

The Structural and Competitive Context of the Contemporary Visual Art

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Abstract

This paper aims to examine the supply-side of the contemporary visual arts industry by the conventional analytical apparatus of industrial organization theory. Initially the definition of the contemporary art market will be faced. Then it will be described, from a theoretical point of view, the operation through which works of art are distributed and sold, and how the market is structured at a global level. Four ideal types of markets are distinguished: junk market, alternative market, avant-garde market and classical contemporary. The final part of the paper assesses the Italian framework and, on the basis of the findings of the previous analysis, highlights the importance of setting up in Milan a Museum of Contemporary Art with an art rental program, named Art Bank.

Keywords

Contemporary Art Markets, Italian Museums, Marketing the Visual Arts.

1. The Structural Context of the Contemporary Art Market

The term “*art market*” refers to the operation through which works of art are sold and distributed. Broadly, it comprises auction-rooms to which property is sent for disposal to the highest bidder, or to dealers, who buy their stock from auction-rooms and rest directly from artists’ studios. The major centres for the sale of these luxury goods are **New York**¹ and **London** as measured by auction houses turnover and by number of commercial galleries dealing in contemporary artworks; other centres capable of attracting international prices are **Paris** (France has the 3rd largest art market in the world), **Rome** (Italy has the 4th largest auction market in the world) and **Cologne** (Germany has the 5th largest market in the world).

All these markets are situated in developed and wealthy countries, and some of them also operate at a local level. **Milan** and **Vienna**, for instance, have their own auction houses: Finarte and Dorotheum respectively, and Italy, in particular, operates a vibrant indigenous art market. Italy has certain advantages over other local art markets, since in addition to its advanced economy, it has a huge reservoir of ancient art and it is home to the Venice Biennale. Nevertheless, art markets have been growing in emerging countries; the most serious concentration of emerging art markets are found in East Asia, excluding Japan – China, Taiwan and Hong Kong (Greater China) and South Korea, with a second string of markets in South East Asia – Thailand, Vietnam and Russia (Robertson, 2003).

It is possible to represent the art market like a pyramid with a broad base. At the lowest level the market is relatively competitive since supply is abundant, information is fragmented and sellers

work to differentiate similar goods. Competition hinges on product variety rather than price. As we move to the market sectors dealing in works of higher quality the market becomes more concentrated. Entry into the market is restricted, the prospects of profit are uncertain and there is imperfect mobility of the factors of production, namely the artists, some of whom are bound by contract to existing galleries. However, unlike other restricted markets where barriers to entry benefit sellers at the expense of buyers, in the art markets buyers and sellers are equally interested in restraining work (Singer, 1988).

1.1 The Primary Market

A primary market is a market in which original works are sold for the first time. This market includes artists' studios, contemporary art fairs, galleries, and similar outlets (Heilbrun & Gray, 1993). The primary market is the part of the distributive process where the most important innovations in terms of new aesthetic values and trends take place. Dealing with art in the primary market involves the highest risk for both dealers and clients, because the art is on the market for the first time and there is no information available about these works.

However a distinction must be made between the new work of an artist who has already established a certain body of work and an emerging artist, with no market background at all. There is no doubt that the risk involved in the purchase of the latter is the highest, because the artists within this group are not yet established and there is no existing works that can be used for comparison. Despite emerging art is being dealt mainly on the primary market, young artists are increasingly entering the secondary market.

1.1.1 Sales Commission and Relationship Between Dealers and Artists

The commission fee charged by art dealers is usually the main source of income for the gallery and it ranges from 33% of the selling price to 40%; in some cases reaches up to 60% in the top commercial galleries. Sales commission is proportional to the visibility of the artist, the dealer's reputation and the investment in marketing and promotion. Occasionally, with young promising artists, the gallery may pay a fixed annual retainer in exchange for the sole right to sell the artist's work and reimburse them from profit rather than commission. Nevertheless selling-on consignment is the most common arrangement for selling the works of emerging artists. If the work is sold, the seller claims a commission, and the remaining proceeds of the sale are remitted to the artist.

The alternative to consignment is for the seller to purchase the work directly from the artist. While consignment arrangements are the most common commercial arrangement for the sale of contemporary art, the levels of service provided to the artist and the type of promotional activities undertaken by the gallery vary consistently. They range from full gallery representation, to a single exhibition promoted by the gallery, to work held for sale in the stock room of a gallery. In some circumstances, services provided to the artist may involve a combination of the above.

Dealers usually have an exclusive conditional monopoly over the artist production, but since contracts are generally limited in geographical extent and always in duration, oligopolistic distribution is the common practice. Several dealers acquire a monopoly of an artist's output, each within a specific geographical market (e.g. UK, Italy, Germany). In some cases, each dealer acquires a worldwide or regional monopoly of one type of production (e.g. watercolours, gouaches, oils). The actors to such oligopolistic market cooperate closely as an artistic network and generally agree on prices so as to maximize everyone's profits.

