careful inspection, good workmanship. All combined in an effort to give you a perfect painting”.**

**(Benhamou-Huet 2008:124)**

Judgements on the quality and aesthetic significance of a specific artwork are generally made in terms of the oeuvre. As a social and cultural product and a standard for organization (Baudrillard 1981:103), the oeuvre serves to create a narrative to reinforce certain beliefs about the artist and to diminish differences between works of different time periods through the use of art historical organizational strategies such as periodization and the so-called evolution of artistic style (Bartholomew 2009:11).

Anderson (1979:21) states that for every individual artist, a spectrum of value levels exist within the art market that range between a “modest” work and a work considered the artist’s most successful. The value levels within the spectrum are affected by the degree of consistency and conformity with the artist’s particular style as well as the time period in which the work was produced.

Several factors need to be considered in this regard. Firstly, the extent of the artist’s own ‘hand’ in the artwork. Secondly, the quality of materials used to produce the work, and thirdly the degree of artistic output which refers to the supply side. Scarce works are valued higher on average, since their limited supply to the market in particular enhances demand (Czujack 1997:238). Also, although artworks typical for a particular artist are usually valued higher and realize higher prices at auction, since buyers generally prefer to own a work representative of the artist’s oeuvre, this is not necessarily always the rule. If artworks are rare in style, subject matter or medium but at the same time their quality is not inferior, scarcity may also positively affect the value. On the other hand a significant increase in supply might lead to a decline in value, although this effect is not usually very large (Lazarro 2006:24)<sup>28</sup>.

The most important aspect however is the aesthetic merit (aesthetic value) and quality of the artwork as it relates to the oeuvre.

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<sup>28</sup>Moreover, Sagot-Duvaurox, Pflieger and Rouget (1992:82) claim that the impact of scarcity on prices is also positively correlated with artist’s reputation and fame. Also, growing scarcity of works within a particular market segment, especially in the lower end of the market, might lead to an increase in prices of related works or works considered to be close substitutes.

This variable often relates to the period in the artist's life (milieu) in which the work was created and implies a collective judgment of the members of the art world, which is verified in the course of history and in turn gives credibility to the artist's oeuvre and position within the art world hierarchy (Stevenson 1992:171).

Quality and consistency in the artist's oeuvre is therefore a crucial determinant as it serves to channel the need for creating value in art works and to have meaningful discourses about particular works on auction (Bartholomew 2009:13).

#### **7.6. Milieu in which the artwork was created.**

**An individual artist ages in physical and social time, but their passage through the field of their generation may be fast or slow, according to the degree of recognized legitimacy bestowed on them. And their generation itself may establish a consecrated position, or simply pass out of the current field, which contains a rear-guard tradition as well as successive generations of avant-garde defined in opposition to it and each other.**

**(Grenfell & Hardy 2007:115)**

Matters of taste, choice and style in art are inevitably affected, although often unconsciously, by the *Zeitgeist*, the spirit and the socio-cultural climate of an era (Benhamou-Huet 2008:28-29). The art world and the market participants are emblematic producers and consumers of certain preferences in taste.

The milieu or time, in which the artwork was created, is an important component of value for several reasons. First of all, it is associated with the artistic period in which the artist was active when the work was created, and secondly, it correlates with the artwork's genre and style. Finally, the milieu of the artist and the environment in which the artwork was created will determine the position of the artist's 'school' or the period in the art world hierarchy. If the time period and the environment - be that social, political or cultural - in which an artist was working is considered to be historically or aesthetically significant or even popular, it will add to or influence the value of an artist's work (Stevenson 1992:171).

Auction houses are well aware of the appeal of being part of a milieu and capitalize on it by selling not only an artwork by a specific artist, but also a so-called place in art history.

Stevenson (1992:172) further comments that with time even relatively minor artists that also produced during a specific period regarded as significant and important, will be re-evaluated by the art world and more specifically by the secondary market.

The milieu of an artist or in which an artwork was created is also relevant to “time of the artist’s age” which refers primarily to a specific stage in an individual artist’s career (De Marchi & Van Miegroet 1994:457). This includes the artist’s top achievements and greatest innovations, or rather artistic indolence and misconceptions. The art market shows substantial differences in valuations as well as auction prices realized for works executed during different stages in artists’ careers.

In a more general sense, the milieu or time of the artist’s age is also closely related to other factors such as tastes and fashions, which have an obvious effect on demand. Fashion could range from a collective predilection for a particular subject matter, style and technique, to the name of the artist (De Marchi & Van Miegroet 1994:457).

However, “modes and fashions” alter over time and “tastes and humours” vary across individuals. Therefore artistic “faults and beauties” will be differently evaluated as the social composition of tastes in a population shifts over time. (De Marchi & Van Miegroet 1994:457). What was fashionable at the time of artistic production is only one element in the equation of value. Since fashions change (or re-evaluated), it is the original fashion relative to the current fashion that is important.

Changing fashions and tastes result in value and price fluctuations on the art market. Also, unfortunately, due to changing preferences and fads within a specific milieu, a large part of artistic output becomes obsolete over time (Grampp 1989:40). An artist or an artworks’ fall from fashion may translate into a drastic decrease in value.

This is reflected particularly well in the historical rises and falls of markets for certain types of art (or particular artists). Moreover, changing preferences result in a high price volatility and uncertainty on the market, which, in turn, puts the potential predictability of art prices in question (Baumol 1986:12).

On the other hand, a favourable shift in fashion, or the appearance of a new trend or interest in a specific artist or artistic period, leads to a significant increase in prices in a given market segment.

### **7.7. Relation to Other Artworks.**

As part of the information aspect, other artworks which relates to a specific artwork on auction are often referred to as a means of creating and establishing value. These artworks are usually from a similar period or have a similar subject matter as the work under consideration. Stevenson (1992:172) states that an artwork usually benefits from having “connections” such as being part of a series or there being predatory drawings relating to the work. Additionally, if the related artwork is part of a prominent and respected public or corporate collection, it stands as a sign that the artwork under consideration is also worthy of such valuing.

### **7.8. Position in the Art World Hierarchy.**

Stevenson (1992:173) states that the position of the artwork, artist and period in the overall, constantly shifting hierarchy of art within the art world, will determine the artwork’s reception and value in the art market. This statement is central to Bourdieu’s theory that the economy of the cultural field is based on a particular form of belief (or conversation) concerning what constitutes the value of an artwork;

We need to think of artistic creation as a product of the relationship between individual producers and the fields in which they operate. So, what is called “creation” is an encounter between a socially constituted habitus and a particular position that is already instituted or possible in the division of the labour of cultural production (Bourdieu 1993: 56).



This valuing occurs in terms of what is held up as the ruling ideal (logically expressed) in the field of cultural production and legitimated as such. The whole rationale of fields is to constitute such a logic and consecrate it so that everything else in it can be valued in its terms<sup>29</sup>. Because what occurs in a field is essentially arbitrary, it needs to be understood symbolically; it does not have value in itself, but accrues value because it is attributed meaning according to the logic of the field (Grenfell & Hardy 2007:29-30). Bourdieu (1993:131) states:

The relationship maintained by producers of symbolic goods with other producers, with the significations available within the cultural field at a given moment and, consequently, with their own work, depends very directly with the position they occupy within the field of production and circulation of symbolic goods. This, in turn, is related to the specifically cultural hierarchy of degrees of consecration. Such a position implies an objective definition of their practice and of the products resulting from it.

Participants in the art world (which includes the art market and its intermediaries together with art institutions and museums, art historians, academics and critics, collectors and the artists themselves in their own lifetimes) are continually competing to place the artistic periods, artists and art works they favour in the most desirable structured positions in these hierarchies within the cultural field (Stevenson 1992:174). Such hierarchy formation and struggling for recognition is inherent to the very functioning of the art world and value creation;

There is no other criterion of the existence of an intellectual, an artist or a school than his or her capacity to win recognition as a holding position in the field, a position in relation to which the others have to situate and define for themselves; and the “problem area” of the time is nothing other than the set of these relations between positions, which are also, necessarily, relations between aesthetic and ethical ‘positions’ (Bourdieu in Grenfell & Hardy 2007:56).

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<sup>29</sup> The presence of a specific logic of practice behind a field is a universal fact for Bourdieu. Therefore, one of the aims of sociology is consequently to identify that logic; the principle of differentiation operating within a particular field in its relationship to other fields (Grenfell & Hardy 2007:30)

According to Stevenson (1992:174), the basis of the hierarchies (or field positioning) differs between the various field participants. For example, the art market clearly builds its hierarchies of importance around price; art historians, museums and critics around aspects of art historical and aesthetic importance; and collectors around their taste and preferences. However, the central hierarchy is the identification and ranking of various artistic periods; groups and schools; as well as the geographical regions of art history. The secondary hierarchies consist of selecting and ordering artists in each of these periods where finally all the works in the oeuvre of an artist will have a position in the hierarchy of his oeuvre.

### **7.9. Role players in the Art World.**

**On what is called the ‘art scene’, after all, collectors and dealers, curators, critics and art historians nowadays often loom larger than creators. Their complex, unceasing, sometimes self-serving dialogues; their rivalries and coups; the new trends which they launch and the old ones they abort, the evermore extensive reevaluation of the art of the past and present which they carry on among themselves; even the rising (or falling) of prices which reflect the shifting winds of opinion blowing across the ‘art scenes’ odd but opulent expanses – such are the influence that quite largely control the dominant way of seeing of our time.**

**(Alsop 1982:19)**

**The question can be asked in its most concrete form:**

**Who is the producer of the value of the work?**

**(Bourdieu 1993:76)**

While intermediaries, collectors and artists are the main parties engaged in economic exchange on the art market, the value of the artworks exchanged would not be realized without the political economy of taste, constituted by various role players in the art world (Velthuis 2005:12).

Grampp (1989:20) indicates that taste indirectly translates in to social preference, and it is the strength of these social preferences that translates into a concrete demand which in

turn impacts on the value and price of exchange of an artwork. Alsop (1982:11) likewise states that “in the history of taste, for good or ill, the current prices always crassly tell you approximately where you are at that moment”.

The field of the art world can loosely be defined as a field of positions and of position takings of different sub-fields and active agents. These position takings are considered to be semi-conscious strategies in a game where the conquest of cultural legitimacy and value is at stake (Bourdieu 1993:137). This view shifts attention away from individual artistic innovation to those protagonists involved and capable of influencing preferences and values within the art world, thus generating critical acclaim and value or opening up a demand for a specific artist’s work;

What ‘makes reputations’ is the field of production, understood as a system of objective relations between these agents or institutions and as the site of the struggles of monopoly of the power to consecrate, in which the value of works of art and belief in that value are continuously generated (Bourdieu 1993:78)

These relations occur on both a personal and an institutional level, and are both formal and informal. The medium of these relations can be understood as cultural, social and economic capital. The remainder of this section will discuss the activities and influence of art historians; critics and art museums as major role players in the art world in creating and establishing the value of art.

### **7.9.1 Art Historians**

**Authentication and endorsement by art history is always required for the payment of a super-price, and the judgments and workings of the art world enter in, as well as the stages reached by revaluation.**

**(Alsop 1982:17)**

**Today, only a few artists' works are singled out as being of major importance. In our society, there is a sharp distinction between expensive works whose importance is validated by critical consensus.**

**(Carrier 1985:37)**

The essential role of art historians (actively working with the historiography of art) is to research both familiar and unfamiliar artistic fields, attribute artworks, define artistic quality, establish hierarchies of art and artists, and authenticate the works that are offered on the market (Alsop 1982:193). As such, their work and research have a bearing on the values of art on auction since, as Stevenson (1992:178) states: "their opinions wield considerable financial power". For this reason, auction houses regularly employ art historians to write about (and validate) a particular art work in their pre-sale catalogues.

South African art auctions are clearly influenced by the 'canon of masters' established by art historians. However, taking into account South Africa's history of political and cultural segregation, it is clear that there exist polar positions in writing on South African art which indirectly has a spontaneous effect on the art market. The first position is seen in the standard art historical surveys that explained and interpret South African art by situating it within the trajectories of western modernism. These surveys, of which art historian Esmé Berman's *Art and Artists of South Africa*, (first published in 1970) is the most well known and has long been considered as the authoritative source on a history of South African art, focussed almost exclusively on the cultural and art production of white artists, art movements and groups in South Africa. Thus, to understand and value South African art, knowledge of a western art historical precedent was a prerequisite for interpretation and appreciation.

This possibly explains the abundance (and overvaluation) of historical and Post-War Modern South African art - by mostly white artists - on auction, since a history of these artists has been documented and their position established. Artworks by black modern artists remain highly under represented (and at times under valued) on auctions as a direct result of the history of South Africa's art historical bias.

In contrast to the modernist mode of writing (that is mostly concerned with formal and stylistic tendencies) is the revisionist art historical writing that has dominated since the late 1980s when the publication of *The Neglected Tradition*, (by Steven Sack, in 1988) made clear the need for research on the contribution of black artists to South African art history. This seminal volume sought to retrieve the marginalised reputations of many black artists who had been omitted from the previous standard histories of South African art and as a result from the art market at large.

It is further interesting to note that art scholarship and research activities flourish in the investment-oriented climate of the art market. One such activity could be termed, borrowing Koenigsberg's (1989:30) phrase, the "revealed-master" approach to South African art, which currently dominates in post-colonial and post-apartheid discourses. The objective of this approach to art historical literature is to bring to the fore many artists who were active and influential during a specific time, but are now relatively unknown and are being rediscovered and re-evaluated. With the art market constantly looking for new market segments, the "revealed-master approach" have a significant impact on the market.

