Chapter 3

Economic Value Versus Aesthetic Value

Is There Any Financial Reward for Quality?

Market Success Demonstrates Low Quality, But not if the Artist's own Work is Successful

When Alex goes to the local pub with his artist friends, a recurrent theme in their conversations is the question of whether the prices of artworks reflect their artistic quality. The other day the work of a colleague who has recently become successful in the market was being discussed. They scolded him for accepting such high prices for such dreadful paintings. (This particular colleague frequents a different bar.) They are angry at the stupid art world, which buys all this crap – literally and figuratively. They question the existing order, in what it does to sales and reputations, but mostly regarding its critical judgment.

Alex and his colleagues can be expected to think this way. Within their group, they have developed a specific notion about aesthetics. As artists, it is essential to them to offer, through artistic means, critical commentaries on society, including the market. Because people cannot be expected to purchase painful commentary, society should furnish a sanctuary for art outside the realm of the market. For them this is the raison d'être for subsidies. Thus, it's fairly obvious that their notions about aesthetics means that art with a low market value has a high aesthetic value and vice versa.

Later on, that evening something strange happens. Alex's colleagues ask him whether he has sold anything during his present exhibition. They congratulate Alex when he tells them he has sold several drawings. They say he deserves it. One colleague says she thinks Alex's work has improved a lot over the past two years. Alex suddenly realizes that they often berate the market when it favors artists who are not their friends, and conversely, if one of their own suddenly tastes success, they tend to attach almost too much significance to it. The market suddenly goes from being something coincidental to something righteous. And so they have to justify its righteous by concluding that Alex has worked hard and that his work has improved. But Alex wonders: maybe his work did not improve at all. Is it possible that his colleagues look at his work afresh because it is selling and that they suddenly see qualities they did not see before?
Deciding on the Value of One’s Work

Adrian, a former student and Alex’s good friend, has become successful, in the market as well as in the eyes of the critics. Since Adrian is now well known, sometimes at exhibitions people tell Alex that they like his work, but that it is too much like Adrian’s work – as if Alex is trying to copy Adrian’s work. Alex finds this hard to swallow. After all, he is twenty-five years older than Adrian. When they first met, Alex already had his own style, all before Adrian had even entered art school. Adrian’s work hangs on his wall and Alex’s work hangs in Adrian’s house. Due to a common interest and because of some mutual influence, their work is related. But if one influenced the other at all, Alex must have influenced Adrian, not the other way around.

Whenever somebody close to him, like Adrian, becomes successful, Alex feels the need to suddenly reevaluate his own work. The market value of Adrian’s work has increased a great deal to the point where it now has a much higher market value than Alex’s work. Thus, it’s only natural that Alex questions the aesthetic value of his and Adrian’s work. Does increased market value mean that the quality of Adrian’s work is also that much higher than his own? Somewhat to his relief, Alex realizes that it’s not just the work that matters. External factors also play a role. Adrian’s youthfulness and good looks certainly make a difference in the art world. Plus Adrian’s artistic form and temperament seem to suit the spirit of the times.

Therefore, Alex tries to formulate all the possible external factors that might influence public opinion, but also his own assessments of his own and his friend’s work. This way he hopes that his work will no longer be inferior. Even though the market and critics prefer his friend’s work, when it really comes down to it, his own work is just as good.

But Alex remains uncertain. He tells himself that the market and the critics can’t be totally wrong, and so Adrian’s work must have qualities his own does not. Moreover, Alex finds the notion that he could be just fooling himself by bucking the opinions of both the market and the critics unbearable. In the end, he has decided that his friend’s work is better. Adrian is a damn good painter.

Art That Ends Up on the Garbage Dump

Alex and his colleagues are serious about their art materials and techniques. Because of the paint, paper, and canvas and the techniques they employ, their works might well last a thousand years. They seriously ponder the possibility that their art might live forever. Which means that if their art is valuable now, it will continue to be valuable in the future. And if it is not valuable now, it is bound to become so in the future.

Two decades ago, Alex met an art historian, Sofia, whom rudely opened his
eyes when she told him that the overwhelming majority of artworks end up in a garbage dump. This might happen in part during an artist’s lifetime and in part shortly after his or her death. Within fifty years of an artist’s death, some ninety percent of his or her manuscripts, scores, compositions, and paintings have disappeared into the rubbish bin. These are averages of course. A rather small selection of artists still has its work intact but for the vast majority, their work has all but vanished. She also noted that of all the paintings that hung on walls in the Netherlands during the Golden Age, less than one percent have survived to the present day.  

Alex was shocked. It was not so much the perception of his art that was threatened, but of art itself. Deep down Alex had always cherished the holiness of art and its enduring value. He thought that this value stemmed from an intrinsic quality of art that other products lack. And because an intrinsic quality doesn’t just disappear over time, Alex assumed that valuable art now would still be valuable in a thousand years.

In the following years, Alex gradually came to terms with the temporality of his art and of the art he loved and admired. To his own amazement, Alex felt an enormous sense of relief. He no longer had to work for posterity. Instead, he could produce drawings for people, alive now, some of whom are his personal friends. These people evidently have some use for his drawings. But it’s very likely that in half a century his drawings will be lost. Who cares? He’ll be dead by then anyway. Since this revelation, Alex has found it easier to take responsibility for his art. Having a responsibility for the rest of eternity was always a bit too much responsibility. And so like a loaf of bread, most art works get used up. And Alex now thinks this is the way it should be.

Does aesthetic value diminish? Is that why so many works of art end up in a garbage dump? And why do artists remain so ambiguous about market value? One minute, artists are scolding the market because it has nothing to do with quality and the next their appreciation of Alex’s work is determined by its success in the market. And so when Alex’s friend Adrian becomes successful on the market, Alex first tries to play it down by questioning market value, but in the end he comes to the conclusion that his friend’s work is simply better.

Although I do not always behave accordingly, as an artist it is my conviction that the quality of my artwork is not related to my success or lack of success in the market. I don’t think that artists who earn more necessarily make better art. In my view artists who earn much money can still make bad art. If there is any relationship at all, I would have to agree with my colleagues who insist that success and low artistic quality go hand-in-hand. Although I actually earn a substantial portion of my income
through the market, as an artist I am convinced that aesthetic value is independent of market value.

