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Economic Freedom and Inequality in the Art Market: The Case of the Commercial Gallery

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Abstract: This article aims to consider the contemporary art market vis-à-vis the concept of economic freedom. Drawn from a larger study, this paper offers a glimpse of the political function of the art market, which is essentially an economic field. What I demonstrate is an inevitable clash between a free market and between political constructions that effect levels of freedom—concentrating on the parameter of inequality. The article focuses on the case of commercial art galleries, and analyzes their operation under neoliberal conditions, which represent the implementation of the idea of freedom in the economic field. Subsequently, I demonstrate the how high levels of concentration in the art market erode the levels of the equality of the players in the field. Ultimately, I argue that this case offers an example of the more general operation of the art market, which follows neoliberal principles, and thereby undermines the concept of economic freedom that is intrinsic to them.

Keywords: art market; neoliberalism; freedom; equality; concentration; competition

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1. Introduction

Before moving to its new home in Manhattan's Meatpacking District in 2015, the Whitney Museum celebrated its last show in the Breuer building with a high-profile retrospective of works by the American celebrity artist Jeff Koons. This lavish exhibition, which featured artworks worth half-a-billion dollars, received leadership support from Gagosian Gallery, which represents Koons. For those acquainted with the mechanisms of the contemporary art world, the fact that a commercial gallery provides the principle financing for a museum exhibition does not seem odd. Indeed, a similar case was noted by Sarah Thornton in a chapter of her book *Seven Days in the Art World*, which details some aspects of the preparation for Takashi Murakami's solo exhibition at the Los Angeles Museum of Contemporary Art in 2006, and the leading financial role played by the artist's LA gallerists, Blum & Poe, in the production of the exhibition (Thornton [2008] 2009, pp. 181–217). Moreover, such commercial support is not an exclusively American phenomenon: Koons's 2008 exhibition in Versailles enjoyed the support of his local dealer, Emmanuel Perrotin, who also financed Elmgreen & Dragset's 2016 show at the Flag Foundation; Gagosian also contributed to the Tate exhibition of artist Rachel Whiteread in 2017; David Zwirner supported Wolfgang Tillmans's 2020 show at WIELS; the Swiss mega-gallery Hauser & Wirth supported Pipilotti Rist's show at the New Museum in 2016, and the list goes on.

While this phenomenon might evoke ethical questions regarding the involvement of commercial interests in the museum, this essay aims to explore a different aspect of such involvement, theorizing this practice by addressing the concept of freedom as an economic construct. Rather than contributing to a sociological critique of the commercial financing of museum exhibitions, I aim to offer a critical perspective on the operations of the art market and the art world under economic and political conditions that hallow the principle of freedom. By considering the economic relations between leading commercial galleries and public museums, I will argue that an art market conducted according to the principles of a free economy paradoxically constricts its economic freedom by enhancing inequality within the art world. More specifically, the case of art galleries and their economic interests in museum exhibitions will serve to argue that the internal logic of economic freedom in the art world necessarily leads to concentration, undermining the social-political maxim of equality. Equality is a term that pertains to the mechanism of civil thought, and is above all related to democratic ideas. More important, for this study, is equality's role in the practice of economic freedom, and its effect on market dynamics. Although I will suggest that a similar dynamic characterizes all aspects of the art world, it would be impossible to encompass all of them in this paper. Therefore, I have chosen to focus on the specific phenomenon of exhibition sponsoring by galleries. While I will place the galleries at the center of the proposed narrative, there are other actors involve—museums, artists, collectors, and viewers, each playing an active role in the market economy and participating in its dynamics. In what follows, I will present the idea of a free art world economy as a paradox, using the parameter of equality and its compelling effect on the levels of economic freedom. In order to present the contradiction inherent to economic freedom in the contemporary art market, I will first conceptualize the current structure of the art world in economic terms. Second, I will turn to economic theory, sketching the evolution of modern liberal economic ideas into the current mechanisms under discussion. Finally, I will analyze the practice and understanding of economic freedom in today's art world, focusing on the case of commercial art galleries and their support of museum exhibitions featuring the artists represented by the galleries. Before embarking on a discussion, I will conclude this introduction with a short survey of current art-market scholarship, and with a number of methodological notes.