What Alsop (1981:14) termed revaluation, is synonymous with the "revealed-master" approach since it involves the reassessment of works of art and entire movements. The revaluation approach is also closely related to the discovery of works that have not been widely appreciated and brought to the art market's attention. Stevenson (1992:175) further explains that re-evaluation is an ongoing sifting process in order to ensure that artworks of value are 'fairly' assessed relative to associated artworks, artists or periods. The re-evaluation of artists and artist by art historians is a popular strategic approach employed by auction houses to develop economic interest in a new field, and to broaden the art market in general.

## 7.9.2 Critics

**I had the idea that in society the approval of the critic was a kind of cleansing police action...The critic is keeping a certain order, which is why it is like a police function.**

(Gee 1993:17)

**Preller valued Esmé as a friend and as a critic, for she was one of the few who engaged with his work intelligently and understood its allusive complexity.**

(Nel 2009:xvii)

Artists have frequently resented art critics for posing to interpret and adjudicate their work. Despite this antipathy, art critics have been a driving force in the art world for more than a century<sup>30</sup>. Like art historians, art critics provide perspectives on the works of artists while drawing reference to the artists' current oeuvres, the work of other artists and art history in general (Stevenson 1992:177). However, the main objective of art criticism is to draw attention to aspects of value in the art that is presented. According to Gee (1993:13), critics achieve this through assertion rather than demonstration. This usually involves constructing a context of causation for an account of individual artists and their qualities as Bourdieu (1993:36): states

All critics declare not only their judgement of the work but also their claim to the right to talk about it and judge it. In short, they take part in a struggle for the monopoly of legitimate discourse about the work of art, and consequently in the production of the value of the work of art.

In contrast to art historical texts, art criticism therefore does not point towards analysis but to persuasion. Gee (1993:13) identifies four fundamental strategies of such critical persuasion. First comes the assertion of difference; the art work is good and of value because it creates new values.

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<sup>30</sup> Stevenson (1992:176) narrates that until the mid-eighteenth century, there was little distinction between art criticism and general aesthetics. It was only during the second half of the eighteenth century with the advent of French Impressionism, when reviews of contemporary artists' works at Salon or Academy exhibitions became increasingly common in newspapers and periodicals, the practice of art criticism arose.

Second is the assertion of identity; the artwork is good and of value because it belongs to a category of work whose value is already recognized. Third is the assertion of personality; the work is good because it articulates “forces beyond itself and its maker”. Commenting further on the social role of the critic Moulin (1987:67) writes that;

The art critic [is] seen as an indispensable intermediary between artists and a public disorientated by constant change in the form and techniques of painting.

It has always been a common feature in art criticism that it laid claim to an exceptional attendance to both the subject and object of the artwork and the creative concerns which had led to it. Gee (1993:15) suggests that this claim justified the ability attributed to critics to discern quality in the work of individual artists and to establish an overall interpretive framework for the history and current development for art. It is in this regard that the opinions of art critics contribute to an artist’s first field positioning within the hierarchies of the art world, thereby establishing a social consensus of the value of the artist’s work<sup>31</sup>.

It is important to note that what was published about art in the form of critical reviews is a record of what was in part written and said about the work at a particular time. Art criticism therefore plays a major part in the social production and distribution of art (Gee 1993:19). When offering an artwork for sale, the art market therefore takes cognisance of any critical reviews that can be used to support the value of the work and to assure prospective buyers of their decision.

It is in this regard that Stevenson (1992:177) is critical about the roles and functions of critics and art historians being misused for the purposes of the art market. He quotes Moulin (1987:78): “by compromising the critic...the market has devalued criticism and robbed it of part of its usefulness as a sales tool”.

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<sup>31</sup> According to Stevenson (1992:177) this is especially pertinent to the primary art market where there is normally not enough literature on the artist.

The publication of art reviews in newspapers, magazines, journals and periodicals gave art criticism particular weight in the field of cultural production and thus also in the historical assessment of that field, since it is through criticism that the public meanings of art at a given time can be recovered. Art criticism is therefore not marginal but central to the history of art, especially from the twentieth century onwards (Gee 1993:18).

In addition, critics working in South Africa and reviewing South African art, have been central to the process by which art have been promoted, viewed, understood and valued locally. Art criticism and its role in the construction and consumption of the value of artworks is for that reason, according to Gee (1993:19), also an important subject for historical scrutiny. Commenting further on the historical and social location of art criticism, Gee (1993:17) writes:

The language of criticism is penetrated not only by the traces of other aesthetic texts but also – to varying extents – by those of political, religious, philosophical and scientific discourse and is therefore an instrument not just of promoting art but also bringing it into the specific spheres of value beyond the aesthetic.

### 7.9.3. Art Museums

**The interests of the museum and the marketplace in some senses coalesce, for both are motivated by the collecting impulse.**

**(Koenigsberg 1989:29)**

It is commonly understood that art museums exist in order to collect, safeguard, conserve and display works of art and give credibility to the reputation of artists. Museums are therefore perceived as active agents in the field of cultural production since they are beneficiaries and repositories of artworks. As a public and cultural institution art museums conserve the capital of symbolic goods in the field of cultural consumption and provide a site where cultural dispositions are manifested. Museums are therefore highly consecrated sites, with high-volume cultural capital, where the habitus of field participants can be transformed (Grenfell & Hardy 2007:76).



The conventional idea of the art museum has a history of just over two-hundred years where in Europe and its colonial and other offshoots, the art museum has generally enjoyed a privileged cultural position. Its authority is endorsed and confirmed by its symbolic relationship to art history that assigns meanings to the works displayed. This transformation gives works of art in museums cultural and historical importance and new cognitive value.

Meyer (1979:163) states that a peculiar characteristic of the art museum is its complex connection to the art market place;

No other cultural institution is so intimately link to price movements...[A] museum's purchases and exhibitions can decisively influence the value of an art dealer's stock or collector's treasures. But short of ceasing to be a museum, there is not way in which a public gallery can disentangle itself from commercial considerations.

Stevenson (1992:179) further explains that the art market is intimately related to the art museum since the art works being purchased or exhibited are generally regarded as being the finest available in the artistic hierarchy, and since the struggle for recognition and inclusion in art history is collectively decided, not in the private but in the public and social realm of the art museum. The selection of works for the collections and exhibitions of museums are therefore expected to be made by those most knowledgeable and discriminating in the art field. "Curatorial opinions have become a vital ingredient in the ever-changing consensus about the real worth - aesthetic and monetary - of the work of individual artists" writes Meyer (1979:163-164).

Art museums may therefore influence the valuing and pricing structure of art on the market given that when a museum acquires or exhibits a particular work of art, it is suggested that the work (or related artworks) is a noteworthy part of art history (Stevenson 1992:179).

It is in this regard that the art museum acts as a consecrator of aesthetic and economic value, which directly affects and influences the selection and economic performances of artworks on auctions.

However, due to the very status of cultural authority that is ascribed to art museums, they have inevitably become contested ground, especially in South Africa. By fulfilling its purpose of collecting, preserving and displaying artworks, the art museum is not simply a receptacle for art but a powerful value-laden agent that has facilitated to shape power relations and history. As a result, these institutions have also had to carry out broad, sometimes less obvious political and ideological tasks that had profound repercussions for South African art and the market<sup>32</sup>. This institutional and cultural bias in collecting and showing of works was consequently noticeable within the local art market. Since the 1960s art auctions in South Africa embodied the cultural and artistic preferences typical of South Africa's past political and socio-cultural formation. The majority of artworks sold at auction were by 'white' Modern Masters.

It was only during the late 1980s that most major art museums took a lead in changing to acknowledge the multiplicity of artistic production in South Africa. In 1985 the Johannesburg Art Gallery (under the directorship of Christopher Till), took the lead and repositioned itself to devote considerable attention to researching previously neglected black artists and started collecting in a more representative and inclusive manner (Keen in O'Toole 2002: sp). In 1988 the Johannesburg Art Gallery also held a pivotal exhibition called *The Neglected Tradition: Towards a New History of South African Art (1930-1988)*. The exhibition was intended to be a corrective to the oppressiveness of aesthetic hierarchies and discriminating divisions.

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<sup>32</sup> Historically, art museums in South Africa referred to European artistic standards and conventions and until the 1980's<sup>32</sup> the canon of Western fine art and 'white' South African art were favoured above works of art produced by black artists or other more popular local forms of creative expression. The South African National Art Gallery for example purchased its first works by black artists Gerhard Sekoto and Sydney Khumalo only in 1964. But these purchases had to remain "under the radar" as not to elicit "official reaction" (Dubin 2006: 249).

For the first time, a public art museum presented the biographies and work of a hundred artists, previously unexhibited and relatively unknown<sup>33</sup>. The impact of exhibitions such as *The Neglected Tradition* did not merely entail identifying unnoticed artists and delineating an ‘alternative’ canon, it denoted a change in how ‘South African art’ would be considered and defined in future<sup>34</sup>.

These changes and transformations lead to a change in museum acquisition policies and a broadening of knowledge within the art world which in turn also impacts on the circulation and value creation of artworks by black artists on auctions.

The art market, in turn, is also a stimulus for art museums as they are directly affected by the functions and performances of the art market. Gaylard (2009:12) writes that:

The museums lag behind the galleries in the process of validating art reputations....They have a conservative inertia and consolidate rather than initiate reputations.

It is clear that the role of art museums in the supply and demand dynamics of the art market is different. Museums may provide a limited supply of art works to the market by way of de-acquisitions and they clearly demand and purchase art works for their collections, however their purchasing patterns are usually closely followed by other market demands and participants. This poses a great dilemma for art museums in South Africa since ‘super-prices’ for ‘important’ South African works of art means that these institutions with their inadequate acquisitions budgets can not participate seriously on the market to acquire or repatriate artworks.

It is however the interest and demand art museums create through their collections and exhibitions that make them a pivotal role player in value formation for works of art on the art market.

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<sup>34</sup> The exhibition also featured a catalogue essay by guest curator Steven Sack that systematically uncovered and surveyed a sixty-year history of ‘black’ creativity that had been ignored by ‘white’-dominated mainstream institutions.

## CHAPTER 8

### Supporting Documentation

The production of discourse (critical, historical, etc) about the work of art is one of the conditions of production of the work. Every critical affirmation contains, on the one hand, a recognition of the value of the work which occasions it, which is thus designated as a worthy object of legitimate discourse (a recognition sometimes extorted by the logic of the field, as when for example, the polemic of the dominant confers participant status on the challengers), and on the other hand an affirmation of its own legitimacy.

(Bourdieu 1993:35-36)

#### 8.1. Provenance

His collection was described by Mr H.F. Oppenheimer in the foreword to the sale catalogue as having ‘great charm and interest, reflecting as it does the individual taste of an exceptionally able and cultivated man’.

(Welz 1989:10)

If a previous owner was respected for his or her discernment, subsequent owners may take this provenance into account as a guarantee of quality and may envisage themselves sharing similar good taste with its previous illustrious owner.

(Stevenson 1992:183)

The provenance of an artwork is the history or record of the work’s previous ownership. The conditions affecting the creation of the artwork, the manner in which previous owners took possession of the work and the movement and circulation of the work within the art world circuit or market, in other words its social life, is also related to an artwork’s provenance (McNulty 2006:8, 168-169 & Stevenson 1992:183).

Provenance also implies that art works from renowned or well-known collections generate increased demand by acquiring a reputation of their own through provenance.

The value of the artworks is therefore created by its social-historical connection (Plattner 1996:18). According to Welz (1989:31) it is widely accepted in the art world, that works of quality and import which carries a distinguished provenance generate the greatest market interest.

Stevenson (1992:183) indicates that provenance or previous ownership can have a profound effect on the value of an art work in the following ways;

If the work is of artistic consequence, the provenance can be used as an assurance of its authenticity; however, if the object is of limited artistic consequence and of limited commercial value, but had been in the possession of an important historical personage, then the provenance will play an important part in the economic value of the work.

Provenance may therefore reduce the risk that an artwork's quality will be negatively verified by art history, which would result in a future loss of value. Furthermore, esteemed provenance reconfirms the buyer's aesthetic judgment and the previous owners' reputation may also be a source of prestige and have status benefits for the buyer (Plattner 1996:18).

The auction market seems to share this point of view, since they include information on past owners in their sale catalogues. Provenance is well known marketing strategy used by auction houses. "The effect is to add to market value in a way comparable to the goodwill of a particular business earned through loyal service to customers, the pricing potential of a brand name, to the endorsements of products by famous people" writes De Marci and Van Miegroet (1994:457).

The potential impact that provenance has on the value of an artwork can indeed be significant. This has been demonstrated in certain highly publicised auctions of both historical and "high profile" collections in the past. These sales have a distinct character and invariably attract the curiosity of the public and the media outside the art world and auction circle.

According to Welz (1989:10) this fascination and intrigue can probably be attributed to the fact that such sales are usually the culmination of a lifetime of collecting, “often seen by the media and man-in-the street as being prompted by a touch of eccentricity”.

South African art auctions have witnessed great interest for artworks which have come on the market from private collections. A notable example was the auctioning of the Brett Kebble art collection in 2009. Buyers of these artworks are in effect acquiring a ‘piece of history’ and at times are investing more in provenance than in the artwork itself. Unless the artwork is an historical object, its connection to history rests only in its documented provenance.