1.2 The Secondary Market

The exchange of existing works of art constitutes the secondary market, in which, in contrast with the primary market, participants are likely to have very good information about artists and their works. Available background information means that the secondary market is much more predictable and therefore the risk undertaken in purchasing a work is lower. Auction houses mainly charge a variable fee of commission based on the selling-price and the cost of handling, and to this is added any special expense incurred, such as illustration in the sale-catalogue.

The natural market structure for auctioneers thus tends to be international for highly valuable and well-known artists (mainly classical contemporary and avant-garde), and more localized for lesser artists that slide into the categories of junk and alternative art. The principal art auction houses clearly fit this pattern, with Christie's and Sotheby's sharing a world duopoly of high value works that attract far-flung interest, while a few other houses handle important art of particular national markets (alternative artworks) and a larger number conduct auctions of lower-value decorative objects (junk artworks). In this context, the auction houses have taken the monopoly once belonging to the experts and tastemakers such as Duveen and have become the major authority in dictating fashions and trends.

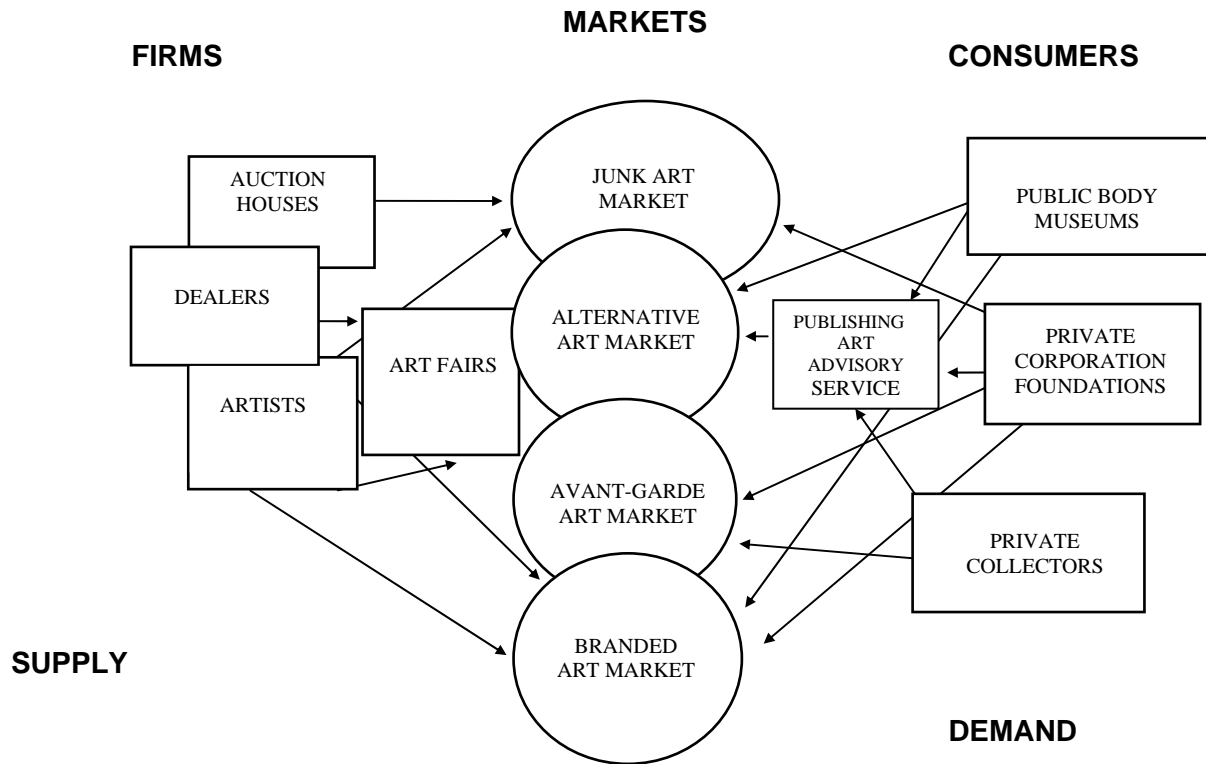
The United States owns the leading international art market thanks to a number of favourable conditions such as a stable political economic environment, a very strong currency, the presence of an highly speculative stock market and a number of fiscal and legal incentives. It's a very open market since the import/export of original works of art, more than 100 years old, is duty free and other taxes to be paid by the seller are lower than in Europe. Not only are there no restrictions for export, but also foreign buyers are not charged VAT. Furthermore, other factors such as the presence of international museums and a political benevolence towards private funding are key.