The field of art market studies, which has flourished in recent years, has been shaped by practitioners in a number of fields—most notably gallerists, art-business experts, and cultural sociologists. A consideration of the art world and art market from a sociological perspective was first put forth by constructivist thinkers, and taken on by contemporary sociologists and theorists such as Thornton, Pamela Lee, Jonathan Harris, and Olav Vlthuis (Harris 2004; Velthuis 2007; Lee 2012). Significantly, then, "quantitative" terms such as concentration, competition, value, etc. are by now commonly used in analyses of the art market, whereas the application of "qualitative" terms, such as freedom, democracy, or justice to art-world constructs appears much more problematic. A theoretical account of the art-world economy that takes such terms into consideration has yet to be elaborated, and requires the formulation of a relevant terminology and methodology. This essay seeks to provide such a theoretical analysis by employing concepts that originated in the field of political economics. In doing so, I hope to contribute to the body of scholarship concerning the art market, which is based on empirical methods of inquiry. The data used in this study was mostly retrieved from published economic surveys and analyses of the art market. Rather than conducting an empirical investigation, I have sought to place the existing data, which demonstrates economic concentration in the field, in the context of economic theory, analyzing the effects of recent economic changes on market freedom and equality. Thus, while the current study does not offer an empirical assessment of freedom or equality levels, I show how established economic models enable us to understand the effect of art-market concentration in terms of specific political-economic categories.

In order to theorize the art-world economy, and to facilitate a discussion concerning the economical politics of the art market, a number of general questions require consideration: The main question concerns the extent to which the art market reflects equality/inequality, and whether equality and freedom are required, expected, or desired. Both equality and freedom are wide and complex concepts, and the relationship between them is similarly intricate. In economic discourse there exists a vast literature on the correlations between equality and freedom, many times framed within the context of democracy (Acemoglu and Robinson (2001, 2006) and Boix (2003) are arguably the most cited scholars). Yet, as Krauss (2015) shows, because political and social concepts are such complex constructs, and belong to a macro-level discussion, any attempt for a scientific (empirical) understanding is bound to suffer from serious methodological problems. What we can do in order to pursue a more rigorous methodology is narrow down the conceptual framework and avoid a cross-disciplinary analysis—in this case a synthesis of the social-political and the economic. Hence, in this paper I will limit my discussion of equality and freedom to an economic context, dwelling on the relationship between economic freedom and economic equality (mainly the distribution of capital and equal opportunities to participate in the market).

In order to conceptualize freedom and equality in the context of the art-world economy, a consideration of liberal and neoliberal economic thought is inevitable. In examining the economy of the contemporary art market, we find a system that complies with the capitalist traits of neoliberal markets. In fact, scholars of the art market have repeatedly called attention to the fact that the art market has no central regulating body, and therefore suffers from the illnesses of neoliberalism—including high levels of concentration (Velthuis 2019). Indeed, apart from laws against money laundering through the acquisition of art, economic restrictions within the art market are non-existent. In economic terms, then, the art market represents an extreme example of a free economy, based on the principle of minimum regulation.

2. Freedom, Equality, and Liberal Economy

As a political term, the concept of equality gained popularity in modern times parallel to the concept of liberty—both becoming prevalent in intellectual and popular discourses throughout the seventeenth and eighteenth centuries. The establishment of the modern democracy in America in 1776 was followed by the French Revolution of 1789, with its democratic motto "Liberty, Equality, Fraternity." Yet paradoxically, when we turn to economic thought, we find that liberty and equality do not necessarily go hand in hand. And when we focus on the liberal economic schools that emerged within modernity, the separation of equality from freedom becomes explicit. On the basis laid by moral and social thinkers in the seventeenth and eighteenth centuries—such as John Locke, Jean-Jacques Rousseau, Voltaire, and many others—concepts such as individualism and freedom (and even happiness) were applied to economic thought. The pinnacle of liberal economy at the time is identified with Adam Smith's *The Wealth of Nations*, published in 1776, wherein Smith (1776) claimed that an economy operating without intervention, according to individual interests and choices, results in an equilibrium that also maximizes social interests. These individual self-interests, for Smith, are auto-regulated: in the economic arena it is restricted by competition, which is supposedly a characteristic of a free market.

The capitalist ethos of *laissez-faire* epitomized by Smith's work became the key concept of the modern liberal economy. Nineteenth-century economists such as Jean-Baptiste Say, Nassau Senior, and Alfred Marshall continued to develop the theory of free markets, as they witnessed the favorable reception of capitalism and its implementation by means of state policies. The celebration of a liberalist economy was interrupted by World War I and the Great Depression, which called for massive governmental economic intervention. Yet the Second World War, and the ensuing schism between Western and Eastern Europe, prepared the ground for a liberalist revival: Eastern Europe embraced communism and a Marxist economic policy, which had been articulated in reaction to the neglect of the working class by most liberal economists; the West, by contrast, adopted liberal economic ideas, while doing away with the ideal of equality. Between the two World Wars, the USA gained control over the Western market; at a time of economic crises, poverty, and unemployment, the country that had declared liberty to be an "unalienable right" turned to fiscal policy and government interventions that influenced macroeconomic conditions. Leading this fiscal policy was British economist John Maynard Keynes, who became so central to macroeconomic theory that his name and ideas have become synonymous with the chapter between nineteenth-century liberalism and the re-formation of the liberal school in the USA in the 1960s, which represented a reaction to Keynesian policy. However, this period was also characterized by a profound shift in the conceptualization of "liberalism". While in the nineteenth century it was understood as part of an economic and political framework that prioritized freedom, throughout the twentieth century the concept came to be identified with social ideals, as part of a cultural approach associated with an economic emphasis on equality and welfare values.