But as an economist, I disagree with this. As an economist I believe that quality in general corresponds with success in the market. I'm sure that artists and art lovers alike will accuse me for being cynical. They would do well to paraphrase Oscar Wilde: "Here is this economist who knows the price of everything and the value of nothing". Be that as it may; I think I have a point. Otherwise, Alex and his colleagues would not be so ambivalent when it comes to market value.

In this chapter, my aims are limited. I don't intend to present a comprehensive study of how prices and aesthetic judgments in the arts evolve. Nor do I contrast cultural values with economic values as Throsby does. I merely want to demonstrate that aesthetic value, defined in a limited sense, and economic value are systematically related.

1 Aesthetic Value and Market Value Differ in Definition

Before embarking on a discussion of the relationship between aesthetic and economic value, the meanings of these terms should be clarified. As with the term ‘art’, I prefer to define aesthetic value more obliquely. So-called experts define aesthetic value. Aesthetic value is what experts call aesthetic value. The experts include artists, critics, mediators, and consumers with authority in the art world. They comprise the acknowledged leading experts of the art world. Similar to our earlier definition of art, not everyone wields the same amount of authority in the establishment of aesthetic value; the influence of some experts is larger than that of others. Aesthetic value resembles a weighed average. But unlike market values, aesthetic values differ only in an ordinal sense. For instance, some experts might find that painting A has more aesthetic value than that of painting B, but they cannot tell how much more.

This sociological approach to aesthetic value – which places the power of evaluation in the hands of experts – can offer a special perspective to the questions raised in the illustrations above. But it should be borne in mind that it also circumvents numerous issues and problems regarding the value of artworks that are of interest in other settings.

The economic value of a work of art is its value in terms of money. (Here as in ‘economic sphere’, and later in ‘economic capital’ and ‘economic power’, ‘economic’ is used in a monetary sense.) Most of the time ‘economic value’ is synonymous with ‘market value’, i.e., the amount of money involved in the selling and buying of artworks. Because economic value is measured in terms of money, it is possible to make precise com-
parisons. For instance, the market value of painting A is 1.8 times as high as that of painting B.

Although price is often thought to represent market value, this correlation is only appropriate in the case of unique works of art. In all other cases, like the sale of books, CDs and seats at a performance, only revenues from sales can represent market value. These revenues are determined by multiplying price by quantity.\(^5\) For instance, CDs by My Morning Jacket are the same price as Spice Girls CDs, and yet the market value of a Spice Girls CD is much higher, because sales of Spice Girls CDs are much higher. (In this specific case, quantity is a fair determinant of market value, but to be safe, it is always better to multiply price and quantity.)

2 ‘In the Market there is no Reward for Quality’

There is no reward for good art in the market. And it’s not just artists and art lovers who go around saying this. The notion that artistic quality does not ‘pay’ permeates every level of society. The cleaning woman and the lawyer alike may express as their opinion that true art does not pay and that artists must suffer. This is common wisdom that is deeply rooted in our society. As an artist, I also adhere to this view.

As an economist however, I oppose the notion that there is no relationship or even a negative one between quality and market value. I believe that market value and aesthetic value generally correspond. ‘In the market, artists are justly rewarded for the quality of their artworks.’ These two opinions are basically as different as day and night. I begin by putting them in some perspective.

First, I look at the artist’s argument, which also includes most art lovers: market value does not reflect quality. The relationship can, in fact, be negative. High aesthetic value can actually be linked to low market value and vice versa. Three different interpretations of this premise are possible.

1 Aesthetic value and economic value belong to independent spheres. Values deviate randomly and are only coincidentally similar. There is no relation whatsoever between these two values.

2 Aesthetic value and economic value belong to non-reciprocal spheres. Aesthetic value is independent, while market value depends, to varying degrees, on aesthetic value. Buyers listen to experts but not vice versa. A positive but one-way relationship exists in which aesthetic value remains an autonomous uncontaminated factor.

3 Aesthetic value and economic value belong to hostile spheres. An
inverse relationship exists. Market value reduces aesthetic value. The implicit message is that market value is dangerous for art; thus it must not interfere with aesthetic value. Because aesthetic value is not naturally autonomous, autonomy should be the goal of those you care about art. 

My description of the market and the gift sphere in the previous chapter implies the presence of hostile spheres not unlike interpretation number three. In commerce everything is measured in monetary term, which tends to degrade art; it lowers a particular artwork’s aesthetic value. And so evidence of commerce must be swept under the mat. Meanwhile, art lovers consider aesthetic value the essence of art. If art is sublime or sacred, it’s because of its aesthetic value. And thus, artists and art lovers feel the need to safeguard the notion of aesthetic value from contamination by market value.

Governments also seem to think there is a negative relationship between aesthetic and market value. For instance, in efforts to promote ‘quality’ in the arts, many governments tend to subsidize young artists who have not yet succeeded in the market. So, in the eyes of many governments, low market value can correspond with high aesthetic value. In fact, the very existence of government subsidies in the arts presumes an overall negative relationship between aesthetic value and economic value.

I now turn from the artist’s opinion to the opposing argument, that of the economist: market value corresponds with aesthetic value in the arts. The economist, William Grampp, defends this position most fervently. “In saying that economic and aesthetic values are consistent, I mean that if outside the market painting A is said to be superior to painting B then on the market the price of A will be higher than B.” Formulated in a different manner it begins to sound less pleasant: If the price of A is higher than that of B, then A is superior. I shall refer to this assumed (ordinal) correspondence as the thesis of correspondence between aesthetic and economic value or simply, Grampp’s thesis. Grampp does not say so, but a clear implication of his thesis is that, if one artist earns more than another, the first is the better artist. For instance, if Lucian Freud earns more than Jeff Koons, his work must be artistically superior. It is an implication most art-lovers will strongly repudiate. (Grampp refers to unique paintings and can therefore use price instead of market value. Because the analysis in this chapter also refers to multiples, like graphics, books, and CDs, I use market value to represent economic value.)