2. Market Segmentation and the Supply of Works of Art

As we have seen the contemporary visual art market is made up of different sub-markets (Primary and Secondary) that can be further segmented, with reference to Abell (1980) approach, on the basis of the quality of product offered, the price range and the market dimension and can be divided into:

1. Classical Contemporary Art Market (or Branded Art Market)
2. Avant-Garde Art Market
3. Alternative Art Market
4. Junk Art Market

These markets are differentiated according to the degree of monopoly, the inelasticity of supply, and the features of demand. While the junk art market is composed of many suppliers who want to differentiate their products, the market for classical contemporary artworks gathers a small number of suppliers who maintains an oligopoly. The avant-garde market, which is international and highly speculative, is dominated by the strategies of a few participants. Inelasticity of supply varies according to the market; it is weak in the market for junk and relatively in the avant-garde market, whereas it is strong in the market for classical contemporary.



Source: the author.

2.1 Classical Contemporary Art Market

The term “*classical contemporary*” refers to artworks produced by historical contemporary artists of the twentieth century. The classical contemporary art market is characterised by the uniqueness of the product since the supply is fixed and cannot be increased by variation of the market factors, namely the artists (Moulin, 1967). There are no laws preventing dealers from entering this segment of the market, but older firms, well endowed with capital and reserve of paintings, exert control over the market. It is therefore very difficult for a new comer, young and relatively undercapitalised to enter the market since barriers are really high. In this market, where painters have achieved the status of strong brands, the strategies of galleries become secondary, having lost control over the distribution network of works of art. The market is supplied at an international level with works, which are sold by collectors by means of auctions or by commercial galleries.

2.2 Avant-Garde Art Market

Defined as the market of artworks that aspire to have a relationship with the non profit sector (Brighton & Pearson, 1985) this is the market which attracts the principal attention of the press. A limited number of artists², represented by an even more limited number of galleries which often form a network, offer works to a restricted number of big collectors, both private and institutional. Brighton and Pearson have talked of the significance of the Art Council of Great Britain, the Art Council of Scotland and Wales and the Hayward Gallery as determinants of the economic situation of the visual artists. Robertson (2000) places Tate Modern at the apex of public sector validation in the United Kingdom.

The Guggenheim, the Whitney Museum and the Museum of Modern Art in New York might be considered the ultimate arbiters of significance on the avant-garde art work in the context of the international art system, since New York is the art market centre for contemporary art. The top artists working in the international art market for avant-garde such as John Baldessari, Christian Boltanski, Tony Ousler, Grayson Perry, and Julian Opie, are promoted through exhibitions and group and solo shows in national and international museums and art galleries. This market is governed by a restricted group of people³ represented by several curators of the principal modern and contemporary art museums, few dealers, rare collectors and some art critics, which work together to legitimate the artists' brand and to obtain a place in the history of contemporary art.

2.3 Alternative Art Market

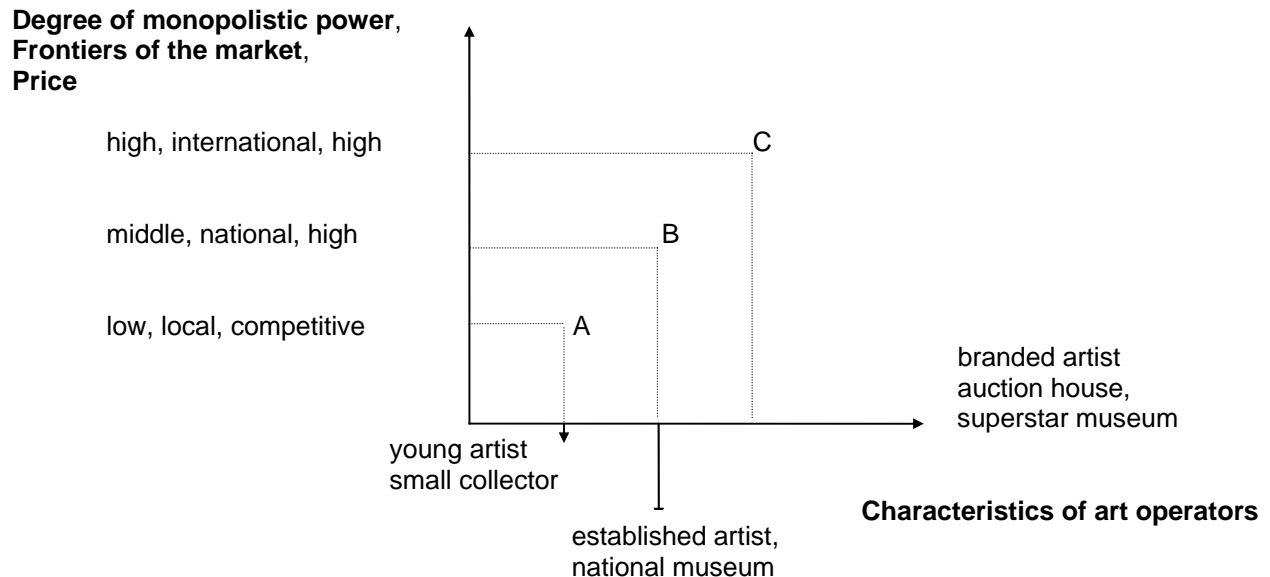
An alternative to the mainstream international avant-garde is represented by the Alternative Art Market, (Robertson, 2000) since the gallery's promotional work offers an alternative to that of the non-for-profit sectors. This market has been differentiated from the junk art market primarily by higher prices levels, and also by the fact that artists are tied to one dealer or a small number of dealers working under contracts with exclusivity clauses. This is a national market and the value of networks is determined by demand, which depends on the judgement of the critics and the choices made by the leading "art system leaders".