As this brief sketch of the early evolution of modern liberal thought reveals, the connection forged between the concepts of freedom and equality was ruptured in the course of the twentieth century. A painful new reality challenged governments and resulted not only in the erosion of the concept of freedom, but also in a complete theoretical separation between it and equality. It was this backdrop that gave rise to the school of neoliberalism, with its focus on the freedom of the market at the expense of moral concerns, including equality.

The demise of Keynesian policy began with the onset of the Cold War, and was finalized in the early 1970s, giving way to neoliberal policies. During those years, economists and philosophers such as Karl Popper, Milton Friedman, and Friedrich Hayek sought to bring the world economy back closer to the principles of liberalism and freedom, as opposed to collectivism and socialism. The new liberals had to be differentiated from their contemporaries, who identified twentieth-century liberalism with the principles of equality and welfare policy. (For more on these problems, see Friedman 1961.) Like their nineteenth-century peers, the neoliberals eschewed the twentieth-century liberal ideal of equality in favor of the ideal of freedom, arguing that it was a means to promote equality. "Neoliberalism" became the term representing this return to freedom as a leading economic principle, which is today associated above all with the Chicago School, led by Nobel Laureate Milton Friedman.

In his book *Capitalism and Freedom*, published in 1962, Friedman provides a telling explanation of the relations between freedom and equality: for him, every person has an equal right to freedom; nevertheless, he explicitly distinguished equal rights and equal opportunities from material equality, or equal results. Analyzing Keynesian economic policy, Friedman argued that any governmental action aimed at increasing equality diminished the general growth (in other words, markets will enjoy greater growth in a state of inequality). He concluded his chapter on poverty relief by declaring that one cannot believe in equality in a moral sense and remain an economic liberalist. While Friedman genuinely believed that economic freedom nurtures political freedom, he admitted that moral issues are to be separated from macroeconomic issues. Morality, for the neoliberal, is not to be dictated as a government policy, but should be left for the individual to struggle with. Freedom must be prioritized in any human network, whereas the concept of equality must remain within the framework of personal morality and philosophy (Friedman 1962, pp. 160–61). Freedom and equality, in this context, are not necessarily opposed to one another, yet equality is to be appreciated only as an instrument for freedom. Generally speaking, this line of thought, reaching from Smith to Friedman, forms the background for current discussions of the once unbreakable bond between liberty and equality, which were morally bound together. Embraced by Western politicians like Margaret Thatcher and Ronald Reagan in the 1980s, the neoliberal approach continues to shape the markets operating today, including the art market.

3. The Art Market and the Liberal Economy

So how does a free market create mega-players like Gagosian, Perrotin, and others? Why do public museums depend on their support? And what does this dependance tell us about the state of economic freedom, and about equal opportunities in today's art market? For the sake of this discussion, I will offer a definition of top commercial art galleries as economic players, which have major capital holdings in the art market (in comparison to second- and third-tier galleries, which each have a minor holding). These private economic entities use public stages, such as museums, as a public-relations tool, which they secure through exhibition sponsorship. In what follows, I will provide a number of examples in order to form a more concrete picture of the degrees of freedom and equality in this particular arena. Clearly, the mechanism is relational and also involves the levels of freedom of other players (museums, collectors, etc.). This paper, however, will deploy the example of the gallery sector as a means to understand a particular dynamic that can later be examined in relation to other sectors in the market (e.g., museums).