Grampp’s discussions of the correspondence between the two values certainly does not imply a one-way influence, i.e., that market value is
determined by aesthetic value. They depend on one another. In his view, aesthetic value cannot be an independent value as it also depends on economic variables such as relative scarcity. For instance, Grampp suggests that if Rembrandt had produced even fewer self-portraits both their market and aesthetic value would be even higher than they already are.10

In the context of our purposes, the thesis of correspondence offers a fruitful starting point for our analysis of economic and aesthetic value. The thesis is clear and precise, however in principal, it can be refuted.11 The thesis of correspondence is part of a broader and more relevant thesis. Economists like Grampp and Tyler Cowen claim that free markets and commerce in the arts more often promote quality or aesthetic value than harm it.12 But because this kind of thesis is harder to assess, it is not dealt with in this chapter.

To repeat, the economist defends the position that market performance and quality in the arts largely correspond.13 Thus, on average, artists get what they deserve. If they suffer, it’s because the quality of their work is low. On the other hand, the art world defends the position that quality in the arts exists irrespective of market performance. Artists may suffer because they lack market income while they are indeed making great art.

Before attempting to assess these positions, I will briefly discuss the question of whether market value and aesthetic value are social values.

## 3 Values are Shared

Social variables are essential in this book’s approach to the economy of the arts. Nevertheless, the term ‘social’ does not really exist in the traditional economic approach. This approach is based on individual preferences. Although individual preferences do get funneled into the market, thus influencing market value, it is not considered a social process. Market value then, is the automatic outcome of the interactions of numerous independent individuals who cannot alone influence the outcome. Therefore, market value is not a social value, but an objective value.

Modern economists, however, are well aware that preferences are not given and independent; preferences are interdependent.14 Nevertheless, in their view standard economic theory offers a useful ‘approach’, not necessarily a realistic view of the world. At the same time, most economists do not disagree with the thesis that market value is a social value.

It should be acknowledged however, that individuals are the building blocks of economic theory. Economists adhere to so-called methodologi-
cal individualism. If social values in fact exist, they stem from individual values or preferences. Sociologists, on the other hand, base their approach on social values, which they believe are not the sum total of individual values. Social values maintain a relative autonomy. As long as we take social values seriously, there is no need to take sides in this complex controversy.

In the context of this book, an analysis of value concepts is not necessary and would ultimately be confusing. The distinction between first order and higher order values (or meta-values) as noted by social scientists as well as economists cannot be ignored however. Taste and consequent shopping behavior rest on first-order values. Take Mr. Williams; he has a higher order value because he wants to be regarded as 'a man of his time'. Thus, he prefers fiction by young authors, which represents a first-order value. This implies that higher-order values and first-order values are contingent or interdependent, but not in a deterministic way. Contradictions between first and higher order values are not uncommon. Mr. Smith, for instance, buys Tom Jones CDs and goes to see pornographic films, but at the same time, he is ashamed of this kind of consumption. Evidently, his conscience tells him that he should prefer other kinds of music and films. In his conscience, he has internalized higher values that are more important to him than his daily values.

Without the possibility of individuals maintaining contradictory values, the cultural inferiority and consequent asymmetry in judgment described in Chapter 1 could not have existed. For instance, in practice people with lower levels of education buy different art than people with higher levels of education; their first order values differ. Nevertheless, when the first are asked to order low and high art their higher order values correspond in a general sense with the elite ordering. Therefore in their case, first and higher order values must contradict.

Social values that are primarily shared within a specific group result in a group attitude. Artists and economists, for instance, have different attitudes. To a lesser degree, the same applies to different groups of artists, such as composers and choreographers. The typical elements of these attitudes are commonly knowledge. So, it should not be too amazing to learn that the controversies between the artist in me and the economist in me – presented in each chapter's introduction – are largely predictable.
Are art lovers correct in saying that aesthetic value is independent of values such as market value and other social values? If the various spheres are indeed independent or non-reciprocal, then there is either no relation between aesthetic and market value, or market value adapts itself to aesthetic value, but not vice versa.

The way aesthetic value has been defined here makes it a social value by definition: individual experts who necessarily listen to one another, collectively determine aesthetic value. Nevertheless, for many experts aesthetic value is an altogether independent value that is hidden in the artwork.

Let us take a closer look at expert behavior. I mention four cases in which market value is influenced by social circumstances, in two of which aesthetic value is also effected.

1. The instant that new techniques of measuring characteristics unseen by the human eye revealed that a painting by Rembrandt was made by one of his students or that a Picasso lithography was a fake, the prices of these works tumbled as does their aesthetic value in the eyes of experts.

2. When any of the Marilyn Monroe portraits by Warhol goes up for sale, it consistently fetches higher prices than his other portraits. Moreover, within Warhol’s oeuvre, the Monroe portraits received a lot of attention from experts who wrote more positive reviews about them than about the others.

3. Until recently, companies, but also foundations and government-institutions, bought relatively many large and colorful abstract expressionist paintings to use as decoration in halls or behind desks. Because of this demand the market value of this type of painting was higher than it would otherwise have been. Experts however, will fervently declare that the aesthetic value of these paintings was not influenced by the use these institutions made of the paintings.

4. Copies of an etching are exactly alike, but they differ in their provenance, i.e., the documentation of their ownership history: one etching has been part of a royal collection since it was created, while the other has not. And so, the first sells at a higher price than the latter. But for experts this difference does not matter.

In all four examples, social factors have influenced market value. In the first two, they have also influenced the experts’ aesthetic opinion. In the third experts deny any influence. If we were to look from the perspective of the tenth floor however, we could probably prove that also in the
third example the experts were influenced by the omnipresence of those
cyte-catching abstract expressionist paintings, but were evidently
unaware of it.) In any case, the first two examples tell us that even experts
admit that their aesthetic judgment is sometimes influenced by social cir-
cumstances.

The examples are instructive because they show that experts draw a
line. In this case, the line is drawn between the second and the third exam-
ple. Rules and conventions among experts govern what enters into the
determination of aesthetic value. The existence of these rules and conven-
tions means that aesthetic value is in practice a social construction.

These remarks have not even touched upon the possibility that art
might have intrinsic aesthetic value independent of expert decree. Can
art be intrinsically valuable? People clearly desire this idea of intrinsic
value. Many art lovers, and I'm no exception, are looking for pure works
of art. They want to believe in a naive or virginal approach to listening,
reading and looking, as if the book, tone or painting is the first one. They
believe that only in this mode can they remain truly receptive to art. The
belief that art is sacred only feeds the notion of a primeval aesthetic expe-
rience comparable to that of a unique religious experience. But people
are never completely open nor do they live in a void. Their social values
and relation to art, determines which elements in an artwork are read,
heard, or seen.