These social actors play a major role in creating a reputation for the artists and in defining aesthetic values. Therefore sellers compete for their recognition and attention. The great body of art works which is not selected by either the avant-garde or alternative markets, is picked up at the market's base and sold in the new art super-markets, warehouses, or in non specialist shops and stalls, entering therefore the junk art market (Robertson, 2000).

2.4 Junk Art Market

The term junk refers to inferior goods without any aesthetic quality and identifies cheap, "sub artistic" paintings (Moulin, 1967). The junk art market is supplied with paintings which have not been legitimised, whose role is essentially decorative, and/or with artworks which were for some time on the avant-garde market and then removed (Robertson, 2000). The market for junk paintings seems to conform to the classical model of pure competition since the number of suppliers is large, as is the number of buyers and none of them can exert significant dominance on the overall market. Market supply is almost infinitely elastic, since there are no barriers to entry and thousands of dealers enter the market with homogeneous works, driving artists' returns towards opportunity cost (L.P.Singer, 1992). The main outlets for these goods are: galleries, shops, warehouses, department stores and, more recently, the Internet.

Market Expansion Path in the Contemporary Art



Source: Besana, A. (2002) *Economia della Cultura*, Milano, Led Edizioni.

Connecting points A, B and C it is possible to find the Market Expansion Path for the Contemporary Visual Art.

3. Pricing and the Value of Artworks

Unlike at the end of the 19th century, when the hierarchy of prices followed in France the aesthetical hierarchy set up by the Academy of “*Beux Arts*”, today’s hierarchy depends upon the preferences of a restricted number of people who are collectors, critics, dealers and curators and are considered as a reference for a given period of time. The hierarchy of prices of emerging artists and their artworks is more unstable, although the internationalisation of the market certainly contributes to enhance this instability by multiplying place of recognition (Sagot-Duvaroux, Pflieger, Rouget, 1992).

The economic or monetary value of an artwork is affected by various components which are influenced by the participants of the art market. One of the factors that can be influenced by the artist and which have a direct effect on the value and price of an artwork is mainly the artist’s reputation, which is a function of the number of exhibitions, the recognition gained through art prizes, the past prices achieved and the representation by a well-recognised gallery. Broadly the recognized value of a few paintings belonging to a specific artist can determine the value of the whole output.

Furthermore the value of an art work is determined by technical factors such as the artist’s technical variety, the use of material and the size of work. On the dealer side, the main factors are the dealer reputation, the power to control supply and to create demand in periods of slow market, and finally, the skill to create trends and market artists. Other exogenous factors in such

discussions involve the level of development of the cultural infrastructure, along with macroeconomics and fiscal policies.

3.1 The Artist's Brand

The reputation achieved by an artist in the past combined with the attention devoted to him in the present time, are important features in the determination of prices. The reputation of an artist is built thanks to the information that dealers, critics and researchers provide to the buyers and its crystallization contributes to what I call the "**artist's branding process**".

Branding identity's theory can also be applied to the contemporary art industry, and derives from the interaction of many dimensions, within and without the artist's control. For established artists, **brand identity** (here meant as **crystallization of his/her reputation**) defines itself in relation to two elements of the art business system: the **artist's history** and the **creative identity**.

Personal history is one of the most valuable assets belonging to an artist. An artist starts to become a brand when obtains throughout critics, prizes and important exhibitions, its legitimisation and potential for growth. The number of solo exhibitions in important cultural institutions and the quantity and quality of criticism are the starting point and often also the basis for building a credible brand identity.

Creative identity is determined by the stylistic codes and is quite a permanent character of the artist's output. The codes can relate to forms, materials, colours, subjects or particular pictorial techniques. An artist starts to become a brand when his name evokes the characteristics of his work (e.g. Vanessa Beecroft with her naked models, Maurizio Galimberti with his mosaic portraits, Grayson Perry with his ceramic pots). At this stage the artist is clearly differentiated from its competitors, has its own place in the art system and its dealer has a monopoly which favours a rise in price.