The year 2019 concluded with almost 300,000 commercial galleries and dealer businesses operating worldwide, of which about one third were located in the United States (McAndrew 2020, p. 56). If we look at the number of new galleries entering the market in comparison to the annual number of closures, we will find that both numbers have been in decline over the past ten years (retrieved from (*Artfacts* n.d.). However, the number of openings is declining more rapidly than the number of closures—meaning that while we are still, in 2019, witnessing a growth in the number of galleries, it is significantly lower than during any previous year in the twenty-first century. To be precise, since 2007 the ratio of openings to closures dropped from 4:1 to 2:1 in 2011, and to 1.2:1 in 2019. The fact that fewer and fewer new galleries are entering the market could have been theoretically understood as part of a more general weakening of the market, but this is not the case: whereas in 2019 global sales did go down 5% year-on-year to an estimated $64.1 billion, the gallery sector actually became stronger, reaching $36.8 billion, and accounting for 58% of global sales (McAndrew 2020, p. 54). Another possible interpretation of the crucial decline in the ratio of openings to closures could be attributed to a rise in the barriers to entering the market. Such barriers could be related to high levels of concentration in the sector, or to poor access to financing. Since there is no institutional regulation of the art market (relating to taxation, investments, etc.), such barriers, if they exist, are naturally generated by the market.

Yet before I turn to the increasing formation of high barriers to entering the art market, I would like to first underscore the importance of this parameter to the economic constructions of "freedom" and "equality". Economic freedom is rooted in two sets of meaning: the freedom *to* participate in the market, and the freedom *from* regulators (who, according to libertarians, violate the right for liberty of the participants in the markets). Since the art market, as already noted, is a largely unregulated market, it can be viewed, in this respect, as practicing free-economy principles and policies. In a free market, at point zero in time, players are equally invited to join and act. Each person is allowed to buy, and each person is allowed to sell. Every person is free to operate in the art market as a buyer or a seller, and in theory, the competition between the various players will balance the market. In libertarian terms, such a situation would be also understood as reflecting the right for equal opportunities. Yet if we problematize these terms, we might ask if the market itself contains elements or forms that compromise free entry to the market (hence the freedom to participate) or the freedom to succeed. One way to do so would be to examine the level and function of competition in the art market, as a means for determining the level of freedom. This is where parameters such as "barriers to entry", "concentration", and "financing" enter into play.

Competition does not mean equal ability to compete, but rather equal opportunity to play. While recent economists have contributed to offering a more nuanced account of this term, for Adam Smith competition was not only a part of a liberal humanist ideology, but also a significant, active component of a free economic system: his main argument in *The Wealth of Nations* was that if rational self-interest and competition jointly dominated the market society, they could lead to economic prosperity. In other words, self-interest requires a sort of regulator, and "competition is the economic faculty that restrains self-interest" (Ekelund and Hebert 2007, p. 105). Competition, therefore, can be perceived in libertarian thought as a "natural regulator"—a means by which the "Darwinist" character of the market is managed. It underlies the internal ethic of a free economy, which is expected to maintain moral principles in the "market society" thanks to the natural operation of free competition (based on the assumption—refuted by now—that one's decisions are rational). In today's business world, highly competitive markets mean that any player wishing to enter the market has an equal opportunity to enter (low entry barriers), and that the market is diffuse in the structural sense (many relatively equal players participate; lack of concentration). Competition, therefore, can be understood as concept that mediates between freedom and equality.

With this conceptualization in mind, let us go back to the art market, and specifically to the gallery sector, and examine the level of competition in it. When we talk about competition within the sector of galleries and dealers, we must be aware of certain internal categories: one distinction relates to primary versus secondary markets (meaning artworks entering the market for the first time versus those that are being resold—some galleries deal with both categories); another distinction is between the "high" and "low" markets, defined according to the pricing of the artworks. This last divide is extremely significant in discussing competition, because it has a major effect on the division of capital within the market. The bulk of the dealer sector is comprised of small businesses, with a small number of employees and a relatively low sales turnover (Resch 2016). Almost half of the galleries reported turnovers lower than $500,000, while only 9% had turnovers of more than $10 million (McAndrew 2020, p. 57). Put simply, this means that most galleries deal in cheaper segments of the market, while only a minority deal in blue-chip artworks. In comparison to the previous year, total sales in the gallery sector grew by almost $1 billion in 2019, but this growth was not equally divided between all categories of galleries: it was dealers with total sales of over $1 million that drove 95% of the growth (McAndrew 2020, p. 57). These numbers, however, do not indicate how the total capital in the market is distributed. For this, we need to look at the market share of each gallery. In 2019, only about 15,000 businesses, which account for 5% of the sector, were responsible for more than 50% of the total value of sales in the sector (McAndrew 2020, p. 56). The claim that the sector is highly concentrated mainly stems from these figures, above all from the last one. Concentration, however, is a huge enemy to competition, regardless of whether it is generated naturally (by market forces) or by governmental policy.