Another example of how important provenance is can be found in the above-average auction results achieved by the collection of renowned collectors Jack and Helene Kahn. The Kahn collection was put together over a period of fifty years and was sold posthumously by Stephan Welz & Co in 2007. All lots were sold, and nine new artist’s records were established with five works that sold for over R 1 000 000.00 each. *Indian Woman* (1936) by Irma Stern sold for R 7 260 000.00. The highest price ever paid for a South African painting at the time.

This considerable ‘celebrity premium’ could be equally attributed to connoisseurship and superior knowledge of the previous owners that enabled them to compose the collection of the top-quality works. Moreover, the positive effect of provenance on the price could also be a result of the auction house’s promotional efforts and media hype surrounding the sale.

If the market-place for art, as Welz (1989:15) stated, represents a coming together of an artist’s work, the taste of the public, the judgements of experts and the special talents of the art market intermediaries, then the offering of these so-called ‘distinguished’ or ‘specialized’ collections causes a heightened awareness of all these factors and often leads to a re-assessment of the market.

## 8.2. Supporting Literature

**It seemed astonishing to me that books had been written on JH Pierneef, Irma Stern, Jean Welz, Maggie Laubser, Walter Battiss, Edoardo Villa and Cecil Skotnes, but nothing had ever appeared on Preller.**

(Nel 2009: xvii)

**I may admire the work of someone obscure; once he or she is widely written about, I anticipate that that person's art will be marketable.**

(Carrier 1985:36)

Participants in the field of cultural production continually seek information on artists and historical movements. Stevenson (1992:184) states that “the information provided by the body of literature on the artist and the artwork is crucial to the functioning of the art world...and contribute to the esteem in which the artist is held”.

The publication of art historical literature on artists and works of art is a key component of value construction that enables art market participants to position artists and artworks within the hierarchies of the art field. This supporting literature has consequently also become an important art marketing tool of artworks on auction. An interactive relationship therefore exists between art scholarship, collecting and the art market (Koenigsberg 1989:29).

The most respected literature and research is considered to be the *catalogue raisonné* of an artist. The primary purpose of these catalogues, which are usually compiled and researched by art historians, is to order, date, authenticate and venerate the oeuvre of an artist (Stevenson 1992:184). Other literature such as artist monographs; biographic and stylistic studies; catalogues of museum holdings, and private and corporate collections also further contribute to the value of an art work as well as the perceived stature and position of the artist within the cultural field.

Literature on South African art and artists has always been dominated by a documentary tradition, usually focussed upon the life and work of a single artist, school or genre of art. This can be ascribed to the youth of the field in South Africa and the associated demand for basic foundation literature that includes biographic and stylistic studies. The dominance of the documentary monograph and the connection between art scholarship and the market place is most apparent within the South African context. A contributing factor to J. H. Pierneef's, Irma Stern's, Maggie Laubser's and Gerard Sekoto's current pre-eminent place in, and domination of, the art market for example is the amount of literature that has been published on these artists<sup>35</sup>.

The art market in particular seeks the benefits of the 'hype' that a publication, and usually a large accompanying exhibition, can provide as these occasions usually translates into increased profits for the operations of the art market. As stated, the publication of information about South African art or an artist impacts on the value of an artist's work because of the validation that the expert opinion of art historians provide.

A recent example is the publication of the two part monograph and visual biography on the artist Alexis Preller in 2009<sup>36</sup>. The publication of *Alexis Preller: Africa, the Sun and Shadows* and *Alexis Preller: Collected Images* written by Esmé Berman in collaboration with Karel Nel, was also accompanied by a large scale retrospective exhibition that was first held at the Standard Bank Art Gallery in Johannesburg and later at the Iziko South African National Gallery in Cape Town.

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<sup>35</sup> For example the first book on Pierneef, (*Pierneef: The Man and His Work*, by J.F.W Grosskopf) was published in 1947. Since then, his works were included, documented and referenced in a further sixty-six publications, in seven languages, that are available in three-hundred and ninety-one library holdings world wide. Fifteen publications on Pierneef and his art were published in South Africa. The latest biography on the artist (*J.H. Pierneef: His Life and His Work. A Cultural and Historical Study*, edited by P.G. Nel) was published in 1990 in Afrikaans and English. Irma Stern saw her first of many monographs published in 1927. Six books on Stern's work were published posthumously while numerous critical texts analysing her work within contemporary post-colonial critical discourses were also written. The two most referenced art historical studies currently on Stern is Marion Arnold's *Irma Stern: A Feast for the Eye*, published in 1995 and *Irma Stern: Expressions of a Journey* which accompanied the retrospective exhibition at the Standard Bank Gallery in 2003.

<sup>36</sup> Preller's work was last shown collectively in a retrospective exhibition at the Pretoria Art Museum in 1972, and with an artistic career spanning more that forty years only one small book *Alexis Preller – with Notes by Christ Truter*, published in 1947 was devoted to his art. Preller was a prolific artist with an oeuvre comprising of almost a thousand works and between 1935 and 1975 he participated in twenty-two solo exhibitions alone (Beman & Nel 2009:357-358).



Although Preller's works were incorporated into many private and public collections, and the aesthetic value and content of his work might have held wide spread interest, there wasn't enough existing supporting literature on which to base art historical assumptions. Nel (2009:xvi) states:

During Preller's life, and even afterwards the South African art world had very partisan views about the nature of the man and the quality of his work. He had a devoted following of people who admired both the work and the man, while others were dismissive of him and his work

This might have forged an understanding that Preller was not an important artist. The book was clearly initiated to fill this vacuum within the art historical discourse which, in turn had significant repercussions for the art market. Since the publication of the book, Preller's work became very popular and sought after on auctions, thereby commanding very high values.

Art historical scholarship together with the research and preparations of monographs often aid in locating art works that might eventually be consigned for auction. Subsequent sales of works increase the market value of the entire corpus of an artist's work. It is therefore not surprising that the art market anticipates monographs devoted to an artist and revaluations of an artist's life and work as eagerly as the art historical and academic field. In 2010, Stephan Welz & Co featured an important and significant work in Preller's oeuvre as the cover lot for the April Auction in Johannesburg. Although documented and written about in newly published biography the previous whereabouts of *Still Life with Chair*, (1937) was unknown until the work was consigned for auction. The pre-sale value for the work was estimated between R 600 000.00 and R 900 000.00.

The well-timed publication of books in conjunction with an exhibition can also revive the value of works by a latent artist on the market, as has been the case with the sculptor Anton van Wouw. The appearance of the art historian Alexander Duffey's study on the artist entitled *Anton van Wouw: The Smaller Works* in 2008 and an exhibition of the artist's Italian-cast small bronze sculptures at the commercial Everard Read Gallery in

February 2009, combined to have a discernable impact on the value of his work on auction. Philippa Duncan, senior specialist and auctioneer at Stephan Welz & Co, comments:

There was a critical lack of literature and research on Van Wouw, with nothing significant produced in more than 60 years. The Everard Read exhibition sold out before the show even opened, yet a year before the exhibition and the book, you couldn't move a Van Wouw without great difficulty, and at a fraction of the current values (in Bester: 2009: 48)

An edition of Van Wouw's small bronze sculpture *Shangaan* (1907) was strategically as the cover lot for the Stephan Welz & Co November sale in 2010. Signifying the perceived import and value of the work and to support the estimated pre-sale value of R 500 000.00 – R 800 000.00, the catalogue entry for the sculpture clearly indicates not only the provenance but also the validation of literature and that the work is also illustrated in the *Anton van Wouw: The Smaller Works* publication.

While the economic values for South African artworks are being established, the commercial art world and private industries seem to become prime sponsors of art scholarship. The preparation and research work of art literature as supporting documentation is costly and time consuming. With many South African Universities and museums increasingly unable to fund such researched art publications, it has fallen on the commercial art world (and at times wealthy collectors) to support and sponsor publications on art and artists. This is increasingly a feature of the South African art field, particularly since commercial art galleries and private collectors can afford to hire renowned historians to write for their catalogues and to do fundamental research work.

Although the commercial art galleries and collectors who sponsor and support these scholarly projects are motivated by good intentions, caution must be warranted, since the intermediaries of the commercial art world usually have a vested (economic) interest in the judgements that are reached about an artist or certain art works, as prices would be bolstered and justified by the prominence of the artist's work in a publication.

It is in this regard that these scholarly activities of producing supporting literature seem inseparable from the commercial processes that are ultimately the motivation of the art market (Koenigsberg 1989:30).

### **8.3. Exhibition Provenance**

**This visibility of an artist or an artwork contributes to the work being recognized and regarded as a ‘classic’ simply because it is well known by viewers.**

**(Stevenson 1992:184)**

Artworks accumulate additional value simply by their inclusion in highly regarded exhibitions. Czujack (1997:238) affirms that number of exhibitions (and publications) an artwork appeared in is positively correlated with its value.

Stevenson (1992:184) explains that the selection of an artwork or artist by curators or museums to be exhibited or to form part of a major exhibition, indirectly validates the quality of the work since the selections of curators or art historians who are usually respected and perceived to be discerning.

## CHAPTER 9

### Physical Attributes

The third group of the Components of Value Model relate to the physical and material aspects of an artwork in addition to the ‘information’ aspects relevant to the other groups of Components of Value. According to Stevenson (1992:185), these components may not have such a dramatic impact on value construction; however their impact is noticeable if they are not of satisfactory state.

#### 9.1. Utilitarian Value

**Objects [do] not have the status of “objectivity” that we give to them at all. But henceforward secularised, functionalised and rationalised in purpose, objects become the promise of an ideal (an idealist) political economy, with its watchword “to each according to his needs”.**

**(Baudrillard 1981:132)**

**To be an art addict, you also need a certain kind of moral liberty that enables you to spend lots of time and lots of money on activities some may deem frivolous.**

**(Benhamou-Huet 2008:27)**

Art, as a commodity on the art market is both exchange value and use value. The two values are coupled, since there can be no exchange value without use value<sup>37</sup> (Baudrillard 1981:130). This statement follows on Marx’s (1990:29) argument that nothing can have value without being an object of utility. The utility of an artwork therefore makes it a use value (Marx 1990:26), which in turn is always concrete, particular and contingent on its own destination;

It suffices that before it is a commodity – in other words, the vehicle (support) of exchange value – the article satisfy a given social *need* by possessing the corresponding useful property (Baudrillard 1981:130).

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<sup>37</sup> However, Baudrillard (1981:130) makes clear that use value is not implicated in the logic peculiar to exchange value, which is a logic of equivalence. He further states that there can be use value without exchange value.

The key questions in this regard are; why are artworks, as commodities on the art market, being bought or collected? What is the *need* for, or the utility of art? What drives collectors to exchange or invest such vast sums of money in order to possess art?

According to Marx (1990:26) the utility of an artwork is limited by its physical properties as a commodity, it has no existence apart from the work. As a commodity, an artwork being a material thing, *is* a use value, it is something useful.

Generally, works of art contain subjective use value. This value is generally inherent in aesthetic, communicative, historical and cultural as well as investment value. In other words, because of the aesthetic qualities of the art work (aesthetic value), the status the owner derives from its possession (social value), and its sound economic investment possibilities (capital value), the artwork generates utility to consumers. Thus, prices of artworks on auctions in particular represent the willingness of consumers to pay for the status the possession of artworks confers, the aesthetic pleasure they provide, as well as their expected monetary returns. As use value, artworks as commodities are therefore of different qualities and the use value only becomes a reality by use or consumption of the artwork (Marx 1990:26).

The issue of an artwork's physical utility as a component of value is only considered in the event of the other components of value not being applicable to the work (Stevenson 1992:185)<sup>38</sup>. Art, therefore, consists of limited use value as an object for artistic consumption while the context of its use value remains important.

It is in this regard that the utility of an artwork (in other words the use value) is never justly inscribed in the field of the market economy. This component of value is also generally overlooked in the many empirical studies on art auctions and value formation of art on the market which usually favours attributes or characteristics of an artwork as key factors for evaluation.

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<sup>38</sup> However, the component of physical utility is more relevant to decorative arts and is of a temporary nature.

However contrary to the illusion of traditional economics that positions the idea of utility in the simple relation of a need to a useful property of the object, use value is to a great extent a social relation – as “abstract social need power” (Baudrillard 1981:132);

For use value – indeed, utility itself – is a fetishized social relation, just like the abstract equivalence of commodities. Use value is an abstraction. It is an abstraction of the *system of needs* cloaked in the false evidence of a concrete destination and purpose, an intrinsic finality of goods and products (1981:131).

The value of artworks may be impacted according to the need of and use value to the buyer's type. Among different types of buyers, one can name; collectors, investors and speculators, as well as private, corporate and institutional buyers. This interrelation is a result of differences in behaviour, purchase motives, valuations, art historical knowledge, information sets regarding an artwork, and responsiveness to changing socio-cultural and political as well as market conditions.

There are a number of important corporate collections in South Africa with significant histories and acquisition policies which indicates that their motivation for establishing art collections were more than mere decoration. The most notable collections include the Sanlam Art Collection founded in 1965 to “symbolically reflect the company's commitment to the idea of creativity and the recognition of the cultural diversity of its workforce and clients” (Hundt 2009:2). The collection today boasts some of the most well-regarded examples of South African artists. One of the oldest and most comprehensive corporate collections is the Standard Bank Corporate Art Collection established in 1968 which comprises over more than 1000 works of art (Charlton 2009:13). The ABSA Collection has by far the largest collection of works numbering over 22 000 items and the Sasol Collection consist of 1 800 items (Hundt 2009:2).