The difference in price between branded and emerging artists could be justified by the fact that the brand phenomenon is a way of saving on information costs, in a field in which the degree of satisfaction directly depends on the degree of knowledge (Sagot-Duvaroux, Pflieger, Rouget, 1992).

3.2 Technical Characteristics of the Artworks

With equal aesthetic quality the price of works varies according to characteristics such as medium, size, and technique used. Since buyers rarely cannot collect large paintings in their own homes, the price of a painting increases at a decreasing marginal rate with size. As a consequence the falling demand for large works of art lowers the prices. Moreover, collectors who buy large works are generally museums or foundations and have greater power to negotiate the price due to the fact that the painting will be displayed to a large public, gaining reputation to the artist. On the other hand, large paintings help the artist to become famous and to increase the general value of his output, making the small ones sell better.

3.3 Degree of International Competition

The extent to which local and regional art markets allow or encourage foreign competition either through art fairs, international auctions or the establishment of foreign owned galleries in their

market, determines the degree to which international competition is welcomed. An international presence raises the profile and value of the artwork, by projecting it onto an international market (Robertson, 2000).

3.4 Level of Development of the Cultural Infrastructure

The number and quality of visual art museums in a country gives some indication on the level of a country cultural development. The quality of the museum, in term of its contents, influence the ability to attract blockbusters and overseas exhibitions and to develop the artist's value. Those countries, which are not well equipped to participate in the international museum circuit, risk seeing their artists de-valued and marginalized.

The dependence of contemporary art on the museum's validation is not only an aesthetic, but also an economic matter. Art needs to be validated by the museum in order to avoid speculation, since a world of unstable values is, in fact, the perfect world for speculation. Like the financial system of banks and monetary authorities, which guarantees the value of the currency in the absence of a gold standard, the museum system (or, to be more precise, the entire art pipeline, because, although the museum is the ultimate validator, it shares its task with the other art system actors) guarantees the value of art in the absence of objective standards of certification.

3.5 Power of the Dealer

Along with these factors a fundamental role in price development is played by the power of a dealer. From this point of view auction houses are "*free riders*" since they freely benefit from their promotion effort without paying for it. The dealer's strategic conduct is limited to allocation of capital resources, limitation of supply and manipulation of prices. He can choose to spend more on publicizing an artist's work and thereby hasten the process of recognition, or allocate most of his resources to acquiring paintings to be placed in storage for fairly long periods while awaiting a rise in price (Moulin, 1967).

In the short run, the strategies of trading art are not unlike those of trading stocks and like in the stock market what counts is not the reality of things but how the market actors perceive the reality. Although in the stock market when it comes to the long run, objective criteria become important, in the art market, judgement ceases to be subjective only in the very long run, where the judgement of history comes into play. In the interval between the short run and the very long run, art dealers are free to manipulate supply and, within limits set by market, demand prices too.

If the dealer succeeds in temporarily controlling the price of a painter's work, he can attempt to maximize his profits in several ways. He may keep prices relatively low in the hope of increasing demand, or he may store paintings acquired at low prices, buy back those in circulation, limit the supply, set prices high, and select buyers who he can be sure will not quickly resell. If circumstances are favourable owing to a fad for an artist's work, or a fever of speculation, the dealer may try to sell many works as quickly as he can and drive prices up rapidly. In this case, rising prices will attract speculators seeking quick profits and, owing to the existence of a parallel market, the dealer will find it difficult to maintain control over prices for long. In this market the paradox of rarity plays a great role since prices tend to rise when demand exceed supply. Hence operators exert considerable influence on prices throughout supply strategies in order to keep them high.

On the other hand a work of art must not be too scarce because its value depends on the artist's brand. And this value is linked with the number of people who have already seen a work of this artist. A minimum number of works is necessary to spread information and to give the buyer the utility to buy. And yet, the spreading of information also depends on the characteristics of buyers. A contemporary museum, for instance, gives more information about a work and contribute to the artist's brand building more than an anonymous buyer because it can exhibit an acquired painting and advertise it in an exhibition leaflet (Sagot-Duvaroux, Pflieger, Rouget, 1992).

A contemporary artist may be said to become successful when his work realises prices in the auction-room closely related to those asked by the gallery handling his work, and to those obtained for the work of his better-known contemporaries.