To these figures, which relate directly to the gallery sector, I would like to add some data on the value of artworks, in order to demonstrate its effect on the sector of dealers and galleries. According to the Art Economics report, "the majority (84%) of individual transactions in the dealer sector were for prices below $50,000, but these represented a smaller share of the value of sales at 27% in 2019, down 10% from 2018, with more value shifting to the higher end" (McAndrew 2020, p. 67). The observation that the bulk of sales value is concentrated at the higher end of the market is gleaned from the information that artworks valued at over $1 million dollars account for 2% of the volume of works in the sector, and that those alone represent 42% of total dealer share in value. If, as we know is the case, galleries are categorized by the general value of most of the works they sell (mainly because each gallery nurtures a particular circle of buyers, usually within a common range of spending capacity), then those blue-chip artworks, which are sold only in high-end galleries, will concentrate much value among extremely few dealers.

Moreover, such concentration leads to extreme results, further elevating prices and making competitor entry into the category more difficult. High-end galleries work within a relatively homogenous circle of artists. Generally speaking, they do not represent emerging artists, taking them on only once they have already established some reputation. Within the general art market, this category operates almost as an autonomous unit: a limited number of top dealers, collectors, and artists run a micro-economy, which sometimes involves franchising and internal collaborations. Since this circle potentially involves endless sums of money, the prices of artworks can be easily inflated. This means not only that more value shifts to the higher end of the sector, but also, more importantly, that this tight circle prevents the entry of new buyers and dealers. While many speak of the informal "club" at the top of the market with respect to buyers, dealers are faced with similar difficulties when attempting to enter this closed circle. The first reason for this is that, more than in any other market, art buyers rely on relations of trust, and long-term personal connections between collectors and dealers pose a high barrier to newcomers. Secondly, these top dealers have each become a trademark, whose name alone provides a stamp setting a high monetary (and symbolic) value on the artwork (and the artist), resulting in purchases that inflate the category, and sometimes even the market as a whole. In itself, raising prices is not necessarily a bad thing; it can make the general value of the market grow (as it does in the case of the art market), and growth is an important parameter in the libertarian definition of a successful market. Yet a second parameter is competition, which is eroded in a concentrated market. It should be emphasized that the fact that high concentration results in the limitation of market freedom (or equal opportunity) should not be understood as a tautological statement; rather, it points to a paradoxical internal mechanism of a free economy (which is not sufficiently restricted under law), wherein the practice of unlimited freedom ultimately undermines the execution of freedom.

In economic discourse, the ability to raise prices is called *market power*; yet market power is also effected by the elasticity of demand, which is very high in the art world—meaning that customers can easily choose to buy another artwork or not to buy art at all. The result of market power at the high end of the art market, combined with high elasticity of demand, forms a further divide between the high and low markets: while prices can be easily raised by high-end players, inflating prices at the lower end will drive potential buyers away. If the prices at the lower end remain stable, or rise by a percentage that is lower than that of the rise at the higher end, the division between the two categories becomes more distinct. Financially, reports from the last years consistently show a shrinking of value at the lower end of the market (segments up to $25,000). Since the art world is a part of the general luxury goods market, it follows the patterns of the general division of the market's value, considering that market value is comprised of capital and labor: the value of the art market grows as capital's share grows at the expense of labor's share. As shown by Autor et al. ([2017] 2020), as the economy gets more concentrated and the number of superstar firms increases, the value of the entire market shifts to capital's share, at the expense of wages (Autor et al. [2017] 2020). Basic macroeconomic models suggest that when wages drop, the general public will lower its demand. Yet as a luxury goods market, the art market relies on the upper echelons of society, who are the holders of capital, rather than those effected by wages. Concentration in the broad market might be seen as good for the art market—more capital means higher demand for blue-chip artworks. Yet such high demand further amplifies the concentration within the art market, as well as the inequality between its inner categories.

In *The Great Reversal: How America Gave Up on Free Markets* (Philippon 2019), Thomas Philippon analyzes the shift that occurred in the American economy over the past 20 years. He shows that while the United States of America constituted a prime example of neoliberal economic policy, generally based on Friedman's Chicago School, its market currently suffers from high concentration, which actually betrays the original ideal of free competition. Philippon also demonstrates how such market power brings about segregation and increasing inequality, by forming what he terms a "club economy" (Philippon 2019, pp. 279–84). The art market perfectly resonates with the dynamics showcased by Philippon: the increase in capital's share in the broad market strengthens the upper classes and the high end of the art market, which is mostly nurtured by capital holders rather than by salaried employees. Putting finance aside momentarily to turn to symbolic discourse, we could state that the capital used to buy artworks from top artists elevates prices, as well as symbolic capital; blown up symbolic capital eventually returns to the market, and is translated into finance. All this happens in the "club economy" of the art world, nicely described in sociological terms by Antoine Hennion in "A Plea for Responsible Art: Politics, the Market, Creation" (Hennion 2018). However, one problem with this club is that capital mostly shifts *to* it, and very seldom *from* it, to the lower end of the market—further undermining free competition in ways that I will describe in the following passages.