The use value of a corporate art collection as an effective corporate symbol reached maturity in the mid 1990s. Hundt (2009:2) indicates that from 1994 until 2001, corporate collections in South Africa became a growth industry.

“By acquiring an art collection, a corporation was able to demonstrate its commitment to the new political dispensation in South Africa in a cost effective way”. This trend was started by the founding of the Gencor Collection in 1995. The motivation behind establishing the collection was, “a visual expression of the new unbundled Gencor, its dynamism, its globalisation strategy and its embrace of the new democratic South Africa” (Hundt 2009:2). Realizing this significant use-value of art, several new corporate collections were formed<sup>39</sup>

It is popularly understood that art museums exist in order to acquire, safeguard, conserve and display works of art. In the context of the art museum, artworks are collected and framed as cultural and art historical objects, while the unique and visual aesthetic qualities of the art work remain importance. Art museums have always been a central instrument of art-historiography and are therefore fundamentally concerned with the accumulation of cultural capital<sup>40</sup> through works of art. At their most effective, museums collect and display of art as a method to communicate to their publics (Sutton 2003:47). The use value of art in the museum context is inherent in being a cultural asset while also being a medium of visual communication.

The majority of public art museums in South Africa are motivated to acquire artworks in order to fill wide gaps in their permanent collections. This led to very specific acquisition policies and, in turn, a need for specific artists and works of art.

The private collector’s motivation or need to acquire art is significantly different to that of the corporate collector or museum.

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<sup>39</sup> These include the MTN Collection, Vodacom Collection, Telkom Collection and the SABC Collection to name a few.

<sup>40</sup> An alternative approach to Bourdieu’s definition of cultural capital can be found cultural-economics and is couched in terms of the value given to commodities that are considered to be cultural assets. According to Throsby (2001:168), cultural capital can be defined as an asset that embodies or give rise to cultural value in addition to whatever economic value it might possess. This idea recognizes the distinctive features of cultural goods such as visual and material culture and related activities as capital assets which hold high cultural value for a society.

The private collector is currently the main participant on the South African art market, spending large sums of money to build up collections that now begin to rival the holdings of established public art collections. They are therefore also considered as influential ‘taste-makers.

Traditionally, the need to collect art is generally based on the self perceived notion that owning a work of art bestows instant status upon the purchaser. Collecting art can also be seen as a sign of success and wealth, since art as a commodity itself embodies the collector’s aspirations. However, Mokoena (2009: 83) comments that most collectors are drawn to art because of the powerful emotional response it evokes, and buy works for more personal reasons. He adds that “such collectors are less interested in the value represented by the name of the artist and are more inclined to buy works that they find aesthetically and intellectually interesting”.

Apart from collectors who acquire art for personal appreciation and who enjoys the material aspects of the work (in other words the use value of the work being symbolic), many collectors also view art as a viable investment and are therefore primarily concerned with the financial significance of the work. There are also collectors who speculate, buying and selling artworks on auction to reap short term returns. Their motivation is the maximisation of their return on investment as Hundt (2009:2) states:

For the speculator price is a hard and necessary fact, the pursuit of its maximisation is the ultimate goal and symbolism is irrelevant.

It is clear that the use value of art is a subjective expression of utility, and “is inscribed as the finality of the ‘need’ of the subject (Baudrillard 1981:133). Use value is thus, in Baudrillard’s (1981:138) words, “the crown and scepter” of political economy. It is lived reality and signifies the final destination in the social life of an artwork.



## 9.2. Intrinsic Value

Art is one of the few commodities where the relationship between production cost and value (or price) is practically non-existent (Plattner 1996:20). But, if the aesthetic value of an artwork is not taken into consideration, the intrinsic value (or built-in value) of the work (for example the value of the frame or materials such as bronze etc), or the replacement cost of materials acts as a base value for the work. However, Stevenson (1992:185) indicates that the value realised above the intrinsic value, can be ascribed to the Components of Value.

## 9.3. Condition

The overall condition of an artwork can influence its value. According to Singer and Lynch (1997:192), poor condition may result in a price reduction of up to 80%<sup>41</sup>. The condition, state of preservation as well as the extent of previous restoration is therefore considered dynamic components of value (Stevenson 1992:186).

In assessing these value components, the following questions are pertinent; has the artwork been maintained in the same condition since its creation? If there are changes in the condition, what are they? Have they affected the structure of the artwork? Have they affected the appearance of the artwork? Has the artwork been restored since its inception? If so, has the original integrity of the work been upheld?

All artworks consigned for auction are accompanied by condition reports prepared by the auction house's specialists and experts. Since many historical or older paintings, for example, may show some loss of surface tension, surface dirt and discoloration, the condition reports functions to record and explain any physical damages or changes on the surface of a work as well as on any support structures or frames.

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<sup>41</sup> The challenge presented with reaching any real conclusions on this component of value is that information on the state of preservation is usually hard to obtain and verifying and given artwork's condition would necessitate its visual examination.

These condition reports are available to prospective buyers prior to an art auction and specialists and experts are also usually available to give advice on the condition of a works at the previewing<sup>42</sup>.

Although well preserved artworks or works in good condition are generally valued higher at auction, the poor condition of an art historically important or superior-quality work of art will not necessary reflect in its value determination<sup>43</sup>.

For example, Irma Stern's *Swahili Woman* (1945) appeared as the cover lot of Stephan Welz & Co's February 2008 sale in Cape Town. Considered to be a significant work and one of Stern's "highlights from the Forties", the work also had a good provenance and was previously included and illustrated in *Irma Stern: Zanzibar*, published in 1948. While the condition report indicated "surface dirt, fly specks and some paint and tension loss", the pre-sale value of the painting was estimated at R 2 000 000.00 – R 3 000 000.00. The work sold for R 3 740 000.00. (Stephan Welz & Co Online).

*Girl Sewing* by Gerard Sekoto was included in Stephan Welz & Co's May 2008 sale in Cape Town. The work was previously owned by the owner of Le Rubens, a bistro in Rue Mazarine, Paris, where Sekoto was a regular customer. Considered an important part of Sekoto's oeuvre and output in Paris, the painting also carried a significant social history and was repatriated to South Africa to be auctioned. The pre-sale value of the work was estimated at R 150 000.00 – R 200 000.00, even tough the work was in a poor physical state. The condition report indicated "fly specks, surface dirt, uneven surface tension and resultant cracking in the thick paint, some small areas of losses in the form small chips".

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<sup>42</sup> It is interesting to note that Strauss & Co asserts in its Conditions of Business that "it is the responsibility of all prospective buyers to examine and satisfy themselves as to the condition of each lot prior to the auction, and that the lot matches any oral or written description provided by the seller and/or Strauss & Co. All illustrations of a lot in any catalogue are intended merely as guidance for bidders and do not provide definite information as to colours, patterns or damage to any lot. Strauss & Co shall not be liable for any error, misstatement or omission in the description of a lot, unless Srauss & Co, its employees or agents, engaged in intentional misleading or deceptive conduct (Strauss & Co 2010a:165).

<sup>43</sup> On the other hand, in the low end of the market, poor condition may have a substantial impact on the valuation of a work.

The work sold for R 170 500.00, slightly below the high pre-sale estimate (Stephan Welz & Co Online)

In both cases the option of restoring the works, due to their historical significance, might have been considered as economically justifiable. Restoration is considered a direct way to increase the value of an artwork by ‘improving’ the appearance of the work and hopefully returning the work to its original state<sup>44</sup>.

However if the art historical or information aspect of a particular artwork is not a substantial component of the value of the artwork, then the physical condition of the work could be expected to be less important (Stevenson 1992:186).

#### 9.4. Size

**A large expensive artwork has to carry a considerable amount of cultural luggage. It does not have to be the Sistine Chapel right away, but the ambitions of the marker, the gallery owner and the buyer will have to tend in that direction.**

(Velthuis 2005:172)

The size (surface dimensions) and the value of an art work in the market are generally linked (Stevenson 1992:187). Considered a strong predictor of value within a quantitative model, the size of an art work constitutes one of the most common and striking elements of value construction on the market<sup>45</sup>. This link between the size and value of an artwork is historically rooted in the late nineteenth- and early twentieth-century French art world. At the time, the price of an artwork was established in number francs per point, which in turn was calculated as a combination of the size and the genre of the work (Moulin 1987:183).

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<sup>44</sup> Stevenson (1992:168) cautions against the over utilization of restoration’s potential as a Component of Value.

<sup>45</sup> According to Velthuis (2005:125) differences in size do not explain differences in values across artists, only within the particular artist’s oeuvre.

Even though the effects of size differ across various media, a common finding is that the values of artworks are positively correlated with their size. In considering the value estimates for works of art on auction, it is clear that values are set according to size within the oeuvre of a specific artist and that larger works of art, on average, are valued higher (Velthuis 2005:103-104,125).

However, there seems to be a critical dimension beyond which value increase at a decreasing marginal rate (Sagot-Duvauroux 2003:58). The demand for works of art of extreme sizes, is likely to be lower than for works of 'regular' size, since they are difficult to display in a private setting, as Keen (1971:39-40) points out:

[V]ery large paintings are usually acceptable to museums if they are of sufficient artistic merit, but are hard to sell to the private collector, whose wall space is generally limited. Thus, paintings which are not important enough to interest museums, yet not decorative enough to attract the private collector, can fall between two stools and fetch moderate prices.

Most private buyers, unlike corporate institutions and museums, are constrained in their choice by the size and generally prefer works of 'reasonable' size. Therefore, demand for the largest art works is usually restricted to cultural and corporate institutions that can properly display them. In addition, if the artwork very large, its size may also begin to detract from its value if it is not of art historical or aesthetic significance (Stevenson 1992:187).

Velthuis (2005:125) indicates that value (or more specifically price) differences between works of more or less the same size within the oeuvre of one artist are usually avoided, even when differences in quality are clearly perceived. Artworks of equal size within the oeuvre of an artist therefore almost invariably have the same value or pre-sale estimate. In this regard, Velthuis (2005:126) comments that the reputation of the artist as well as the size and technique of the artwork are functional as value determinants in particular, since they disassociate economic and artistic value.

It warrants in a way that the auction house does not have to confirm the quality of an artwork directly when estimating the value.

However, Velthuis (2005:126) further states that the reputation of the artist and the size and technique of the artwork are in themselves meaningless criteria of quality and value, since a small drawing on paper could be of a higher aesthetic value and technical quality than a larger oil painting on canvas, and may require the same amount of labour. An unknown artist may also produce better work than a well-known artist.

To value or price an artwork according to size should therefore be considered anomalous, since the prices for individual art works are not differentiated according to the quality, aesthetic value or significance of the works or the market demand (Velthuis 2005:158).

## **9.5. Medium**

**Some media, such as easel painting in oils, have the highest possible reputation; they are art and no doubt about it. Other media, such as weaving or glass blowing, have lower reputations as minor decorative arts. Still others have the reputation of folk art or popular arts, and the media of some totally idiosyncratic productions...don't have a name, let alone a reputation. In each case the reputation of the medium is the judgement as to the possibility of doing serious, important, or great art in it.**

**(Becker 1982:359)**

Certain mediums of execution are clearly preferred by the art market. These preferences are based on the assumption that the medium of an artwork is indicative of the artistic and technical sophistication in its production, and therefore its aesthetic and economic value (Stevenson 1992:188).

Art auctions in South Africa clearly expose such preferences for certain art forms and mediums. Although early colonial as well as British and Continental artworks are consigned and auctioned, the focus is mainly on Twentieth Century South African Modernist art (most commonly referred to as the 'Old Masters').

Works by renowned South African contemporary artists also feature at times, but to a lesser extent<sup>46</sup>.

Given the preference for authenticity and originality, artworks are usually valued according to the 'proximity' to the creator. The value of a singular work, such as a painting, is likely to be higher than works made in edition (Velthuis 2005:104). Of all the mediums used by artists, painting (oil, acrylic, and tempera) as a reference category is usually more expensive (Velthuis 2005:103). However, on average, the value estimations of oil paintings are higher than works executed in watercolour. The same applies to works executed on canvas, which are valued higher than works on board or paper.

As a result, oil on canvas works are valued the most on auction. This can be explained by the work's greater durability, superior artistic skills required for execution, as well as broader spectrum of artistic effects it allows for (Sproule & Valsan 2006:6). Also, in general, paintings are more expensive than drawings, and the latter in turn are valued higher than prints. This is also a result of the multiple nature of prints since they are produced in editions, as well as the different degrees of 'proximity' to the artist (Sagot-Duvaurox, Pflieger & Rouget 1992:35). The preferred mediums for sculpture are marble, bronze and steel. Mixed media or new media works such as photography do not often feature on the secondary market. A common conclusion therefore is that new media and photography works are not collected with sufficient seriousness from the secondary market. These preferences in certain mediums might be perceived, from a historical point of view, as a result of differences in production costs. Stevenson (1992:188) also states that preference in medium may be based on the consideration of the stability and lastingness of the medium and the expected maintenance costs of the work.

Yet, it is clear that currently, differences in values between various media and techniques reflect certain social preferences.

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<sup>46</sup> This relative absence of contemporary artworks from South African art auctions as compared to international art auction indicates to the conservative nature of the South African auction market. This is a noteworthy issue that warrants much further reflection that can not be accommodated by the scope of this research.

## 9.6. Subject Matter

The subject matter of an artwork has an apparent influence on its appeal and value (Stevenson 1992:189). However, its effect on value cannot be generalized since it differs across various artists, time periods, buyer types and markets. Nevertheless, certain subjects are preferred by buyers, which in turn, are reflected in higher values and prices realized at auction (Ginsburgh 2003:45).