If a Van Eyck painting were left behind for an indigenous tribe in New
Guinea, the tribe would probably treat it like any other panel. Because
the members of the tribe have a different social setting, they won't see
anything extraordinary on the canvas. The only value it might have is as
a shingle to fix a roof or as firewood.

In one of the above illustrations, Alex tries to compare his work with
that of his successful friend, Adrian. His friend's work has a higher
market value and experts pay more attention to it. Alex however, believes
(or hopes) that when the social impact is removed, his work will be con-
sidered no worse than Adrian's. He prefers to compare the 'intrinsic'
values of 'pure' artworks. But it's impossible to eliminate all social
values and begin with a blank slate. In practice, Alex only discounts
those values that he personally doesn't want interfering with the art-
work's 'intrinsic' value, such as their age difference. But a more agree-
able value, such as the homoerotic content of their work, continues to
assert its influence on his judgment of 'intrinsic' value.

Barbara Smith has pointed out, that by subtracting all social values
one is left with no value at all. She writes, "When all such utilities, inter-
ests, and particular sources of value have been subtracted, nothing
remains. Or, to put this in other terms: the 'essential' value of a work of
art consists of everything from which it is usually distinguished.”
Therefore, the division between aesthetic and non-aesthetic values
necessarily depends on social judgment.

Aesthetic judgments vary according to time and to the social group
involved. It thus follows that, contrary to the claim of many art
lovers and artists, art has no intrinsic value (thesis 15). Aesthetic value is not an
independent value, but a social value (thesis 16). This conclusion clears
the path for the discussion of the main question of this chapter: how are
aesthetic and market value related? Is there a negative relationship as
many artists and art lovers believe, or is it positive as the economist
believes?  

5 Buyers Influence Market Value and Experts Aesthetic Value

Who determines aesthetic value and market value? In discussing the
controversy regarding the relationship between aesthetic and market values,
it might be helpful to try to answer this question first.

Who determines market value? As previously noted, in standard
economics, there are numerous independent players who determine price. In
neo-classical economics, so-called ‘sovereign’ consumers come first. Producers
are relatively unimportant; they adapt their behavior to the
wishes of consumers. Our argument as well is based on the notion that
producers are relatively unimportant when it comes to directly influencing
the market value of art-products. (If they do manage to, it is usually
via experts as co-producers. As we shall see, such experts influence
market value via their opinion on aesthetic value.)

Not all consumers influence market value. And when they do, they do
so to varying degrees. In so-called deep-pocket markets, buyers need
depth pockets (lots of money) to participate and ultimately influence
market value. Important paintings are sold in deep-pocket markets. I
will first look at an individual transaction. When a specific painting is
sold, it appears that one rich person’s willingness to pay determines its
market value. As noted earlier, however, other wealthy people operating
in the background also help to determine market value. This becomes
particularly clear in an auction setting. The more interested people with
money attending the auction, the higher the price. (In a commercial
gallery the mechanism is much the same, but more indirectly and with
more constraints.)

If instead of noting the market value of a single painting, we look at
the value of the entire body of work, for instance of a certain genre, its
market value depends on the willingness of a group of buyers to pay. Sup-
pose we compare the developments in the sales of new figurative paintings and abstract expressionist paintings. And suppose we find that the sales of the first increase more than the latter’s. In that case, it means that the relative willingness of rich consumers to pay for new figurative art has increased. Metaphorically speaking, people who can afford such paintings can be said to have ‘voted’ for the goods on sale. Therefore, market value is not unlike the outcome of an electoral process where people with enough money ‘vote’ for products. In this example, new figurative art is the winner compared over abstract expressionism.

Not only deep-pocket markets but also so-called mass markets exist in the arts. For instance, CDs and books are sold in mass markets. They are relatively cheap and therefore more people can afford them. Here as well market value depends on consumers’ willingness to pay. But here willingness to pay is reflected not in higher prices but in higher sales. In a mass market, the metaphor of an electoral process is even more apropos. Buying a CD by a popular composer or a book by a successful author immediately adds to sales. The fact that these purchases are often recorded in best-seller lists adds to the voting analogy.

But not just technically reproduced art is sold in mass markets; art museums and cinemas also operate in mass markets. The live performing arts operate in an intermediate position, because attending a live performance is relatively more costly, but not as costly as buying paintings. Meanwhile, overly expensive performance art outings – operas or small exclusive pop concerts – tend to operate in deep-pocket markets.

In both mass and deep-pocket markets, the sine qua non of influence on market value is purchasing power. People must have sufficient money and be prepared to spend it on the works concerned. The difference, then, between mass and deep-pocket markets is that low prices means more people are able to participate in mass markets than in deep-pocket markets. Thus, market value in deep-pocket markets depends on the willingness of a small group of rich people to pay, while in mass markets it depends on the willingness of large groups of less wealthy consumers to pay.

In keeping with our electoral process metaphor, people can be said to vote for various products in the art market, and market value can be said to be the outcome of this process. It is not a democratic process however. The number of votes people can cast depends on their purchasing power.

In extreme deep-pocket markets, small groups or maybe even a single person can decisively influence market value. When one of the Saatchi brothers, from the London advertisement agency Saatchi and Saatchi, started buying Damian Hirst’s artworks for their private collection, the pricetag for these works immediately increased. And when he then subse-
quently sold off the collection’s Sandro Chia paintings, the monetary value of Chia’s oeuvre decreased considerably.

Because the rich have large reserves of disposable income, their economic influence on market value is considerably larger than of the poor. But this only applies to individuals or to groups of the equal size. If prices are low enough and the group of ‘poor’ people is large enough, their collective economic power can be just as decisive. Social groups who in the past had little disposable income to spend on luxury goods have since gained a considerable degree of purchasing power. They tend to spend more and more on cheap, mainly technically reproduced, art products and thus they have a sizeable influence on the market value of these products. Therefore, it’s really not surprising that, unlike art dealers, record companies prefer to target the tastes of these masses instead of small wealthy groups of art consumers.

Thus, in mass markets large groups willing to spend money on art determine market value, while in deep-pocket markets a small group of rich people willing to spend their money on art determines market value.