One example of this one-way movement can be seen in the contracting between galleries and artists. Galleries invest a great deal in the promotion of their artists. Especially when young and unknown artists are in question, the gallery needs to commission the artworks, exhibit them, and sometimes even pay for the artist's studio or materials. For this reason, dealers tend to focus on a limited number of artists (the average number of artists, according to Art Economics's survey, was 18 in 2019 (McAndrew 2020, p. 89)). Yet when artists become established, they are expected to prefer a dealer with a circle of buyers affiliated with a higher social class, and with more resources for marketing and exhibiting. The "club system" therefore feeds on itself: a small gallery will very rarely "grow" together with its artists; the few successful ones will simply shift to a higher tier, while the movement of successful artists to small galleries is nearly nonexistent. The initial categorization of the galleries thus enhances segregation, promoting the growth of inequality. This low level of competition generates a chain reaction that further decreases competition, due to limited access to high-end clients and low financial resources.

Most dealers report that the main financial burdens in the sector are participation in fairs and related costs, as well as the rent of a gallery or business premise (McAndrew 2020, p. 68). This is particularly significant for small galleries, which constantly struggle to ensure that they cover their bottom line when participating in a fair (McAndrew 2020, p. 69). In *Art and the Global Economy* (Zarobell 2017), John Zarobell analyzes the effect of globalization on art galleries. Apart from discussing the structure of the market in terms of a hierarchy of center-periphery versus multiple centers, Zarobell argues that the contemporary dealer must contend with three significant factors that have become crucial in art commerce (excluding the online market, which is beyond the scope of both his discussion and the current paper): the art fair, the weakening of the local, and franchise (Zarobell 2017, pp. 181–89). The art fair is, indeed, one of the most striking phenomena of the 21st-century art world—assuming, as Paco Barragán describes it, "the status of Urban Entertainment Center" (Barragán 2008, p. 25). In 2019, high-net-worth collectors reported attending an average of seven art fairs per year (McAndrew 2020, p. 221). Visiting fairs, biennials, and high-profile art events has become a common luxury activity—part of the self-presentation and self-construction of millionaires. The art fair has become a mandatory point of encounter not only for buyers (more precisely, for that circle of buyers that can afford the grand tour), but also for sellers: any dealer hoping for the slightest chance of benefiting from the top clientele must attend. Yet participation in fairs is costly, while the benefits are disproportionate to the investment: according to the latest Art Economics report, "while fairs accounted for 30% of sales for dealers with turnover of less than $500,000, this rose to 47% at the higher end for dealers with over $10 million in annual sales" (McAndrew 2020, p. 201). These figures are in line with the model of the club economy: brands buy brands from brands; top dealers are more likely to sell than smaller galleries, and will do so for higher prices. The prominent top buyers are part of the closed inner circle of top dealers and top artists; additionally, the bigger galleries gain more visibility due to the bigger, more spectacular booths afforded by their resources, as well as due to their "must see" brand status, which attracts more traffic. Moreover, as the numbers reveal, "galleries with sales in excess of $10 million exhibited at more than twice as many fairs (eight on average) as those with turnover of less than $500,000 (averaging three)" (McAndrew 2020, p. 198). So, while looking at the past decade reveals that "the share of dealers' annual sales by value made at art fairs grew from less than 30% in 2010 to 45% in 2019" (McAndrew 2020, p. 193), this growth is mainly concentrated at the higher end of the market. This means that the art fair, which had become a major channel for sales, had also become a major obstacle to entering the art market. Small businesses that cannot afford participation in fairs cannot equally compete in the sector, amplifying segregation.