The Top 20 Most Expensive Artists at the Start of the 21st Century

(Artists born after 1940: ranking by highest hammer price at auction between January, 1st, 2000 and January, 1st, 2004)

Artist	Price	Title	Medium	Sale
1 NAUMAN Bruce	\$ 9,000,000	Henry Moore bound [...] (1967)	Sculpture	May 17, 2001 (New-York, Christie's)
2 KOONS Jeff	\$ 5,100,000	Mickael Jackson and [...] (1988)	Porcelain	May 15, 2001 (New-York, Sotheby's)
3 BASQUIAT Jean-Michel	\$ 5,000,000	Profit I (1982)	Acrylic	May 14, 2002 (New-York, Christie's)
4 RAY Charles	\$ 2,000,000	Male Mannequin (1990)	Sculpture	Nov. 16, 2000 (New-York, Christie's)
5 POLKE Sigmar	\$ 1,547,700	Doppelporträt (1963-1964)	Painting	Feb. 7, 2001 (London, Sotheby's)
6 GONZALEZ-TORRES Felix	\$ 1,500,000	Untitled (Blood) (1992)	Plastic	Nov. 16, 2000 (New-York, Christie's)
7 CLOSE Chuck	\$ 1,300,000	"Cindy II" (1988)	Oil/canvas	May 15, 2003 (New-York, Christie's)
8 BARCELO Miquel	\$ 1,282,735	"Autour du Lac Noir" (1989-1990)	Mixed media/canvas	June 26, 2002 (London, Sotheby's)
9 KIEFER Anselm	\$ 1,050,000	"Athamor" (1991)	Mixed media	Nov. 14, 2001 (New-York, Sotheby's)
10 HIRST Damien	\$ 1,050,000	Something Solid [...] (2001)	Installation	Nov. 13, 2003 (New-York, Phillips, De Pury & Luxembourg)
11 TUTTLE Richard	\$ 950,000	Letters, the Twenty-six Series (1966)	Metal	May 15, 2002 (New-York, Sotheby's)
12 FISCHL Eric	\$ 900,000	Noonwatch (1983)	Oil/canvas	May 16, 2000 (New-York, Christie's)
13 TANSEY Mark	\$ 900,000	Achilles and the Tortoise (1986)	Oil/canvas	Nov. 12, 2002 (New-York, Sotheby's)
14 ROTHENBERG Susan	\$ 900,000	"Layering" (1974-1976)	Mixed media	Nov. 12, 2003 (New-York, Sotheby's)
15 CATTELAN Maurizio	\$ 800,000	La Nona Ora (The Ninth Hour) (1999)	Installation	May 17, 2001 (New-York, Christie's)
16 GOBER Robert	\$ 750,000	Deep Basin Sink (1984)	Plaster	Nov. 14, 2000 (New-York, Sotheby's)
17 PURYEAR Martin	\$ 600,000	Stoffbild (1969)	Mix. media	Nov 11, 2002 (New-York, Phillips, De Pury & Luxembourg)
19 GURSKY Andreas	\$ 559,724	"Untitled V" (1997)	Photograph	Feb. 6, 2002 (London, Christie's)
20 MURAKAMI Takashi	\$ 550,000	Untitled (1999-2001)	Acrylic/canvas	Nov. 11, 2003 (New-York, Christie's)

Source: Artprice

4. Validation Strategies in the Visual Arts: the Italian Case

The previous sections describe (mostly from a theoretical point of view) the economic structure of contemporary visual art and how the market is structured at a global level. In the sequel, following the analysis of section three, the focus will be on Italian case as regard to the pattern of behaviors followed by both private and public enterprises in adapting and adjusting to an ever-changing and evolving market.

Only two issues will be explored: first, the Cultural Sector which provides the institutional framework for the industrial organization of visual arts; second, the alternative strategies of validation. The instruments of such strategies include personal network, marketing and communication policies and, most importantly, innovative ways of visual arts development.

4.1 Level of Development of the Cultural Infrastructure

In comparison with the international context, Italy's art system seems to be rather weak and vulnerable. Despite its historical art primacy, Italy has a tradition of indifference to, and neglect for, contemporary art. Cultural Policies in the art sector have long been centred on the management of the country's enormous heritage, rather than on supporting the production of contemporary culture. In fact until the early 1980s, contemporary art museums in Italy, almost did not exist. The few institutions devoted to modern art, like the Galleria Nazionale d'Arte Moderna (GNAM) in Rome, did not pay attention to the latest developments.

When some experiences initiated in Italy by Italian artists came to international recognition, Italian museums did not significantly contribute to their establishment, nor timely registered their success. No Italian museum gave members of Arte Povera a solo exhibition in the early stages of their careers; the same happened later with the Transavanguardia group, so baptised by the critic Achille Bonito Oliva, after that their success had been determined by the curator of the Basel Kunsthalle, Jean-Christophe Amman, and by German dealer Paul Maenz. In Italy both movements were not exhibited in museums, but in public spaces not specifically destined to host art shows, and were sanctioned, at an international level, by European and American institutions.

In those years the initiative of organizing contemporary art exhibitions was completely left to the local authorities, whose choices, in the absence of clear policies and intermediate bodies, were usually influenced by political and personal factors. However, starting with the 1980s, some symptoms of change could be felt: in 1984 opened the Castello di Rivoli museum in Turin; in 1988 the Museo Pecci di Prato, and then the Galleria Civica of Trento, the Museo d'Arte Moderna of Bolzano, the Palazzo delle Esposizioni in Rome. These institutions, jointly with the already existing Padiglione d'Arte Contemporanea (PAC) in Milan, contributed to validating the first generation of Italian artists after the Transavanguardia, through a few group exhibitions.