If these groups, in fact, determine market value, who determines aesthetic value? Given the definition of aesthetic value as formulated above, experts determine aesthetic value. Like buyers, experts can be compared to voters. And like market value, aesthetic value can be compared with the outcome of a voting process. In the case of aesthetic value however, it is not purchasing power, but the power of words or cultural power that determines the number of votes participants have. An expert with a good reputation evidently has a larger say in the determination of aesthetic value than an unknown art historian who has just earned his or her masters degree.

It must be noted that in our approach in this chapter, we do not pay separate attention to the influence of producers – artists, record companies, publishers, and other participants in the art world. – but this doesn’t mean that producers are irrelevant in the determination of aesthetic and market value. For the sake of the argument however, I place ‘producers’ in the category of ‘experts’. In the words of Bourdieu, they produce belief.27 They influence aesthetic value and, if market value and aesthetic value are not independent of one another, they also indirectly influence market value. (In later chapters, specific attention will be paid to the power of producers and their institutions.)

6 Power Differences Rest on Economic, Cultural and Social Capital

Is it possible that the powers of the social group that leading experts
belong to are different from those of consumers? On average art consumers are part of a social group that has relatively more economic capital (wealth) and income at its disposal and thus has more purchasing or economic power. When buying art they use their economic power to do so. Their spending influences the market or economic value of art. Meanwhile, experts are part of a social group that has much cultural capital and therefore, more cultural power. The experts use their cultural power in the arts. Their cultural influence or cultural authority affects the aesthetic value of art.

Economic capital consists of money and assets like real estate that can be quickly converted into cash. (As with the terms ‘economic’ sphere, ‘economic’ value and ‘economic’ power, the use of the term ‘monetary’ or ‘financial’ capital instead of ‘economic’ capital would have been preferable, but by using ‘economic capital’ I do not deviate from common usage.)

Sociologists introduced the concepts of cultural capital and social capital. Recently, an increasing number of economists have started to use these terms as well. Cultural capital refers primarily to incorporated abilities and dispositions. Cognitive abilities are part of cultural capital. Social capital refers to present and potential resources that arise from a network of social relations. Reputations often symbolize the possession of social and cultural capital. Unlike economic capital, social and cultural capital cannot easily be exchanged or bought and sold.

The differences are relative. On the one hand, the experts’ social group not only has cultural capital, but also some economic capital. After all, most experts have more money to spend than average people. But each expert has less to spend than the average rich person who buys paintings; and as a group experts have also less to spend than the large group of buyers of books. On the other hand the ‘money-people’ buying visual art not only have economic capital but also some cultural capital. They certainly have more than average cultural capital, but nevertheless their cultural capital is less valuable than the experts’ cultural capital.

Economic capital is important in the market; it enables spending. Collective spending determines the market value of a group of art products. In determining aesthetic value, cultural capital is the most important. With their capital, experts influence aesthetic value. They do so within a discourse among themselves and within larger social groups of which they are part. Collectively, they select and weigh the factors that determine aesthetic value. Social scientists have written extensively about this selection and weighing process.

In the establishment of aesthetic value, the possession of cultural capital is decisive and in the establishment of market value, it is the posses-
sion of economic capital that matters (thesis 17). If the social group accommodating important buyers and the social group accommodating leading experts differ in their composition of capital and, consequently, in their tastes as well, this explains that economic and aesthetic value do not always correspond. They may even have a negative relationship as some artists and art lovers insist.

7 In Mass Markets Quality and Sales Easily Diverge

Why does the art that experts judge as inferior often sell so well in mass markets? In fact, it sells better than 'quality art'. This is a common phenomenon in the mass markets of books, c.d.s, films, and videos. For instance, the market value of Steven Spielberg films is much higher than the market value of Werner Herzog films. The same applies to the books of Allistair McClean in comparison to those of William Golding. Nevertheless, most experts would agree that Herzog and Golding offer higher aesthetic value.

Unlike deep-pocket markets, it is unlikely that this phenomenon is caused by the variance in the composition of capital between average experts and average buyers. (Experts are likely to have both more money and more cultural capital than average buyers, but not necessarily in different proportions.) It is caused by differences in the collective purchasing power that determines market value. Average buyers with average tastes enter mass markets in large numbers and so boost the market value of art that experts have deemed to have little aesthetic value. Therefore, the difference in purchasing power between large groups with little cultural power and small groups with a lot of cultural power offers a rather obvious, but easily ignored, reason for the occurrence of deviations between mass market aesthetic and market values.

In mass markets, the general rule is that aesthetic value deviates from market value. This is shown in the cases of the two directors and the two authors. In mass markets, large groups of consumers buy works of art, such as books and c.d.s or tickets to live performances and films. Even though individual people may have little disposable income, collectively they have a great deal of money to spend and they spend it on numerous cheap works of art, thus boosting their market value.

Whereas, the collective influence of mass consumers on market value increases in proportion to their numbers, the same does not apply to their influence of aesthetic value, however. It is true that they have their own experts who share their various tastes. These experts tell their stories on popular television programs and in the daily newspapers. Nevertheless,
despite their large numbers, the overall influence of these experts in terms of determining aesthetic value is relatively small. They have little cultural power or influence, especially compared to the group of high culture experts. And because these high culture experts tend to belong to different social groups, their cultural preferences differ and they attach little aesthetic value to the art preferred by the average consumer. (In this case, although collective spending is the sum of individual spending, the collective cultural influence is not the sum of the individual cultural influences. Unlike money, cultural capital is embodied and is thus difficult to transfer from one person to another. Numbers do not necessarily add up to cultural power.)

The lack of correspondence between aesthetic and market value in mass markets is related to the phenomenon of cultural asymmetry, which was discussed in Chapter 1. The argument was that as long as there is social stratification and as long as art products are used for designating one’s position in social space, judgments about art will remain asymmetrical. People from the upper echelons of society ‘naturally’ look down on the art of those below them, while the latter ‘naturally’ look up to the art of the former. Although the lower classes of consumers are not wealthy, cumulatively they have a lot of money to spend. And even though they may admire their social superiors, they do not spend their money accordingly. And so here is where market value deviates from aesthetic value.

Because high culture experts come from the upper echelons of society, their tastes are necessarily different from the average consumer. Therefore, economic value and aesthetic value tend to systematically deviate in mass markets (thesis 18). This proves that both the economist and the artist are sometimes right and sometimes wrong. High aesthetic value and low market value can go together, but not necessarily. The deviations in value reveal differences in power. It took quite an effort to reach this rather obvious conclusion. But this will make it easier to explain deviations in economic and aesthetic value in deep-pocket markets.