Art auctions in South Africa clearly indicate that there exists a range of subjects extending from the highly desirable to the merely acceptable and worthy. For example, the landscape as subject matter holds a prominent position in South African art, and some of the best-known 'old masters' that appear on auction are primarily landscapists.

The signature style landscapes are generally favoured among buyers on auctions: J.A.E Volschenk's realistic landscapes; the impressionistic depictions of the Namaqualand by Hugo Naude and the more ordered post-impressionistic portrayals of Peter Wenning and Gregoire Boonzaaier.

The most popular and highly valued landscape paintings on auction are J.H. Pierneef's stylized depictions of bushveld scenes and the vast and extensive landscapes of the old Northern Transvaal. Baobabs in particular are amongst Pierneef's most distinctive and impressive subjects. When these works enter the market they excite keen attention and competition from buyers. In 2008, Bonhams featured *The Baobab Tree* (c.1934) as the cover lot for the September auction in London. The pre-sale value estimation for the painting was R 3 100 000.00 – R 4 700 000.00 (£ 200 000.00 - £ 300 000.00). The 2009 highlight of the year for South African paintings at Stephan Welz & Co was *The Baobab, Bushveld, Messina* (1946) which were sold for R 3 136 000.00<sup>47</sup>. In 2010 Strauss & Co sold *Baobab Tree* (1946) for R 7 575 200.00.

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<sup>47</sup> The painting was originally sold by the company in 1987 for a then hefty R 38 000.00.

Another Example is Irma Stern's still life paintings that dominated South African auctions during 2009 and 2010. Strauss & Co dedicated three of their four catalogue covers in 2010 to the artist still life depictions as the cover lots and two major records were established. This trend was started in 2009 when the company achieved a record price for a Stern still life selling *Magnolias in an Earthenware Pot* for R 7 200 000.00.

In May 2010, *Still Life with Gladioli and Fruit* (1934) were sold for R 7 575 200.00, improving on the company's previous record price. The highlight of 2010 for Strauss & Co was the record price of R 13 368 000.00 achieved for *Gladioli* (1939). The sale set a new record for a still life by the artist as well as a record for a South African still life. At the time, this was also the highest price paid for a South African painting sold at auction in South Africa.

It is important to take into consideration that the impact of this component on the value of an artwork is strongly influenced by other factors such as tastes and fashions that provides clues to trends within certain genres, expert's opinions, or the buyer's nationality. This is specifically the case of the South African art market that favours certain subjects. In general, as pointed by Sproule and Valsan (2006:6), due to difficulties in translating this variable into qualitative terms due to its social subjectivity, the overall effect of subject matter on value is quite hard to capture and measure in economic terms and is dependant on the art historical and information factors.

## 9.7. Geographical Considerations

**There is no new behaviour. Belgians buy Belgian art, Germans buy German art, Americans buy American art, and Spaniards buy Spanish art.**

**(Benhamou-Huet 2008:35)**

Given the recent trends in the South African art market as discussed so far, it can be added that South Africans buy South African art. The country of origin of an artwork usually remains the major source of supply and demand.



In general it is also the main market for the work since “national and regional considerations are the norm for much of the art traded” (Stevenson 1992:190)<sup>48</sup>.

According to Welz (in Myburg 2008:10), the main market for South African art remains in South Africa and states that “it is a golden rule that works of art are best received and sold in the country in which it was created”. The impact of geographical considerations such as the location of trade and the buyers’ nationality on the value of art becomes clear when considering the fact that, in times of economic upturn, demand is often driven by buyers of a particular nationality since most collectors mainly buy works they feel are part of their own heritage (Benhamou-Huet 2008:37).

Stevenson (1992:190) states that in the case where an artwork is offered for sale away from its regional market, art market intermediaries usually take keen interest in uniting the artwork with its country of origin (provided there is a potential profit in reselling the work locally to justify the effort). It is in this regard that auction houses in particular play an important role in returning works of cultural and art historical importance. Through their established international networks a great number of works have returned to South Africa to be sold locally. In 2009, Erik Laubscher’s *Still Life with Mandolin, Music Score and Fruit* (1952) was sold for R 1 120 000.00 at Stephan Welz & Co’s February auction. This work, previously a gift from the artist to a private collector in Paris, was repatriated into the country for sale at auction along with Douglas Portway’s *The Red and Mauve* (1973), which was previously owned by the Marjorie Parr Gallery in London. The work successfully sold for R 179 200.00 (Stephan Welz & Co Online)

The London auction house Bonhams, which also specializes in of South African art asserts in contrast that South African art is no longer of purely domestic interest. Actively developing a market for South African art in London since 2006, Bonhams claims that the record-breaking prices realized are indicative of the continuing strength of the international market:

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<sup>48</sup> Although there are certain South African artists (or art forms) that have transcended national frontiers, only a portion of artworks traded attract interest internationally (Stevenson 1992:190)

Such record-breaking prices and worldwide bidding have propelled modern South African art into the front lines of the global art market. Bonhams' sales of South African art offer a valuable indication of the position of modern South African art internationally (Bonhams Online).

Giles Peppiatt, Bonhams' South African art specialist, states that there are a number of factors in favour of London as a market for South African art. The most important of these is South African Diaspora which influences both the supply and demand sides, thereby impacting on the value creation of the works:

On the supply side, many emigrants, noting the prices that have been achieved, have decided to cash in, and it is uneconomic, mainly for tax reasons, for them to send works to South Africa for sale. On the demand side, émigrés like to buy art that reminds them of 'home' (in Coulsin 2011:55).

Peppiatt (in Coulsin 2011:55) however concedes that the Diaspora effect could be temporary, as future generation's ties with South Africa may weaken. Furthermore, sales of South African art in London is split roughly almost equally between South African and non-South African buyers. This according to Peppiatt (in Coulsin 2011:55) indicates to the growth of international interest and demand in South African art, although this, he admits, is to a large extent confined to the works of Irma Stern.

The international broadening of interest in modern South African art has, according to Peppiatt (in Coulsin 2011:55), fundamentally changed the market in the past ten to fifteen years. He further states that local auctioneers have failed to adapt to this change.

## **CHAPTER 10**

### **Economic and Financial Factors.**

Works of art in the market are subject to the general factors which affect the market at large. Decisions concerning value are therefore made within the limits set by the market (Smith 1989:168). This chapter deals with certain economic and financial factors that are likely to influence the valuations of artworks on auction.

These economic and financial factors are therefore concerned with the mechanics of exchange and the market in which the exchange occurs (Stevenson 1992:154).

#### **10.1. Investment Potential**

**The most fundamental change in the market in recent years is the transformation of art into a so-called vehicle for investment.**

**(Benhamou-Huet 2008:27)**

**The problems with art investment are serious liquidity and price discovery issues. And while I know of art funds internationally, the South African art market is not yet as mature.**

**(Nelson in Masie 2008: sp)**

**At the end of the day, if the stock market collapses but you have bought a sculpture by Gaicometti, then at least you have something left.**

**(Benhamou-Huet 2008:28)**

The art market has always involved some form of financial investment (Plattner 1996:42). The value of art as investment has a long history given that art has always been regarded as some store of wealth. According to Stevenson (1992:192) the desire to invest in artworks is encouraged by the need for diversification of traditional financial and other real investment assets such as bonds and stocks.

Although it is widely viewed that financially-driven art trading and investment began only after the Second World War (Frey & Pommerehne 1989a:398), the idea that holding art might be a source of potential capital gain is not new. However, trading portfolios of artworks for pure financial gain and using art as an asset with an underlying value from which to obtain finance is a much more recent phenomenon.

The rapid rise in prices for South African art on auction since 2005 also encouraged the acquisition of artworks as an investment. The local art market currently includes collectors and investors (and speculators) who believe that investing or buying art is at least a component of a diversified-investment portfolio. This ever growing interest in the value of art as an alternative and tangible asset-class also saw the recent emergence of numerous enterprises offering art investment services.

In 2010, Sanlam became the first South African financial services provider to launch a specialist Art Advisory Service as part the corporation's Private Investments division. Affirming that "owning art is the strongest argument for long-term wealth preservation", the Art Advisory Service aims to assist art investors in formulating individual buying policies by identifying particular artists and genres (Sanlam Private Investments Art Advisory Service 2010: 2-3). This advice is based on the current and possible future performance of a specific market segment.

The trend for investing in art received a boost from the greater availability of information on art prices. Prospective buyers are now able to trace previous prices of artworks through various databases and market reports. The hype created around the astonishing auction records for artworks, as well as optimistic signals coming cyclically from the international art market, further encourages the widespread belief that money invested in art might yield extraordinary returns.

As a result, demand for certain artists and artworks are growing, resulting in 'super-prices' being paid for art on auction.

In context of these surrounding conditions, the strengths and weaknesses in constructing the value of art as a source of monetary appreciation, as well as the potential benefits of purchasing art for investment purposes should be examined.

Using different price-indices as analytical tools, the financial performance of art as an alternative asset class has been the focus of most current empirical and economic studies on art as an investment. The major motivation behind the construction of art-price indices in these studies is to measure the financial performance of art (relative to other alternative forms of investment) in order to correlate whether adding art to a diversified investment portfolio can lower the overall degree of risk involved and increase the rate of financial return. These indices also aim to outline general trends in the art market (Graddy & Ashenfelter 2002:13). Several methods of constructing art price indices have been proposed, and in general, most studies apply either the repeat-sales regression<sup>49</sup> or hedonic model<sup>50</sup>.

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<sup>49</sup> The repeat-sales regression method considers only those works that have been sold at least twice within a certain period, and estimates an index by regressing the change in the price of each art work on a set of variables (Graddy & Ashenfelter 2002:9). Single returns are then aggregated and averaged over all artworks to obtain the average market return (Locatelli Biey & Zanola, 1999:215). Ginsburgh, Mei and Moses (2006:950) states that assuming that the characteristics of an art work do not change over time, the main advantage of this method is that it bypasses the problem of heterogeneity and does not require measuring an artwork's quality. The major limitation of this model in constructing art price indices is that, by discarding all the items sold once, it drastically narrows the sample. By relying on a restricted number of objects that were traded more than once, it can introduce a bias in the sample selection. This is because reappearance on the market might be determined by non-random characteristics of the artworks (for example superior quality), or some external factors (such as changing fashions and tastes). This in turn, may undermine the reliability of the obtained results. It could also be argued that since the sample might not be representative of the whole market, the outcomes cannot be generalized (Graddy & Ashenfelter 2002:10). A popular example of art price indices constructed with the use of repeat-sales regression is the Mei Moses fine art indices created for the American auction market.

<sup>50</sup> In the hedonic method, an artwork is regarded as a bundle of characteristics with implicit prices. The price of each artwork is regressed on a set of unique hedonic characteristics associated with the artwork for example size, provenance, medium, artist (name and living status), or sale (auction house, location, time). The residues are then used to construct an index (Graddy & Ashenfelter 2002:9). The major advantage of this method is that it considers all sales. It also controls for changes in quality and implicit prices of certain characteristics over time. However it controls only for those characteristics that are observable. The hedonic method also performs better if the number of observations is small and it also permits the construction of indices for particular market segments (Ginsburgh, Mei and Moses (2006:951). Finally, by estimating implicit prices, the willingness of buyers to pay for particular characteristics can be captured. According to Ashenfelter and Graddy (2002:13), the method's main weakness lies in the assumption that a limited set of characteristics may reflect changes in fixed price components. It might be argued that, by disaggregating an artifact into a set of characteristics or different components of value, the 'true' quality of the work may not be captured. Therefore, the results are highly dependent on arbitrary and subjective

Analyzing the financial performance of art may seem contentious for several reasons. Firstly, an 'investment' usually refers to an initial financial outlay with a later financial return as a reward for making the investment (Stevenson 1992:192). One of the crucial problems when determining the relative financial performance of art is therefore to choose the rate of return on alternative assets. The most commonly used benchmarks seem to be financial assets. However, the question that arises is whether financial assets are the most appropriate for making such a comparison, seeing that with financial assets only a financial return is expected. With real or tangible assets, such as a work of art, there may also be some other tangible or intangible benefits to the holder. An artwork can therefore only be regarded as a financial asset if the only return it provided was financial.

Price movements on the art market clearly shows that art can in fact be a source of monetary appreciation, sometimes making higher returns than financial and alternative asset classes. Reporting on the performance of the local art market in the early days of the global financial downturn in 2009, Fife and St Clair (2009:62) indicated that art prices have outstripped the listed property sector, which has broken even since 2007 and fell 5% in 2008. Furthermore, the JSE's Alsi fell 14.7% from 2007 and 26.6% in 2008. In contrast, prime art prices rose 35% - 40% since January 2007.

When the traditional asset classes (such as stocks, bonds property and currencies come under pressure, the issue often becomes the preservation of wealth, rather than financial performance of assets. An example is the recent increases in the gold price as markets worldwide began to fear a double dip recession and moved money from financial markets into gold as a safe haven. Artworks tend to display the same characteristics but in a smaller limited context. The main restraint being the availability of sought after pieces and at relatively short notice.

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choice and may be distorted by the possible omission of a specific variable (Ginsburgh, Mei & Moses (2006:952).