Fairs also function as "global locations" in which gallery owners, artists, professionals, and collectors gather from around the world, blurring geographic boundaries. Yet once again, such meta-locations are inextricably tied to resources, leaving the small-scale economic infrastructures of the art world to experience globalization mainly through the Internet,[1] while the alleged collapse of geographic boundaries pertains mainly to the middle and high-end players. The issue of location, however, does not come into play only at art fairs, but also through gallery branches and franchises. Yet while the mega-galleries maintain a presence in almost every major center relevant to the art market, the smaller galleries remain bound by the rules of local markets: they tend to work with local artists and to sell to local collectors. As noted in the latest Art Economics report, "Dealers with lower turnovers tended to have a higher reliance on local buyers ... Reaching more overseas buyers was a key challenge for their businesses, with different approaches being taken to try to gain a competitive foothold, from fairs and exhibitions to widening their reach online" (McAndrew 2020, p. 82). This is the magic circle: smaller galleries do not have enough resources to open another branch, and invest mainly in local circles; artists who succeed and move to the global arena will most likely move on to a more "global" dealer, with a more "global" clientele. And since statistics indicate that 43% of the total sales of galleries working solely in the primary market came from their top artist, it "makes clear the precarious and high-risk model pursued by many galleries, where the loss of one or a few artists, or shifting collector tastes, could lead to a substantial loss in sales. In the absence of external financing or lending to ride out these periods, smaller businesses could come under extreme pressure or be forced to close through such shifts in their program" (McAndrew 2020, p. 102). The issue of location can thus be perceived as another serious barrier to free competition and equality.

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[1] A part of my work on the online art market was presented at the annual meeting of The International Art Market Studies Association (TIAMSA) in Vienna in 2018, under the title: "Moralizing the Art Market. A Socio-Economic Perspective on Online-Auctions".

4. Economic Freedom and the Political Economy of the Art Market

The last part of this analysis refers back to Philippon and his model of reversal. Philippon does not criticize the principles of the free economy. Unlike his acclaimed peer Thomas Piketty, who recognizes the concentration of wealth as an internal malady—a result of the state of capitalism—and calls for fiscal policy in order to correct inequality (Piketty [2013] 2014), Philippon does believe in the principle of freedom on which neoliberal economics is based. Yet one important difference between Philippon and Milton Friedman is that the former wrote his major treatise after experiencing first-hand the natural course taken by the neoliberal economy. From today's perspective, we know that Freidman's theory ignores a major problem of neoliberalism, to which Philippon dedicates a central part of his research—that is, lobbying and the connections between money and politics. As Philippon explains, making reference to political thinkers: "In a democracy, citizens have right to petition their government, and we all agree that it is a good thing. But it also opens the door to lobbying by large corporate interests. As with most things in life, then, it is a matter of balance" (Philippon 2019, p. 155). Philippon contends that the advantage of lobbying is that it is a source of important information for the government, whereas its disadvantage is that businesses lobby for their own interests, and might exploit their strong connections with regulators and politicians (Philippon 2019, pp. 160–61). Significantly, Philippon suggests that lobbying may be playing a major role in the decline of competitive pressures (Philippon 2019, pp. 174–75). Yet how can Philippon's insights contribute to a theoretical model of the art-world economy that lacks any governing body? Philippon discusses lobbying as part of a broader analysis of the political economy, which leads to a discussion concerning the management of political campaigns. Building on this aspect of his analysis, I will now turn to offer a possible parallel in the art world, in the form of private sponsoring for exhibitions in public museums.

While the connection between money and politics is set within some sort of legal framework (varying in different states), financial activity in the art market, even when carrying a political charge, is not restricted (with the exception of money-laundering or crime-related activity). Moreover, politics in the art world are highly elusive, in the absence of a central governing body and of regulation regarding the complex relations between private and public funds. We tend to envision a binary model, where public funds are allocated to public art institutions—public museums included—whereas private funds are invested in the commercial arena, and are associated mainly with dealers and mega-collectors—the owners of capital. The reality, of course, is more complex, since private funds on different scales and in different forms pertain to almost all public museums, and the commercial aspect also manifests through museum-ticket sales. Private money in a public museum is nothing new. Yet what has recently come to the fore, as a result of the neoliberal process, is the enormous power held by top private players in the public arena—power that is facilitated by economic concentration. The smaller galleries usually do not have enough resources to forge the kinds of connections made by brand-name galleries, which loan works and financially support exhibitions in public museums, alongside mega-collectors who serve as members of the board of directors and as donors. Significantly, I could have easily phrased those sentences differently: public museums *need* mega-collectors on their boards, as well as private donations in the form of artworks or money; and they *need* external financing for exhibitions—especially as pressures mount to produce spectacular blockbuster exhibitions.

What is it, then, that collectors or dealers *need* back from public museums? The answer to this question points to the interplay of politics and symbolic capital: public museums are still considered to be the art world's main institutional platforms, and their names serve to sanction the quality and reputation of artists. I am using the qualifier "still" because the establishment of private museums—the opening of exhibition spaces by mega-collectors—has become an increasingly common practice, whose effect on art-world dynamics has yet to be fully understood. For the moment, however, while these private museums, which have almost unlimited financial resources, are enjoying more and more visitors and prestige, public museum exhibitions remain extremely important for private collectors and dealers as a means of acquiring political power and symbolic value. As I have demonstrated elsewhere, the financing of exhibitions is used to elevate the value of a specific artist (usually already a superstar artist, whose prices are easier to further inflate), and even to generate state power.