8 The Strife for Cultural Superiority in the Visual Arts (An Example)

The visual art market is a deep-pocket market. It offers a good opportunity for us to discuss the possible deviations between aesthetic and market value. In numerous countries over the last decades, a divergence between market and aesthetic value has developed in two important styles in the visual arts. In comparing these styles, a refutation of the economist’s notion that quality and sales correspond seems to emerge.

The two style groups are not always called by the same names. I follow
Nathalie Heinich who uses the relatively neutral terms ‘modern art’ versus ‘contemporary art’. Within brackets I shall however, also use the more commonly used terms ‘traditional art’ versus ‘avant-garde art’. The styles involved are difficult to describe. They are probably best understood in connection with the names of well-known artists associated with the two groups. In Britain for instance, Damian Hirst represents contemporary (avant-garde) art, while Freud, Auerbach, and Kitaj represents modern (traditional) art. It must be emphasized that in this book the term ‘avant-garde’ refers to a group of related and established styles and not to avant-garde in a literal sense. (After all, art cannot be established and avant-garde at the same time. Currently, ‘cutting edge art’ sometimes replaces the terms ‘contemporary art’ and ‘avant-garde art’. In Britain, ‘traditional art’ or ‘modern art’ is also called ‘serious art’.)

Modern (traditional) artists develop their art from within an existing long-standing artistic tradition. The motto is continuation with modification. Another characteristic is the emphasis on authenticity. The personal touch of the artist is easily recognizable. Contemporary (avant-garde) art, on the other hand, tries to offer an alternative to earlier art movements, such as realism and impressionism, in particular. Sometimes visible references are made to these earlier styles, but more as a comment, than as an extension of the already established tradition. Authenticity is not altogether absent, but also not over-emphasized. This kind of art tends to be self-referential. That is particularly true in conceptual art and in installations.

The market value of modern (traditional) art is as high or higher than the market value of contemporary (avant-garde) art. Top incomes are higher in the modern (traditional) area than in the contemporary area. For instance, Lucian Freud earns considerably more than Damian Hirst. Nevertheless, the main difference has less to do with extremely high incomes, than with the number of artists who earn attractive to fairly high incomes. That number is also thought to be higher in the modern (traditional) area.

In the Netherlands, these two markets could be separated reasonably well until quite recently. Because most important critics tend to ignore traditional art, people tend to think that the market is small. But judging from art fairs, and artists I know, a different picture begins to emerge. Modern (traditional) visual art by living artists probably has at least as large a share (if not a larger share) of the total market than avant-garde art does. But when it comes to aesthetic value, a different picture begins to develop. Whereas the market value of modern (traditional) art tends to be higher, its aesthetic value is lower than that of contemporary

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(avant-garde) art. Most of the acknowledged leading experts tend to favor avant-garde art. It should be noted, however, that both modern (traditional) art and contemporary (avant-garde) art have their own circles of experts. For instance, in Britain in the nineties, Damian Hirst was the darling of the avant-garde experts and his work was considered of the highest aesthetic value. Traditionalist experts meanwhile, preferred the work of Freud and Auerbach.

At present, in most countries the contemporary (avant-garde) art experts are more influential. They don’t value modern (traditional) works of art. That is why the aesthetic value of traditional visual art is considered less than that of avant-garde art despite its higher market value. The influence of traditionalist experts, then, is obviously much less, but not altogether absent either. This varies from country to country. Dutch traditionalist experts find themselves more and more in the shadows of the avant-garde experts. In Britain however, the two aesthetic camps continue to compete. There traditionalist experts and artists do not submit to the dominance of the avant-garde and still fight for a return of their past supremacy.

9 The Power of Words Challenges the Power of Money

Why do the contemporary (avant-garde) visual art experts have more cultural authority than the modern (traditional) visual art experts? Apparently the avant-garde’s cultural capital is more valuable than the traditionalists. The avant-garde experts belong to the so-called ‘new cultural elite’, which challenges the traditionalist ‘economic elite’. The traditionalists are connected with the economic elite that has most economic capital. Thus we can say that the two groups differ in the composition of their capital.

These elites are obviously made up of different types of people. The economic elite can buy art; sometimes art that costs millions. The cultural elite meanwhile is made up mostly of well-educated wage earners with less money to spend and thus buy fewer and cheaper artworks. These elites have different social histories and thus, different tastes. The cultural elite tends to prefer avant-garde art, while the economic elite prefers more traditional visual art.

Nevertheless, one elite does not exclusively determine market value while the other does not exclusively determine aesthetic value. Indirectly, the economic elite influences aesthetic value while the cultural elite influences market value. On the one hand, experts, such as art historians, who are part of the cultural elite, advise collectors with a lot of economic
capital. On the other hand, price and revenue fluctuations from sales influence the decisions of experts whether they are aware of it or not. Therefore, values are not independent of one another and most likely over time they tend to converge.

Nevertheless, this convergence can be disturbed by future events that come from outside. The very emergence of a cultural elite itself can be seen as an important convulsion. The phenomenon of people with much cultural capital and little economic capital is new. (It could be a temporary phenomenon.) The present-day cultural elite did not exist a century ago. This new elite both depends on the old economic elite, and challenges its power.

No area is better suited for opposition than that of artistic values, the area where the cultural elite feels most at home and where its cultural capabilities or capital serve it well. In order to challenge the economic elite, the cultural elite embraces the avant-garde, especially in the visual arts. It tries to legitimize its emergence by associating itself with modern, innovative, and often intellectual art. The economic elite, with stronger roots in the past, naturally prefers serious or traditional art, which tends to legitimize its long-term existence. 19

Successful challengers move from a position of social inferiority to one of equal status, and finally to a situation of social superiority. In all of these situations different kinds of deviation in aesthetic and market value may occur. And so, the artist is often correct because aesthetic and market value can have a negative relationship. Nevertheless, in deep-pocket markets deviations tend to be temporary, because money and cultural authority tend to coincide over time. In this case the economist is right. It follows that the deviation of aesthetic and market value in deep-pocket markets stems from strife for social superiority (thesis 19).