As mentioned earlier, the auction highlight of 2009 for South African paintings at Stephan Welz & Co was the sale of J.H Pierneef's *The Baobab, Bushveld, Messina* which fetched R 3 136 000.00, equalling the then South African record established a year before. This painting was previously sold through auction by Stephan Welz & Co in 1978 - for R 38 000.00. The major question is whether cases such as this, is representative of the whole art market in South Africa, or just a notable exception.

Secondly, in contrast to other financial investments, artworks are regarded as "unproductive assets" (Stevenson 1992:193) since they do not generate financial income for the duration of the holding period which is generally very long. The return on an investment in art only comes in the form of a single capital gain realized at a later stage. For example when the artwork is consigned for auction and provided that prospective buyers are willing and prepared to pay a higher price than the original purchase price. The decision to sell an artwork on auction is therefore determined by whether or not the work has increased in value. In turn, Stevenson (1992:193) states that the decisions to invest in the purchasing of art are therefore based on the assumption that the demand to own artworks will increase in future.

Thirdly, because of the characteristics of the art market and certain standard market anomalies, there are several limitations in applying empirical models to analyze the value of artworks. As discussed previously, artworks, in contrast to commodities and stocks, are unique and highly heterogeneous, infrequently traded and illiquid goods, with variations in each work's components of value.

Many economic studies, especially those applying the hedonic regression model, identify determinants or components of value as investment principles that are related to the characteristic features of an artwork. Whereas many determinants are easily observable, such as the size and condition of the artwork, some determinants, especially the aesthetic significance, artistic quality and cultural significance of an artwork, are hard to measure.

As a consequence, translating them into quantitative terms implies a certain degree of subjectivity, as Campbell (2008:607) comments:

Investment skill lies in interpreting the available information, assessing whether the risk/return ratio is acceptable, and in deciding whether the investment is appropriate to an existing portfolio. In the art market this is extremely subjective.

In addition, even after all objective enquiries into art price indices and art market analyses has been undertaken, the subjective opinion of the buyer will ultimately determine the decision to acquire a particular work of art. Taste therefore adds an additional, unquantifiable element to art investment. In this view Grampp (1989:6) remarks that:

[T]he cost is not just the price paid for the object. It is also what we must do or have done in order to understand, apprehend, enjoy, or appreciate it; and the cost is the consequence of what we have learned, have experienced, and have worked to achieve. It is our accumulation in taste.

However, considering art as a direct investment opportunity can present a degree of risk, since purchasing according to taste means that the aesthetic (or pleasure) benefit is also received, which could potentially outweigh any financial benefit or loss incurred. Campbell (2008:608).

Within the context of the art market and with works of art, Stevenson (1992:192) therefore points out that the concepts of 'investment' and 'return' each have wider meanings apart from only economic or financial interpretations. The return made by investing in an artwork can be divided into a financial return and a non-financial return. The latter dividends come in the form of aesthetic value, prestige and pleasure in ownership or decorative services associated with the physical possession or 'consumption services' of an artwork (Campbell 2008: 606; Ashenfelter & Graddy 2002:14).



The presence of a non-financial return means that the return made by art, when looking at it from a purely financial perspective, tends to be only moderate, especially when compared with other alternative asset classes with comparable levels of risk. As mentioned, these non-financial returns are difficult to quantify and are therefore not accounted for in the returns an artwork offers and thus not compensated for financially by the level of risk held (Stevenson 1992:194, Campbell 2008:606).

Another major shortcoming common to most empirical studies on the investment potential of art is the relative lack of information on transactions due to the non-transparent nature of the art market. It is clear that most studies are reliant on auction data<sup>51</sup> for comparative analysis. As all sales prices are drawn from auction records, only works of art that have been re-auctioned are included<sup>52</sup>. Moreover, art market inefficiency seems to give rise to many value or price anomalies, for example the law of one price, high reserve prices and declining prices, which are not annulled by arbitrage (Ashenfelter & Graddy 2002:3). Stevenson (1992:191) therefore warns that these empirical studies applied to the value construction that use methods adapted from investment analyses from other markets should be considered with caution.

## 10.2. Holding Costs

**Once you have bought the good stuff, how do you look after it? It's recommended that investors use a specialist insurer such as Art Insure, underwritten by Hollard.**

**(Masie 2008: sp)**

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<sup>51</sup> This is a source of a significant bias since art auctions only represent a portion of the whole market. Auction transactions alone account only for around 25 per cent of all the sales performed on the art market and therefore provide an incomplete picture of market performance (Campbell 2009:606). In addition, it is difficult to estimate whether the biased figures should be adjusted downwards or rather upwards (Sagot-Duvaurox, 2003:60). Whether this inflates or depresses the obtained rates of return is hard to determine.

<sup>52</sup> Ashenfelter & Graddy (2002:14) notes that this excludes both the high-end and low-end of the return distribution since artworks that fall drastically in value or are not in demand are generally not resold at auction. Furthermore, artworks bequeathed in family trusts or donated to public or private institutions generally do not reappear on the market.

Ownership of art involves substantial additional costs during the holding period which may in turn have an impact on the value of artworks. The cost of managing an art collection varies but could add up to between 1% and 5% of the value of the art works annually, depending on whether it is a single work of art or an entire art collection (Loader-Wilkinson 2010:sp) .

The holding costs of art include storage, maintenance and most importantly insurance. Stevenson (1992:196) indicates that these costs are not uniform for all works of art but varies according to the specific characteristics of an art work.

Maintenance expenses depend on the medium of the work and include proper storage or physical display conditions to protect against humidity and temperature fluctuations; the framing, mounting or installation of the work, and possible restoration costs (Loader-Wilkinson 2010:sp).

Insurance costs adjust according to the value of an artwork and can be less than 1% of the price for which an artwork was bought at auction. The premium percentage depends on many factors, including the artwork's aesthetic and historical components as well as the artwork's physical attributes, the size of the collection to which the artwork belongs, location and the risk management applied to protect the artwork (Loader-Wilkinson 2010:sp). Fundamentally, risk arises from physical loss, damage and theft. In general, the highest frequency of claims activity in the collections market is from accidental and water damage

The high prices paid for artworks on auction created a need for specialised insurance which in turn led to rising insurance premiums for art. Insuring art is different from conventional short term insurance since fine art and collectable claims are not standard asset claims.

Factors inherent in the sociology and economics of the art market that impact on art such as the cumulative value of art, the ‘death effect’, the value of pairs and sets, the depreciation of art works following damage and restoration, maximum aggregated value of artworks kept in one place and the defective titling of works has to be understood for adequate insurance cover.

### **10.3. Price**

**The only real thing about an artwork is the price.**

**(Rob Scholte in Velthuis 2005:160)**

**The best art is the most expensive, because the market is so smart.**

**(Tobias Meyer, Sotheby’s worldwide head of contemporary art,  
in Benhamou-Huet 2008: 80)**

**Super-prices for works of art have become such a conspicuous phenomenon since the Second World War, that the rule today is beginning to be super-prices-for-almost-anything – or at least anything that can be art historically labelled.**

**(Alsop 1982:139)**

According to conventional economic reasoning, all values are embodied in the price of a good (Kalmer 2009:257). Therefore, the price of an artwork and the meanings it generate are considered important components of value while also contributing to the construction of value (Stevenson 1992:197). Velthuis (2005:160) affirms that what distinguishes meaningful prices from other elements in the social construction of value is their numerical character which makes them relatively easy to read and interpret:

The commensurating or objectifying effect of the pricing decision, which is considered destructive from a “Hostile Worlds” point of view, can have constructive moments in a field that is riddled with uncertainty and subjectivity. The virtue of pricing, like other forms of commensuration, is that it offers standardized ways of constructing proxies for uncertain elusive qualities.

In the art market where the value and quality of goods is usually difficult to assess and asymmetric distribution of information prevails, price often serves a function in addition to that usually ascribed to in economic theory. “It conveys information and affects behaviour” states Stiglitz (in Velthuis 2003:186). Through ‘price signalling’, the price of an artwork is used to judge the quality of the work or status of an artist in the field. In other words, quality and status is ‘screened’ by means of a price level<sup>53</sup>:

[I]n the absence of a well-defined set of rules for judging quality, price and how widely the work is distributed are taken as a signal of excellence (Plattner 1998:485)

In this regard, Stevenson (1992:197) remarks that the notion that aesthetic and economic value are always positively related, may result in art market participants being guided to judge the quality and importance of an artwork by its price<sup>54</sup>. Prices achieved for artworks on auction therefore convey meanings that rely on cognitive processes involved in evaluating art.

In valuing an artwork on the market, Velthuis (2003:193) further indicates that mental associations seem exist between prices, cultural value and the status of the artist. Price differences and price changes are associated with certain perceptual changes and differences in the quality of the work or status of the artist. The associations are based on conventions in the art world and are learned through a process of “semiotic socialization” within the art world (2003:193). Therefore, the economic entity of price becomes a *signifier* that refers to non-economic *signifieds* such as cultural worth and quality of the artwork as well as the status of the artist. Prices of artworks therefore have a symbolic dimension and economic actors on the market attach cognitive and cultural meanings to prices.

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<sup>53</sup> Velthuis (2003:186) explains that price signaling in the market indicates that participants correlate the quality of goods within a specific category with the price on the basis of experience. As a result, price changes send quality signals to informed and frequent buyers.

<sup>54</sup> This is particularly the case with participants who are not familiar with the canons of quality and aesthetics within the field of art.

These cognitive and cultural meanings are in turn related to the valuation of an artwork<sup>55</sup>.

Contrary to other markets (including those for other cultural products such as literature and music), success on the auctions is measured in terms of rising prices, rather than rising sales. An increase in the price level of a specific artwork or artist's work signifies a guarantee of aesthetic quality and cultural importance, therefore acceptance of the artist's work and oeuvre in the field of the art market. As Velthuis (2005:168) states:

Just as the difference between the original and present market value of art is a status symbol for collectors, prices establish status hierarchies among artists.

Therefore, for work of art in the market, there exists a forward-sloping demand curve so that a rise in price may increase demand. This characteristic of the art market is widely recognised and familiar.

These so-called 'positive' meanings that price increases seem to signify encourage the auction mechanism to maximize price. As previously explained, in South Africa art is auctioned in an ascending price format. Bidding starts low, and the auctioneer subsequently calls out higher and higher prices until the bidding stops at the final knocked down or hammer price. Stevenson (1992:197-180) states that the prices realised for art works on the market could be seen in terms of levels. The sale of an artwork for a new record price outside the previous accepted price range or price level for that particular work often sets a new plane, "changing the whole level of possibility". New record prices or price levels usually appear unrealistic or outrageous, but once the prices of similar works or by the same artist achieve related prices and thereby re-confirm the value of the artwork, the record price becomes what is to be expected.

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<sup>55</sup> It is important to take into consideration that the prices achieved for artworks on auction are not definite, specific, or concrete for all field participants or actors on the market. Velthuis (2005:170) notes that contrary to what economic signaling theory presupposes, prices may have different meanings simultaneously. However, without knowledge of the prices of specific artworks on the market, a certain price difference, price level, or price change will be meaningless.

Because of the very public nature of auction sales, the realised prices provide benchmarks for the rest of the market.

This practice inevitably leads to ‘super’-prices being paid for works of art on auction. As stated in the introduction, ‘super-prices’ are considered an historical by-product of art as a result of fierce competition between buyers for artworks considered to be of high value (Alsop 1982:162). The outcome of ‘super-prices’ paid for artworks is widely referred to as the “Masterpiece Effect” (Ashenfelter & Graddy 2002:17). A ‘Masterpiece’ on auction is defined purely by price and indicates to the highest price artworks that were sold on auction.

An important economic anomaly of the art market is the strong veto on price decreases<sup>56</sup>. When the price of an artwork is lowered, demand may decrease rather than increase, since the lower price can be interpreted as a signal of lower quality or the lower-level position of an artist in the art world hierarchy and that art market will not take the work in question seriously (Velthuis 2005:164). Furthermore, to prevent artworks on auctions fetching too low prices or if the bidding does not reach the estimated price levels or reserve price, they are ‘bought-in’ by the auctioneer and remain unsold.

Given the confusion of values that prevails in the art world, commensurating values, in this case the pricing of an artwork, provides a means of managing uncertainty. Price signals clearly structures the art world, since it does not only concern the level and value of individual artists and artworks, but also the hierarchical field positioning of artistic movements. Velthuis (2005: 168) concludes:

By confirming the rise and decline of artistic movements, the price system structures or provides order to the art world as a whole historically and geographically.

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<sup>56</sup> Velthuis (2002:191-192) indicates that within the model of the art market, the concept of price elasticity, which is central to economic theory, plays a subordinate role. From an economic perspective this may make sense as far as the negative effect of price decreases on the investment potential of art is concerned.

#### 10.4. Market Impairments and Imperfections

The structural characteristics particular to the local market as well as changes in legislation could impair or (unnaturally) enhance the value of an artwork (Stevenson 1992:199). There are various regulatory matters that apply in South Africa and in prospect to the economic activities of auction houses.

Some of these matters include tax on the proceeds of a sale of an artwork as well as taxes on auction sales. Auction houses in South Africa normally charge VAT on the buyer's premium and seller's commission. Although Capital Gains Tax (CGT) on artworks would usually hamper re-sales and therefore restrict the supply of artworks to the market (Stevenson 1992:199), in South Africa private sellers of artworks<sup>57</sup> through auction houses are exempt from paying CGT on the value of the artworks sold. This favourable tax regulation can attract buyers and thus contribute to the increase in the value of artworks on the market.