A late addition to this scenario is the Palazzo delle Papesse in Siena, founded in 1997. Altea (2001) analyzed the incidence of these museums on the making of artists' careers; taking as a sample a group of 28 artists⁴ heralded as "*the new Italian generation*" in a recent publication, Espresso, edited in 2000 by Sergio Risaliti, she found out that none of them had in their cvs a solo exhibition in an Italian public museum at a relatively early stage in their career, and just 28% had participated in group exhibitions. The recently established Palazzo delle Papesse appeared in 42% cvs, leaving well behind the Galleria d'Arte Moderna in Bologna (28%), the Castello Di Rivoli (17%) and the Museo Pecci (14%), not to mention the Civica Galleria of

Bolzano (7%) and that of Turin. Remarkable is also the presence in the cvs of other non profit spaces, the Trevi Flash Art Museum (35%), the Sandretto Re Rebaudengo Foundation, Guarene (21%), the Bevilacqua La Masa Foundation, Venice (14%) and the Teseco Foundation, Pisa (10%).

It is worth stressing the increasing presence of private foundations in the Italian artistic arena over the last decade. Alongside the already mentioned Sandretto Re Rebaudengo and the Teseco Foundations, which have been recently created with the aim of promoting the work of Italian artists, it should be remembered at last the Prada and the Trussardi Foundations in Milan, both focused on presenting exhibitions and projects of cutting edge international artists.

4.2 Personal Networks

What alternative strategies of validation are available then for Italian artists? For one thing, art schools (Accademie di Belle Arti) have since long lost their power of selecting and legitimating; they are confined to a formative task. In contrast to other countries, such as the British Royal Academy with its Summer Exhibition, in Italy student exhibitions are mainly internal events and are not regarded by the art world as an occasion for discovering new talents. Hence the process of enhancement of the artistic value resulting from the combined action of these factors (private galleries, non profit organizations, press and for a minimal part, museums) is characterized by the prevalence of personal networks (Altea, 2001).

It can be argued that the system based on personal networks is a central element of the art system in all countries; nevertheless in Italy it takes on a greater importance, not only for the relatively small size of the local art market, which encourages the development of situations of quasi-monopoly, but also for insufficient number of contemporary art museums and their inability to support and promote the most recent experiences.

The development of personal networks is likely to have a negative impact on contemporary art production. This can be seen in the game-theoretic model of the art system by the economist Pier Luigi Sacco (1998), where three actors (artist, dealer and collector) interact, and according to the combination of their strategies, gain money and relational capital. The latter can be thought of as credits: for a given quality of the artistic project, the higher the number of accumulated credits, the higher the status within the system and the likelihood of further success. Each actor has to choose the level of specific investment in his/her activity. High specific investments by an artist means plenty of time and resources spent on the development of the creative project, while low specific investments means a higher fraction of the artist time devoted to brand building and visibility.

The upshot of this analysis is that there are strong incentives, for artists at the early stages of their career, to invest more heavily in the formation of relational capital rather than in the creative project. The strategies of validation described above have proved to be of a limited effectiveness since their legitimating power doesn't go beyond national borders. In spite of Italy's art historical tradition, Italian artists have a rather low visibility outside their homeland. Just a handful, such as Maurizio Cattelan, Vanessa Beecroft, Francesco Vezzoli or Margherita Manzelli get recognition abroad. A glance to the list of presences in the last edition of Kassel's Documenta or in various biennales all around the world is sufficient to realize that very few Italian artists have access to international exhibitions.

The low profile of Italian art has prompted much debate among local critics; the problem has been discussed in terms of the need of finding a national artistic identity, as it has happened in

other countries in the past years (Germany with the Neuen Wilden, or the U.K. with the YBAs), which could help the last generation of Italian artists to be accepted in the international arena. Over the last year, a group of galleries, run by enterprising individuals and a series of exhibitions, organized by critics such as Alessandro Riva, Gianluca Marziani, Luca Beatrice and Maurizio Sciacaluga, have attempted to create a brand for the new generation, promoting the so called "*Nuova Figurazione Italiana*". Nevertheless, such signaling⁵ strategies cannot make up for the lack of adequate art policies and a fully developed network of contemporary art museums.

Conclusion

Italy is a country with great potential for the arts and does have a certain level of quality artworks taking place at the present time. However the Italian market for contemporary art cannot be considered a strong one: it is a national market, with little or no power to attract international buyers and international prices. The Italian art system is characterized by several factors which represent a strong entry barrier for artists willing to emerge in the international arena: the **scarcity of contemporary art museums** and in general the **scant attention** paid to young artists **by the public sector**; the **unfavorable tax rules** for dealers and collectors, and, above all, the prevalence in the art world of a network of **personal ties**. As a result the Italian art system provides a range of opportunities of validation narrower than the art system of other countries and a small circle of individuals and institutions controls the market. On the other hand, this situation favors the diffusion of opportunistic behaviors among artists, who are encouraged to concentrate their efforts on the building of a relational capital, rather than in the development of creative researches.