10 The Government Transforms Cultural Power into Purchasing Power

How can influential experts with little money but with an opinion that deviates from the established market 'opinion' make themselves heard in deep-pocket markets? Why are the artworks these experts prefer made at all if most wealthy art buyers express no interest in it? After all, experts are powerless unless their opinion circulates and their choice of art is exhibited. Who finances their art and dissertations?

Even though the old economic elite primarily buys modern (traditional) art, a considerable market for contemporary art also exists. Four circumstances should be taken into consideration regarding this situation.
1 A major portion of contemporary artworks are produced by young artists and are sold for relatively low prices. Almost anyone with an above-average income, from teachers to civil servants, can afford to buy contemporary art, even though it might not be every month. And small sums multiplied by large numbers of sales begin to add up. (Especially at the bottom end of deep-pocket markets large numbers are not irrelevant.)

2 Although the economic elite in general has a more traditional taste, considerable deviations do exist. Different subgroups within the elite have different social histories. For instance, some families have been rich for a long time; they earned their money in industry, others in trade. While other families, the so-called 'nouveau riche' only more recently became wealthy. Given these differences, it is sometimes advantageous for certain groups within the economic elite to side with the new cultural elite. Therefore, it should not be surprising that a (growing) minority of private collectors buys contemporary art.

3 The same argument applies to corporations. The minority of corporations that collect contemporary art continues to grow. Collections, such as the Peter Stuyvesant collection, for instance, draw its share of attention. Shareholders may not always agree with the choices of the art purchased, but shareholders' influence is limited. Within these corporations the higher-ups, primarily a new-well-educated cultural elite, have a considerable amount of leeway when it comes to purchasing art more to their tastes.

4 Most importantly, however, is the fact that in many countries, governmental bodies and institutions (partly) financed by the government, purchase contemporary art or subsidize contemporary art.

This means that governments with their large art budgets can certainly harm the economic hegemony of the wealthy. If government spending on visual art is added to private and corporate spending, the average taste of art consumers shifts considerably. This way governments, willingly or unwillingly, are also players in the arena of cultural strife.

In the Netherlands, this latter phenomenon is of particular importance. In 1996, between one quarter and one third of all sales in the visual art market were financed with public money. The money came from the central government, local governments, museums and other institutions that spent public money buying visual art. Not much traditional (modern) art was bought and commissioned with this government money. Therefore, if it is true that the traditional (modern) art market is about the same size as the contemporary (avant-garde) art market, government spending accounts for sixty percent or more of the sales of con-
temporary art. This implies that in the Netherlands, not unlike in other mainland Western European countries, the avant-garde visual art market is above all a government market (thesis 20).41

Extensive government involvement in mainland Western Europe has become possible with the emergence of the new cultural elite in and around government bureaucracies. Its members occupy important positions in the various government administrations. Therefore, it is only natural that in the conflict between avant-garde and traditional visual art, governments in a number of European countries have sided with the cultural elite.

At the same time, most governments are not supposed to have a taste of their own. They are only supposed to be promoting ‘quality’ in the arts. The question of what quality is, is left up to the experts. Nevertheless, most government-appointed experts come from the new cultural elite. Therefore, by spending money on contemporary art, the government not only follows in the footsteps of the new cultural elite, it also gives credence to the cultural elite’s notion of quality. In this manner, governments increase the value of the new cultural elite’s cultural capital.

Because of government intervention, contemporary art has emerged as the only relevant area in the visual arts in the Netherlands. The victory of contemporary art is almost complete. In the market, traditional (modern) art is still important, but the aesthetic value battle has been lost. Those working in the traditional (modern) sphere tend to implicitly acknowledge the superiority of contemporary (avant-garde) art. The deviations between market value and aesthetic value has not quite disappeared yet, but the social strife is largely over.

Compared to mainland Western Europe, British government involvement is quite modest. That is why the struggle in Britain is still largely undecided. It is tempting to compare the British situation with that of mainland Western Europe with respect to the effects of government involvement on the development of the visual arts. It is my personal opinion that because there is less governmental intervention and because traditional (modern) art is still militant in Britain, the artistic level in both the traditional and the contemporary art worlds is higher in Britain than in mainland Western Europe.

Viewing the works of artists like Freud, Auerbach, and Kitaj, or the modern portraits featured in the National Portrait Gallery in London, it is not difficult to see that the artistic level is high in the modern (traditional) arena. In my view, contemporary (avant-garde) art in Britain is also far livelier and more inventive than mainland Western Europe’s. Contemporary art in for instance the Netherlands and even more in France suffers under its easy victory: it is complacent.42 Because the
British avant-garde is still being challenged, it remains competitive and alert; it observes its opponents and appropriates the most interesting aspects of its opponents’ art. Unlike in the Netherlands, this results in an exiting and interesting cultural climat in Britain’s visual arts. It is inevitable that even despite the paucity of government intervention, contemporary art will ultimately triumph in Britain as well, but the resulting cultural climate will be enriched rather than impoverished.

To return to the main issue of this paragraph: in buying art and giving to art, governments use their economic power to increase the market value of art which the reigning experts have judged to be of high aesthetic value (thesis 21).

11 Donors and Governments Know Best

Why is the gift sphere in the arts relatively large? Is it because governments and donors side with the new cultural elite and subsidize its art? If this is true, it cannot be the whole story. After all, the government and donors also fund classical music, which is a favorite of the economic elite. Moreover, the market value of classical music would go down without subsidies and donations, while the market value of contemporary visual art continues to rise regardless. A broader argument may apply here. Whenever market value is lower than aesthetic value according to leading experts, governments and donors tend to step in. They use their economic power through purchases and gifts to protect ‘quality’. By giving, they support ‘quality’ and so they bring the market value closer to the aesthetic value.

As noted in the beginning of the chapter, governments generally subsidize arts activities that experts believe to be aesthetically valuable and could not thrive or perhaps even survive without government support. This applies to young unknown visual artists receiving grants as well as to prestigious orchestras and opera companies.

In the case of mass markets – books or films, for instance – government and funding organization intervention is limited. They give ‘quality’ a chance to survive, but any attempt to substantially increase the relative share of ‘quality art’ in these markets is too costly. But on the other hand, in the intermediate markets of say live music and theatre, for instance, and in the deep-pocket visual art market, donors and governments often manage to increase the relative market value of ‘quality art’. (In the case of the visual arts they do this not only through subsidies and donations but also through purchases.)