Export taxes and restrictions on export discourage the exportation of South African artworks, which impact on the ability of foreign-based buyers, auction houses such as Bonhams as well as prospective sellers to remove artworks from the country. In terms of South African export regulations, all goods intended for commercial purposes leaving South Africa must be declared before exportation and an export permit must be obtained. These goods might be further subject to certain export and import duties and taxes. The South African Heritage Resource Agency (SAHRA)<sup>58</sup> is currently the only institution that regulates the export of items, such as works of art, of national and cultural heritage significance<sup>59</sup>.

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<sup>57</sup> According to CGT Regulations, artworks are classified as personal belongings along with antiques, clothing, stamp collections and jewelry (South African Revenue Service Online).

<sup>58</sup> SAHRA is a statutory organisation established under the National Heritage Resources Act, No 25 of 1999, as the national administrative body responsible for the protection of South Africa's cultural heritage. The Act allows and makes provision for SAHRA to control the export of object considered to be part of the national estate (South African Heritage Resource Agency Online).

<sup>59</sup> According to the Government Gazette, 6 December 2002, Vol.450 No.24116, Notice No.1512, SAHRA can intervene in the sale of "South African items of artistic interest that have been in South Africa for 50 years or more" (Torkelson 2011:sp).

In 2009, SAHRA denied export permits on four works consigned for the Bonhams South African sale scheduled for 14 October in London. The most notable of these was a painting by Gerard Sekoto, entitled *Boy with Yellow Cap*. Dating from his Sophiatown period (1939 – 1942) this work is considered to be one of the earliest paintings by Sekoto before he left South Africa for Paris. SAHRA had denied the permit on the grounds that the exportation of the painting, deemed a cultural treasure, would be a loss to the national estate<sup>60</sup>. Penny Culverwell, the Bonhams agent in South Africa, stated that this was not unusual as permits are routinely refused for works known to be from Sekoto's South African period (Art Times 2009:sp).

As per SAHRA's regulation, Sekoto's *Boy with Yellow Cap*, (c. 1939 – 1942), was granted a temporary export permit to be sold on auction in London under the condition that it would return to South Africa directly after the sale. The work sold for £ 102 000.00 (inclusive of Buyer's Premium).

Torkelson (2011:sp) points out that the process of applying for an export permit is largely voluntary and incumbent upon the seller of the artwork. Works of art falling under SAHRA's purview can thus be exported without the knowledge and certification of the organization<sup>61</sup>.

This further raise the possibility that artworks are being exported and sold without the knowledge of the South African Revenue Services (SARS), given that SAHRA's mandate is limited to the protection of cultural patrimony and not the restriction of capital flight.

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<sup>60</sup> Under SHARA legislative mandate, any work of art that was denied a permit should first be offered to a national cultural institution for purchase. However, since the majority of cultural institutions in South Africa have limited budgets, only in remote cases have works been acquired (Torkelson 2011: sp).

<sup>61</sup> Torkelson (2011:sp) indicates that Bohnams applies for only 15-20 export permits each time it has a South African Art Sale. However, on publication of their auction catalogues, one clearly observes that there are usually more than 300 South African lots.



By their nature, works of art are transportable and speculative assets, therefore highly valued and appealing to acquire for the purposes of financial fraud, tax evasion and money laundering. Since South African art has become a coveted commodity at the international level, high-value artworks acquired on auction provide perfect vehicles to store value for the purposes of expatriation. Very expensive artworks can thus move across borders without any institutional oversight. Torkelson (2011: sp) concludes that once works of art are out of the country, SAHRA has limited capacity to track sales of South Africa art on the international market, much less refer suspicious transactions to SARS for investigation.

### **10.5 Intermediary**

**A market must necessarily have middlemen who busy themselves in matching supply and demand. In the art market this is the role of auctioneers and dealers.**

**(Keen 1971:35)**

**Stephan Welz and Co's auctions have become highly anticipated events with collectors paying top prices to acquire works that are of good quality, rare and fresh to the market. Our recent success also underlies our continued ability to capture not only a nationwide but also a worldwide audience.**

**(Stephan Welz and Co Online)**

**Our auctions were characterized by venues packed to capacity, alive with energy and competitive bidding. Highly important works from private consignors changed hands at auctions that all made history in one way or another.**

**(Bradley 2010:5)**

The intermediary or support system handling the economic exchange of an artwork may well affect the value-creation of the work in a direct way (Stevenson 1992:202). As stated previously, the dominant role and the ongoing practices of the social structure and the economics of the auction mechanism itself can have a profound influence in determining and constructing the value of art.

As an art market intermediary, the auction system exerts influence on the value of artworks in various ways. Apart from the quality of the artworks involved, the auction house's policy regarding estimates, the work of appraising, promoting and also pre-selling the works are all necessary to establish high values and successful sales (Benhamou-Huet 2008:82).

The positive effect that the major auction houses such as Stephan Welz & Co and Strauss & Co in particular have on the hammer price of artworks sold on their auctions could be explained by the selective manner in which they accept artworks on consignment. In addition, their reputation and so-called 'top-quality' offer also enhance buyers' valuations of the artworks on offer (Sproule & Valsan 2006:2).

Due to their glossy catalogues, various promotional activities and powerful marketing devices targeted to a selective market segment, auction houses are well positioned to stimulate demand for particular types of art or specific artists. Utilized as a value creation strategy by auction houses, Agnello (2002:445) observes that artworks that are illustrated or given prominence in the auction catalogues usually fetch higher prices than those not illustrated or given less visual prominence. However, it could be equally argued that the choice of the auction house to reproduce a photo of a particular artwork in the catalogue may be guided by the view of its 'superior' artistic quality or art historical significance, which is, in turn, positively correlated with its perceived value and price.

Auction houses may also affect the hammer price of artworks through the lot ordering in the catalogue and subsequently the sequence of sale (Frey & Eichenberger 1995:212)<sup>62</sup>. This is a clear indication of the auction houses' strategy to categorize the consigned works of art by means of appraised value based on their own (subjective) pre-auction price estimates in order to lower the buyers' risk aversion (Beggs & Graddy 1997:552).

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<sup>62</sup> Both Stephan Welz & Co and Strauss & Co for example divide their auction sales into different sessions that are scheduled for specific times. The lower-end works, works on paper, editions or works that received low pre-sale estimates are grouped together for sale usually in the first session scheduled for the early afternoon and the sale of high-end and important works or works that received very high pre-sale estimates are allocated for the second session evening sale.

The economics of the auction mechanism has the most significant impact on the valuation of art, since auction houses may well be able to influence hammer prices for artworks by means of their low and high price estimates<sup>63</sup> (Ashenfelter and Graddy 2002:27). Beggs and Graddy (1997:553) state that since the experts' appraisals may serve as reference points for bidders (the so-called 'anchoring effect' or reference dependence), their increase usually positively affect their valuations<sup>64</sup>. Ashenfelter (1989:27) further indicates that the average of the auctioneer's high and low price estimates for works of art is very highly correlated with the final price achieved<sup>65</sup>. However, determining the accuracy of these estimates raises important questions concerning the role of the auctioneer's expert opinion in economic decisions. More importantly, of special interest is the motivation of the auctioneer in determining the spread between the high and low estimates for the works.

Ashenfelter and Graddy (2002:27) explain that the spread between the low and high estimates is determined by the auctioneers' estimate of uncertainty or possible variance in the price of an artwork<sup>66</sup>. A large difference between the high and low estimate could therefore signal a high estimate of price variance or a lot of uncertainty. Studies on art auctions have found evidence on the existence and direction of the pre-sale estimate bias, arguing that these predicted valuations cannot be considered unbiased predictors of the price of art works. According to Ashenfelter and Graddy (2002:29), this bias could simply be a case of systematic errors on the part of the auction house experts since they are not as 'efficient' as the economic and linear hedonic predictors of prices<sup>67</sup>.

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<sup>63</sup> These estimates are usually provided by the auction house experts and published with the lots in the catalogues prior to the auction.

<sup>64</sup> Mei and Moses (2002:1658) discovered an upward bias in experts' appraisals for the most expensive paintings and argue that an increased pre-auction estimate translates into a positive effect on the final hammer prices of artworks sold.

<sup>65</sup> It is interesting to note that Czujack (1997:245) in his study of works by Picasso on auction between 1963 and 1944 does not identify any link between the pre-sale estimates and auction results.

<sup>66</sup> The high estimate might therefore be interpreted as the estimate of the average or expected price plus a multiple of the estimated standard deviation and the low estimate would be the average or expected price minus the estimated deviation (Ashenfelter & Graddy 2002:27).

<sup>67</sup> Ashenfelter and Graddy (2002:27) refer to Bauwens and Gingsberg (2002) who test explicitly for the "efficiency" of auctioneer's estimates. They find that experts do not seem to take advantage of all the information available in order to make their predictions.

However, even if auction houses make systematic errors in their predictions, the question remains whether this can be attributed to methodical manipulation of the market for strategic purposes.

It is in this regard that Johans Borman, a well known secondary market dealer in South African art, adamantly agrees that auction estimates are misleading:

People too often believe that the estimate is the auctioneer's valuation of the market value of the work. But estimates are just a way of manipulating buyers and sellers. They constantly get pushed down to create new and greater interest in a work and pushed up to secure a work for sale from a seller. When works sell for multiples of the estimate, it can be confusing for the novice buyer (in Bester 2009:47).

The use of secret reserve prices is an important institutional feature in art auctions and auctioneers in general do not reveal the reserve price, while also making it as difficult as possible for prospective bidders to infer it. The most basic strategic reason for setting a reserve price is to extract a higher price from the bidder with the highest valuation of the artwork on offer (Riley & Samuelson 1981:389). Auction houses commonly set the reserve price at or below the low price estimate<sup>68</sup>. For this reason, Borman (in Bester 2009:47) insists that auction houses should rather publish the reserve price of an artwork as the only price guide.

Although the reserve price is an outcome of negotiations between the seller of the artwork and the auction house, the final decision on its magnitude belongs to the seller. The reserve price therefore clearly signifies the seller's valuation of the artwork while intuitively revealing certain value components, particularly if the work of art contains a common-value component among buyers (Ashenfelter & Graddy 2002:34).

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<sup>68</sup> Ashenfelter and Graddy (2002:33) indicate that the optimal policy is to set a reserve price that is a constant proportion of the current expected market price. It is estimated that the reserve price is generally set to be about 70% to 80% of the auctioneer's low estimate.

Moreover, although auction houses can only put forward artworks for sale that are consigned to them by sellers (Stevenson 1992:201), a diversified offer of artworks at a particular auction might stimulate demand and have a positive effect on the final prices achieved for artworks (Candela & Scorcu 1997:216).

Another significant and important aspect of the art auctions is the social context within which the auction occurs, which has a direct influence on the auction process and its outcome. Since art collecting has become a significant social phenomenon, auction houses, according to Benhamou-Huet (2008:87), have turned into highly skilled event organizers. An art auction is seldom simply held, but rather grandiosely staged, as Smith (1989:108) comments:

Whatever else an auction might be, it is generally a good show: the intense emotionality, the expressive gestures, the plots and counterplots, the dreams, the despair, the dialogues and repartee, the interactions, the disclosures, the build-ups, and the climaxes. The actors, staging, props, audiences, and the scripts may vary, but all auctions are public dramatic performances.

The social staging of art auctions in South Africa is also not any different, as Welz (1989:10) narrates:

The drama of the salesroom is often a mixture of expectation, anticipation, curiosity, desire, envy, elation and inevitably, a measure of disappointment. A certain degree of tension can always be detected on the faces of the prospective buyers, the sellers, and the auctioneer and his assistants before the auction.

The place, setting, and props are arranged to reinforce the ambience and sense of community appropriate to art auctions in particular. Smith (1989:109) notes that these factors convey, among other things, “different degrees of affluence, seriousness, glamour, order, separation, formality, tradition and risk”. Most importantly, these factors also put constraints on who can participate in an art auction.

It is specifically this social context of the auction that impacts on the way behaviour, desires and ideas about the value of artworks are related (Smith 1989:167)

Social theory which focuses on the basic dynamics of human interactions and considers social behaviour, in general, as embodying and revealing such dramaturgical features presented by the ‘performances’ at the auction ‘show’. (Smith 1989:173). The “dramaturgical paradigm”, in this regard, can therefore identify, organize and explain facets of behaviour that other theories, such as rational neoclassical economic theory in particular, cannot accommodate. The auction event in its general form, “emphasizes the mutuality of social life and public performance” states Smith (1989:108).

Although most buyers enter the auction with some suppositions as to their willingness to participate economically<sup>69</sup>, the hammer price for an artwork sold at auction might well be the outcome of their emotional, rather than rational behaviour. Motivation for a higher bid is often stimulated by competition with others (Smith 1989:34) and under the influence of the other participants’ bidding; valuations might change as the auction proceeds<sup>70</sup>. Each bid, according to Smith (1989:172), reflects not only the personal judgments of bidders regarding the value of the artworks on auction but “their sense of self and their willingness to compete in a tournament of values”.

The number of bidders present at an auction may also be positively (or negatively) correlated with the hammer price of an artwork (Sagot-Duvauroux, Pflieger and Rouget 1992:96). This might be explained by the fact that a higher number of potential buyers might stimulate competitive behaviour, which may translate into high bids for an artwork. The final hammer price for an artwork sold at auction might therefore be contingent on the excitement of a single sale (Velthuis 2005:84).

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<sup>69</sup> This willingness is usually based on the buyer’s evaluation of past prices and price estimates published in the auction catalogues, the buyer’s own experience on the art market, art historical knowledge and available financial means.