The private sponsoring of exhibitions by galleries reveals the operation of the same club economy discussed above: although I surveyed a massive amount of data, I was unable to find a single small, local museum that received funding for exhibitions from commercial galleries. Yet as I moved to bigger names and prime venues in the museum sector, I found numerous examples of such cases. This practice appears to pertain above all to mega-galleries, which benefit from tying their artist's name to a big public museum (such galleries sometimes have different interests than collectors, among whom I found more cases of local involvement). The issue of local versus global markets is also evident here: while 83% of emerging artists exhibited in their home markets, star artists had the lowest rate of exhibition in their home markets—a total of only 42% (McAndrew 2020, pp. 91–93). This statistic indicates that artists need to exhibit away from their home markets in order to achieve higher levels of public and critical acclaim. Global venues and more acclaim sometimes mean larger, solo exhibitions, which require more funding; from a gallery's perspective, such exhibitions also offer an opportunity to "buy" or generate, through money, symbolic value that will in turn transform into more capital. When a gallery such as Gagosian provides leading support (numbers are never published) for a spectacular exhibition of works by an artist such as Jeff Koons, this support amounts to the tightening of the art market's top circle. The enhancement of the artist's brand benefits not only the artist himself, but also his collectors and dealers (it also benefits museum visitors, in ways that are beyond the framework of the current discussion). At the same time, the gallery brand is further empowered. For smaller galleries with lesser capital, this game remains inaccessible. Their artists must therefore work harder to overcome the "tier limits", and their opportunity to enter "global" museums is not equal, economically speaking.

While this might appear to be just one obstacle among many, Philippon shows that lobbying and the connections between money and politics—what he terms the "political economy", is the main factor in enhancing concentration and the consequential undermining of free competition. A *laissez-faire* market, such as the one characteristic of the art world, must maintain freedom of competition in order to avoid extreme inequality. At present, an ethical approach to economic concerns in the art world is not bound to any type of legislation, and is practiced in intuitive ways, based on the principles and values of the personalities involved in decision-making. Yet as public institutions suffer increasingly from the loss of budgetary and financial resources and from mounting economic pressures, museum decisions will become increasingly commercial. This means that content will be limited (at least to some extent) by the demands of the market—a market driven by the capital concentrated at its high end.

The urgency and the sensitivity concerning equality is timely; as part of the currently flourishing discourse on diversity, many voices are speaking out regarding equal representation in museums—mostly in reference to black and women artists. At the same time, however, the detrimental effects on equality that are caused by economic and political phenomena, such as concentration and lobbying, might slip under the radar, since they are not linked to gender- or socially-related categories. Yet just as concentration leads to growing inequality in the general market, its occurrence in the art world affects, as I have argued, museum content. The concentration of capital at the high end of the market, and the "club" that is formed at that end, bring about a concentration of political power in the hands of a few central players, leading in turn to a "concentrated representation" of that club in museum exhibitions. When, as a result of concentration and lobbying, leading museums and curators represent the art world unequally, they are not only denying equal access to artists, but are also depriving art viewers of access to their works. The art world thus constitutes another arena in which freedom and equality, which were once intertwined, are separated under the aegis of a free economy.

Philippon concludes his treatise with a plea to restore free competition to markets. He admits that "Free markets are supposed to discipline private companies, but today, many private companies have grown so dominant that they can get away with bad service, high prices, and deficient privacy safeguards," and he laments the loss of innovation and productivity growth that comes together with the weakening of competitive pressures (Philippon 2019, p. 288). Looking at the art world through this lens, we can understand how giant galleries continue to grow, while smaller galleries struggle to keep their heads above the water. More importantly, we can understand how the concentration of capital in this sector brings about a concentration of content; innovation in the art world today belongs to small, alternative venues, whereas large institutional venues, just like the mega-galleries, exhibit and promote already established art, further circling commodities that already enjoy market successes. The art world under neoliberalism is driven by commercial interests and the wish to accumulate more and more capital, thus further closing it up to innovation. Philippon's friend, Thomas Piketty, whom I mentioned earlier, developed a controversial thesis, according to which the accumulation of too much capital would eventually bring the economy to a state of collapse. We could simply sit and wait to see if this hypothesis might be true for the art world; but we can also try to recombine economy and abandoned liberal values, rethinking the place of freedom and equality in the art market.

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