Government subsidies to the arts can be explained in more than one
way, as will be shown in the course of this book. One explanation, suggested above, has been that leading experts and the social groups they belong to have an influence on the government. (This would be a form of so-called rent seeking.) But when you hear the arguments of governments and donors, another explanation comes to the fore. Donors and governments care about people and therefore they worry about ‘high quality’ art. They believe average people show too little interest in ‘quality art’ and buy less ‘quality art’ to their own detriment. They believe that average consumers underestimate the benefits of ‘quality art’. Therefore, they use their economic resources to buy art and support the arts. This is certainly one possible reason why the gift sphere is so large. It is a so-called merit good argument. Art has special merits that people are insufficiently aware of and therefore donors and governments support art. Donors and governments know what is ‘best’ for two reasons: they know what art is ‘best’ and they know what is ‘best’ for the people.44

This chapter’s provisional thesis on the recurring issue of the large size of the gift sphere reads as follows: The gift sphere in the arts is large because governments and donors believe people underestimate the value of ‘quality art’. Therefore, they protect and stimulate ‘quality art’ through donations and subsidies (thesis 2.2). Their support helps bridge the gap between high aesthetic value and low market value.

12 Market Value and Aesthetic Value Tend to Converge in the Long Run

When the government and donors bridge this gap between aesthetic and market value, the correspondence between these values increases. And as the conflict between modern and contemporary visual art groups gradually disappears, the correspondence between aesthetic value and market value in the visual arts also increases. Is there a long-term tendency towards convergence then? If that is indeed the case then the economist is correct after all. A number of factors point in that direction.

Consumers care about the opinions of experts, while experts are influenced by consumer behavior, whether they are aware of it or not. When the Saatchi brothers boosted the prices of Damian Hirst’s work and devalued Sandro Chia’s work, experts largely heeded the Saatchi’s behavior and changed their aesthetic judgments. On the other hand, art collectors heed expert opinion, for instance by consulting publicized ratings, which show that the prices of the works of certain artists are out of line with the experts’ assessments. This is how they discover whose work is on the rise and whose value is collapsing. By buying or selling the works of these artists they consequently draw the market
value closer to that of aesthetic value.\textsuperscript{45}

2 As noted above, government tastes can be at odds with those of the average consumer. This implies that government subsidies and purchases bend market value towards aesthetic value, which is the case in the Netherlands. Government subsidies and purchases can also indirectly bend market value towards aesthetic value because they have a signaling effect. They alert buyers that what they support is ‘high quality art’ and consequently consumers start to purchase more of it.

3 In the long run, artworks with much aesthetic value can earn artists high symbolic rewards as well as market income. Bourdieu observed that publishers of serious literature and dealers of avant-garde visual art are less interested in immediate returns than their ‘lower’-end colleagues are.\textsuperscript{46} They make long-term investments. And when, perhaps decades later, it turns out that they were instrumental in launching important artists, they and the artists may be rewarded with everlasting recognition, fame, and money.

4 As noted, in the long run the two social groups – one with economic capital and the other with cultural capital\textsuperscript{47} – will probably begin to resemble one another more and more until they fuse and aesthetic and market value correspond.

Although these forces may bring aesthetic and economic values together in the long run, they can just as easily be thrown off balance again. When the higher echelons become more alike, chances are that new social groups will emerge in the struggle for social supremacy. They are bound to bring along new forms of cultural capital that will influence aesthetic value and thus lead to fresh offshoots. If this is a cyclical process, long-term convergence is doubtful.

All these forces also apply to mass markets but less firmly. For instance, in the case of films, it is possible that in one hundred years, Herzog may be better remembered and more honored than Spielberg. But even then, it is unlikely that over that period of time, his movies would have earned more money than Spielberg’s. (This does not contradict Bourdieu’s argument, because his approach is based on symbolic rewards. Therefore, in Bourdieu’s view, Herzog’s work could, in the long run, generate most symbolic returns, but not necessarily more monetary rewards.) Donations and government spending probably can’t bridge the gap between aesthetic and market value in the mass markets because it would just be too costly.

Another difference between mass and deep-pocket markets is that the gap in values in deep-pocket markets disappears when large artistic areas are set apart. If one looks only at traditional or only at contemporary

\textbf{MARKET VALUE AND AESTHETIC VALUE TEND TO CONVERGE IN THE LONG RUN}
visual art, for instance, the gap all but disappears. Both areas have leading experts whose judgment on aesthetic value does not deviate much from the market value. On the other hand, agreement between market value and expert judgment exists only in small artistic areas, or subcultures when we are dealing with technically reproduced pop music. Because of the ever-decreasing price of the technical reproduction of sound, images, and words on CD, video, CD-ROM and DVD, the purchasing power of large subgroups breeds all sorts of subcultures with separate aesthetics of their own.

Are pop music and new media art forms the precursors of a postmodern era in which many different values with relatively little coherence coexist? And will the other arts follow suit? Asymmetrical assessment would then become a thing of the past. Formulated differently: is it possible that over time the arts will splinter into more and more subcultures, which peacefully coexist? Will the thesis of convergence break down altogether in a postmodern era? The Epilogue will deal with these questions.

13 Conclusion

Why do Alex’s colleagues, in the illustration earlier in this chapter, publicly ridicule market values, and yet, appear to be fascinated by them? And why – to Alex’s relief – is it that on average an artwork’s aesthetic value doesn’t remain constant, but diminishes over time, as well as market value?

Apparently, artists are aware that market value and aesthetic value sometimes correspond. Publicly they nevertheless reject market value because they want to believe in the independence of aesthetic value or in a negative relationship between quality and price. But aesthetic value cannot be independent; it cannot rest on the intrinsic qualities of a work of art. Instead aesthetic value is a social value, that is influenced by social circumstances including market value. Because aesthetic value is a social value, it can diminish when works of art gradually become less useful.

Economic and aesthetic value are interdependent. However, this interdependence does not necessarily imply the correspondence the economist predicted; nor does it necessarily imply a negative relationship like the artist predicted. In this respect, both artist and economist are wrong. When the power to buy and the power to tell what is good and what is bad art rests with one group, market and aesthetic value may correspond. When these powers are in the hands of different social groups, low quality can have a high market value as well as vice versa.

In markets where expensive art products are sold, like paintings, the