<sup>70</sup> Smith (1989:34) further comments that rather than resolving such competitions, auctions are known and have become the context for promoting them.

The auction is commonly reflective of some social consensus or shared knowledge about the value of artworks on the market. Therefore, although individual interest and competitive behaviour could inflate the price and hence the perceived value of an artwork, past sales results and the opinions of others are not ignored by active market participants, since collective judgment an ongoing practice are generally all present in determining value at auction (Smith 1989:168).

#### **10.6. Transaction costs**

**The hammer has gone down and the adrenaline is pumping – you have bought your work of art. But when the excitement wears off and the costs stack up, many buyers can regret being over-zealous with the paddle.**

**(Loader-Wilkinson 2010:sp)**

**Our market share remains the highest not only in South Africa, where we lead the market and have done so since our inception, but also worldwide, despite our lower commission rates and buyer's premium. The latter automatically added to the hammer-price when results are published in the media.**

**(Bradley 2010:5)**

In economics, transaction costs are the costs incurred in making an economic exchange - it is the cost of participating in a market. Stevenson (1992:203) refers to Williamson who identifies three aspects of a transaction that impact on the level and nature of transaction costs, namely; asset specificity, extent of uncertainty and frequency. Works of art are by definition heterogeneous and each work is unique, which requires a great deal of effort on the part of art market intermediaries to link an artwork to a responsive buyer. In addition, as stated previously, the art market is characterized by high illiquidity and inefficient market information. There is also a high level of uncertainty as to the significance and the current as well as the future value of an artwork<sup>71</sup>.

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<sup>71</sup> This is particularly the case within the primary market. Contrariwise, in the secondary market where the hierarchy of artists is more stable and fixed, the uncertainty of value could be expected to be less.

The holding periods of artworks vary, and although transacting in the art market, specifically on auctions, takes place continuously, each specific artwork and each transaction requires an individual evaluation of the aesthetic and financial value of the work, which leads to long transaction time. This results in high transaction costs in the art market, which in turn effects the value construction of artworks.

The costs of transacting also depend on the intermediary handling the transaction and the manner of sale (Stevenson 1992:203). Auction houses receive artworks on consignment and earn income primarily from high commissions charged to both buyers and sellers for the artworks auctioned. The commission charged to buyers is called the 'buyers premium' and the commission paid to the auction house is called the 'seller's commission'. South African auction houses charge 10% to 15% plus VAT of the hammer price to the buyer and the seller of an artwork<sup>72</sup>. The total sales price of an artwork bought on auction is thus the sum of the 'hammer price' and the buyer's premium plus VAT<sup>73</sup>. This indicates that the average costs per transaction on artworks sold at auction can amount to an additional 20% to 24% plus VAT on the price of an artwork sold at auction<sup>74</sup>.

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<sup>72</sup> Stephan Welz & Co charges a buyers premium of 12% on the hammer price for "Fine & Decorative Art" lots selling in excess of R 5 000.00 and 15% for lots selling at R 5 000.00 or less. VAT at the prevailing rate is applicable on such premiums irrespective of the buyer's domicile. Because the buyer agrees that Stephan Welz & Co acts as the agent for the seller, the auction house may also receive commission from the seller. A seller's commission of 12% is therefore also payable on the hammer price for lots selling in excess of R 5 000.00 and 15% for lots selling at R 5 000.00 or less. Again, VAT at the prevailing rate is applicable on such premiums irrespective of the seller's domicile (Stephan Welz & Co 2010a: 224-225).

<sup>73</sup> In many cases buyers negotiate special arrangements regarding the buyer's premium. Special terms for buyers are not unusual. Strauss & Co makes provision for such negotiations by only stating in their Conditions for Buyers that "a buyer's premium, calculated at the applicable current rate of the hammer price, shall be payable by the buyer to Strauss & Co in respect of the sale of each lot" (Strauss & Co 2010: 166).

<sup>74</sup> Although the seller's commission is often stated as a percentage of the hammer price, most often between 10% and 12%, actual seller's commissions are often negotiated arrangements that differ by seller. For example, Strauss & Co do not stipulate a percentage for the commission payable by the seller in their Conditions concerning Sellers. Leaving the percentage sellers commission open for negotiation, the auction house merely states (similar to the buyers premium) that "seller's commission, calculated at the applicable current rate of the hammer price, shall be payable by the seller to Strauss & Co in respect of the sale of each lot comprising one or more objects submitted by the seller for sale" (Strauss & Co 2010a:166). In some cases, sellers pay no commission and may even be guaranteed a minimum sale price (Ashenfelter & Graddy 2002:6)



The transaction costs for buying South African art overseas on auction is also very high. Bonhams for example, charges a 20% buyers premium on the first £ 250 000.00 of the hammer price or 12% on the excess over £ 250 000.00 of the hammer price of art works that is payable by the buyer (Bonhams 2008:210). 17.5% VAT on the hammer price is also charged on imported artworks sold through Bonhams and an additional import VAT at 15,4% of the invoice value which is calculated on the rate of exchange when the artwork arrives in South Africa is payable to South African Customs.

Purchasing art on auction also involves substantial additional costs which may impact on the value of an artwork. These costs include packing and crating, transportation and storage costs, insurance, maintenance and restoration which are usually for the buyer or seller's expense<sup>75</sup>. Other costs include export and import customs duties and expenses related to security measures.

### **10.7. Economic Conditions.**

**Results like these prove that even during an economic slump, top quality works fresh to the market which are handled with the best expertise and marketing, always sell well.**

**(Strauss & Co Online)**

This variable of value refers to the state of the economy at a national, as well as global level. Stevenson (1992:204) states that the correlation between the state of the economy and the state of the art market is difficult to determine. However, as the financial figures involved in the trading of artwork increase or decrease, it is likely that that the art market becomes more sensitive to general economic conditions.

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<sup>75</sup> Strauss & Co clearly indicates that the “buyer shall be and remain responsible for any removal, storage, or other charges for any lot and must at his own expense ensure that the lot purchased is removed immediately after the auction but not until payment of the total amount due to Strauss & Co” (Strauss & Co 2010a:167). Furthermore, the Strauss & Co may “deduct or retain the seller's commission and the recoverable expenses for which the seller is liable from the amount paid by the buyer for the lot as soon as the purchase price, or part of it, is received and prior to the sale proceeds being paid to the seller” (Strauss & Co 2010a:168).

Whereas periods of an economic upturn or downturn in the art market and within the economy as a whole do not necessarily have to occur simultaneously, they do overlap. Similarly to luxurious goods, art is most commonly purchased only when other, more basic needs are satisfied, and is most often one of the first commodities to be sold during economic downturns. Therefore, times of economic upturn on the art market may proceed with a certain time lag, and art slumps can set in only at the onset of the economic recession.

With the first signals of a slowdown coming from the international art market, it seems that Goetzmann (1993:1373) may have been right to suggest that the art market reacts strongly to the situation on the stock market and that this response proceeds with a certain time lag.

In general, increasing economic growth should be followed by higher art prices. However, the overall effect is not always easy to forecast. On the one hand, it can stimulate demand and supply as a result of the increasing wealth of consumers and the expectations of sellers of future growing prices. On the other hand, it may reduce demand for art due to greater attractiveness of other alternative forms of investment. Moreover, where economic uncertainty is related to inflation, buyers may prefer to have their wealth in the form of real assets, such as art (Stevenson 1992:204)<sup>76</sup>. It may be argued, however, that these economic effects applies only to art investment-oriented buyers and have a limited impact on the values and prices of art works.

## 10.8. Disposable Income of Buyers

**But behind the purchase (or individual re-appropriation of use value) there always remains the moment of expenditure, which even in its banality presupposes something of a competition, a wager, a challenge, a sacrifice and thus a potential community of peers and an *aristocratic measure of value*.**

**(Baudrillard 1981:113)**

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<sup>76</sup> Stevenson (1992: 204) further indicates that a similar situation may arise with political uncertainty, where works of art could be regarded as movable assets.

**We act as a magnet for all the new people coming into the market. And a lot of those people might be more comfortable in an auction house – where anyone with cash can flex their muscles.**

**(Cheyenne Westphal, Sotheby's European Chairman  
in Lacayo 2008:35)**

The disposable income of the buyer (or the buyers' wealth), a variable also correlated with the overall state of the economy, is one of the decisive factors affecting the demand side and as a consequence the values and prices of art (Schneider and Pommerehne 1983:49).

As stated previously, since works of art are considered luxury items, the interest in purchasing or collecting art could only be expected to become a consideration once all basic physiological and safety needs have been satisfied and the income, or wealth, of the potential buyer are beyond a certain level, as Stevenson (1992:203) states:

Art is a 'superior good', that is, the demand for art is income elastic: as income increases, so does the possibility that a portion of that income will be expended on art.

From a purely economic point of view it may therefore be argued that the increasing prosperity of potential buyers and their socially based needs for esteem and self actualization can have an effect on the level of demand and the value of art in the higher end of the market to a greater extent, relative to other market segments.

The act of buying (or collecting) art, as a form of consumption, is never simply a purchase (in other words the re-conversion of exchange value into use value), but it is also an expenditure. Buying art on auction is a clear manifestation of wealth as well as a manifest destruction of wealth (Baudrillard 1981:112).

Baudrillard (1981:112) notes that it is in expenditure that money changes meaning and it is value, deployed beyond exchange value and founded upon the “destruction of wealth”, that invests the artwork purchased, acquired, appropriated with its differential sign value. Considering the very high prices paid for art on auction, Baudrillard (1981:113) further remarks that it is not the amount of the money that takes on value, as in the common economic logic of equivalence, but rather the buyer’s money spent or “sacrificed according to a logic of difference and challenge”. Purchasing art on auction is thus simultaneously an economic act and a “trans-economic act of the production of differential sign value” on the part of the buyer.

Within the art market, it is this appropriation of works of art as signs that acts as a factor that legitimatise economic and social power (Baudrillard 1981:114). In South Africa, market demand for art within the national and regional economy is confined to comparatively small economic elite. For this reason, the majority of auction houses target the upper-middle income and high income earners, with the major auction houses such as Stephan Welz & Co and Strauss & Co focusing on the very wealthy. This clearly demonstrates that the essential function of the art auction is the institution of “a community of the privileged” who identify themselves as such by “agnostic speculation upon a restricted corpus of signs (Baudrillard 1981:117).

This aspect raises profound questions about the politics of market participation, access to and ownership of art, collecting practices and hence the autonomy of art on the market within the South African context since the dominant class would hold a sort of *jus primaevae noctics* over culture (Baudrillard 1981:114). Affirming that domination on the art market is linked to economic power, Baudrillard (1981:115-116) further indicates that:

Dominant classes have always either assumed their domination over sign values from the outset (archaic and traditional societies), or endeavoured (in the capitalist bourgeois order) to surpass, to transcend, and to consecrate their economic privilege into a semiotic privilege, because this later stage represents the ultimate state of domination.

It is clear that the art market is confined to individuals who have the necessary wealth and income (who can do without the funds invested in and artwork as well as the transactional and holding costs related to owning a work of art), but who also have an appreciation for the aesthetic and cultural value of art. Logically, as the income and financial wellbeing of communities improve during periods of economic growth, so the demand for art and values and prices of artworks on the market should improve (and *vice-versa*). In practice however, art is seen as a way of preserving wealth when other financial markets are under pressure, which results in buoyant markets even during recessions.

## CONCLUSION

In context of the ‘super-prices’ achieved for South African art on auctions locally since 2005, this thesis set out to explore and examine the processes through which the value of art on auction is socially constructed. Instead of assuming that these values are determined by pure supply and demand as specified by conventional economic theory, the study adopted a sociological approach in order to take into account the various social factors that influence the market processes and structures, given that value is ultimately the outcome of these processes (Zafirovski 2000:268). The sociological theory of value applied in this thesis did not however dispense of economic determinates, but were referred to throughout in discussing the various processes of value construction.

The thesis showed that the art market, as an historical primary by-product of art, is a cultural-behavioural development and exceedingly complex in its functioning. This reversed economy of the art market is culturally and economically structured and encompasses both cultural and economic logics. This characteristic generally poses various challenges in methodological approaches to study the art market as well as the value (and price) formation of artworks on the market, which involve not only economic but also non-economic variables. However, it is clear that although the subjective artistic, cultural and historical values of an artwork may differ, the moment of exchange on the market enforces one single value - the exchange value.

Bourdieu’s social theory of cultural production formed the theoretical framework of the study and revealed that the value of art is first and foremost produced symbolically through the interactions of various mediators in the cultural field. The construction of value is therefore a social process, “consummated” by the interactions between all the participants in the art field. Art market processes should therefore be recognized as not just a relation between the artworks as commodities represented by objective economic functions (demand, supply, utility and profit), but reflect social relations. This makes the art market a “foremost social body” (Zafirovski 2000:268).

Four chapters in this thesis were devoted to the Components of Value Model to explore and assess the various factors that contribute to the value of art on auction. The Aesthetic and Historical Factors; Supporting Documentation; Physical Attributes; and the Economic and Financial Factors of the Value Model reveals the status of value as a sociological category and an outcome of power relations and various related social factors. The value of artworks on auction therefore constitutes social constructions of meaning and is also manifestations of collective representations and ideals. In this sense, the value of art works represents social conceptions that reflect the behavior of actors in the market as well as in the art world. Zafirovski (2000:269) comments that since value is grounded in such collective representations and in some form of social consensus (within the art market and art world), the value formation of art resembles the process of public and political opinion formation.

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