Success can be achieved by the ability of Italian operators to communicate a **strong Italian brand on an international level** and to **increase the awareness of contemporary art**. In order to increase, both nationally and internationally, the artists' visibility, spread works of art and therefore information (necessary to build the artist's brand, *cf* paragraph 3.1), as well as to build a strong national identity, could be set up in Milan a **Museum of Contemporary Art** with an **art rental program**, named **Art Bank**.

Art Bank should be the largest collection of Italian art for rent and the most active institutional supporter of young and emerging artists across and outside Italy. The collection should include paintings, sculptures, and photographs by Italian-born artists and should be available for rent to corporations, institutions, government departments and agencies at affordable rates. The purpose of Art Bank should be to provide exposure to high quality original art to the business community, and to encourage day to day interaction with art outside the traditional art places (namely Museums and Galleries). Art Bank's activities would produce a double benefit since artists directly would gain through the purchase of their works, while corporate, public sector and private clients would be provided with an opportunity to access works by Italy's most talented contemporary artists. From corporate office suites to restaurants, haute couture boutiques to Italian embassies around the world, Art Bank could bring style and originality to places of business through its contemporary Italian art rental collection.

Moreover, since art is an acquired taste, **education** of potential buyers should be recognised as the most important tool in increasing awareness and should be a principal target of the leading cultural institutions⁶. To that aim, private galleries should team up with outside Universities to offer a range of art and studio courses, as well as organize special classes in which curators

and other market experts meet the public and discuss the historical and artistic significance of artworks as well as their market value.

To sum up, the development of such an effective strategies would constitute a major step for the process of validation of the Italian emerging artists, and by favoring the circulation of information would boost the private market, introducing an element of healthy competition in the art scene.

Acknowledgements

The author is grateful to Carlo Antonio Ricciardi, from IULM University, Milan, for his constant teaching as well as to Angela Besana, for her useful advice and intellectual stimulus.

The author would like to thank the helpful comments of two anonymous referees and the editor of the *International Journal of Arts Management*, François Colbert.

A very special thank to Francesco Mantegazzini for his insightful suggestions, who helped to improve this manuscript.

Any remaining errors are, of course, my own.

Notes

¹ Auction sales turnover 2003, weight by country: United States 41,6%; United Kingdom 28%; France 9,3%; Italy 3,7%; Germany 3,4%; Netherlands 1,7%; Australia 1,6%; Switzerland 1,4%; Sweden 1,3%; Hong Kong 1,2%; Others 6,8%. Source: Artprice.

² Akerman Franz, Assume Vivid Asto Focus, Chapman Dinos & Jake, Collishaw Matt, Delvoye Wim, Gallagher Ellen, Gilbert & George, Goldin Nan, Hew Locke, Holstad Christian, Lambie Jim, Naim Sabah, Ofili Chris, Q.Le Dinh for instance, work in the avant-garde market.

³ According to ArtReview, the American leading art magazine, the 2003's art world's top 10 players were: 1) Ronald Lauder (collector); 2) Francois Pinault (collector); 3) Nicholas Serota (director of Tate Modern); 4) Larry Gagosian (art dealer); 5) Gerhard Richter (artist); 6) Charles Saatchi (collector); 7) Takashi Murakami (artist); 8) Maja Oeri (collector); 9) Leonard Lauder (chairman of the Whitney Museum of American Art); 10) Dakis Joannou (president of the Deste Foundation).

⁴ Espresso's List: Elisabetta Benassi, Carlo Benvenuto, Simone Berti, Bianco-Valente, Botto & Bruno, Maggie Cardelùs, Monica Carocci, Loris Cecchini, Sarah Ciracì, Roberto Cuoghi, Lara Favaretto, Giuseppe Gabellone, Stefania Galegati, Luisa Lambri, Marcello Maloberti, Margherita Manzelli, Nicola Pellegrini, Perino & Vele, Diego Perone, Cristiano Pintaldi, Paola Pivi, Sara Rossi, Marco Samorè, Alessandra Tesi, Sabrina Torelli, Patrick Tuttofuoco, Francesco Vezzoli, Italo Zuffi.

⁵ On the concept of signalling activity see Ricciardi, C.A & Gambaro, M. (1997) *Economia dell'informazione e della comunicazione*, Roma, Laterza.

⁶ To that aim, IULM University is now working in order to launch a Cultural Communication Observatory and a new project, named Brand Art Prize, in order to promote and develop the visual arts.

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