Gallery’s Role in Contemporary Chinese Art Market

Thesis

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By

Xuan Wang, B.A.

Graduate Program in Arts Policy & Administration

The Ohio State University

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Thesis Committee

Wayne P. Lawson, Advisor

Margaret J. Wyszomirski
Abstract

This paper focuses on one particular segment in the international contemporary art market, the contemporary Chinese art market. As the fastest-growing segment, it offers a great opportunity for people to explore the mechanism in the art market, which is very different from markets for general goods. In addition, with its unique political and social characteristics, China has bred an art market quite unlike the western ones. In this paper, I attempt to explore the similarities and differences and the reasons behind between the emerging Chinese art market and the more developed western ones by picking out one important player in this whole market to study, the gallery. By exploring gallery’s role through the relationships and interactions it has with other players in the market, such as artists, auction houses, art museums, art critics, buyers, and government, I attempt to explain the mechanisms within the market and how these help shape the market as it is today. Four detailed interviews were conducted in this study with knowledgeable people currently working in the contemporary Chinese art market in addition to the desk research through the literature on the art markets. Similarities and differences were found and policy recommendations were made in regard to the deficiencies found through the study. The current global economic downturn has presented a good opportunity for the frenzied market to rethink and readjust, and thus strive for building a healthier and better art market in China.
Dedication

Dedicated to the my two years at The Ohio State University
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Vita

Education

2003-2007 .................................................. B.A. Economics, Peking University, China
2003-2007 .................................................. B.A. Art Studies, Peking University, China
2007-present .............................................. Master student, Department of Art Education, The Ohio State University

Work Experience

2007-2009 Graduate Teaching Assistant, Department of Art Education, The Ohio State University

2008 Summer Program and Development Intern, Asian American Arts Center, New York City

2008 Summer Marketing Intern, Performance Space 122, New York City

2007 Spring 52nd Venice Biennale Chinese Pavilion Coordinator, China Arts and Entertainment Group, Beijing, China

2006 Summer Researcher and Assistant, Chinese Modern Art Archive, Beijing, China

Field of Study

Major Field: Arts Policy and Administration
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Chapter One: Introduction

Statement of Purpose

The contemporary art market has grown spectacularly in both volume and value in the past few decades. Between the year 2003 and 2008, the world witnessed a craze for collecting contemporary art unprecedented in history. It is now a global industry worth in excess of $50 billion a year (Robertson, 2008). The contemporary Chinese art market is one big part of the global frenzy. As works for Chinese artists fetched multimillion-dollar prices for the past five to six years, the international art world is waking to the power of the Chinese art market. China has not only emerged as a major global player in the manufacturing and financial industries, but also has developed its contemporary art market at a feverish pace, becoming the single fastest-growing segment of the international art market (Pollack, 2008 September).

In 2007, Chinese art made up over 70 percent of the total contemporary Asian artworks for sale (Zan, 2007, p44), which is the fast-growing market segment nowadays. Prices for Chinese contemporary artworks have increased by 2,000 percent or more since 2004 (Pollack, 2008, p), with skyrocketing numbers frequently making newspaper headlines. The most sought-after artists are living extravagant superstar
lives. According to the Art Price Index Chinese artists took 35 of the top 100 prices for living contemporary artists at auction in 2007. Don Thompson called Beijing the third most important art market in the world after New York City and London in his 2008 book, *The $12 Million Stuffed Shark*. The founder of arts Economics Dr. Clare Mc Andrew said in a report commissioned by The European Fine Art Fair (TEFAF), Globalization and the Art Market, Emerging Economies and the Art Trade in 2008, that China had become the third art market with market share of 8% in the world, following USA and UK, and China will go beyond UK and become the second art market in 10 years (Artdaily.org).

At the peak of global art market frenzy, the most severe global financial crisis since the Great Depressions happened, and hit almost all the industries including the art market worldwide. Art critic and film-maker Ben Lewis made a documentary titled “The Great Contemporary Art Bubble”, in which he discovered a world of complicated deals, unusual market practices, widespread secrecy as well as passionate enthusiasm for contemporary art. Whether the global art market was a big bubble or whether it has burst under the economic downturn is still under debate, but the simple and clear fact is that a market cool down is now evident globally.

The newest and most attractive darling during the boom, the contemporary Chinese art market, attracted lots of attention since the question on whether the bubble will burst finally has an answer. One article in New York Times asked
whether the art market in China is cold or hibernating. Other comments include the opinion of the market has “crashed” or “the bubble has finally burst”. Some claim that the Chinese art market is not hit so hard by the pulling back from foreign buyers since the local young wealth seems to be taking up some of the slack. Still others think the current market slowdown is a good correction opportunity for not only the art market in China, but the entire art market worldwide.

So in this paper I attempt to look back at the recent fame in order to see how this leads to the current chilling scene. Since 2004, the art market in China showed such great opportunities and profits that the entire world started to pay attention and get involved. Numerous western galleries started pursuing Chinese artists eagerly and some of the galleries have even spread their fingers into mainland art centers and built up branches. The dominant auction houses, Sotheby’s and Christie’s, have been auctioning contemporary Chinese art for around a decade, making big sales numbers, and other western auction houses have begun to follow this lead. Fetching jaw-dropping prices and achieving international fame has become a necessity for the artists to come home and claim reputation, thus Chinese artists were more linked to the international art market than the local one.

The international attention has stimulated the development of the local art market, which has also resulted in an investment fever in China, linked to the increasing wealth of Chinese society. Due to the lack of market environment locally,
the contemporary art market in China was more a global one from the beginning. It is said that the concept of contemporary art and the whole Chinese art market were largely defined by the West. And it is true that even now the majority buyers of contemporary Chinese art are foreigners. The western markets provided a model for the art market in China, and players in the market try to cater to the needs of foreign buyers by adopting some rules from the West. However, a closer look at the national or local art market in China exhibits mixed characteristics of both an international and a Chinese nature. The art market boomed during a dramatic period of transition in China that was shaped by sweeping consumerism, a totalitarian state and a continuously reinvented form of Marxism entirely subject to the constant and open reinterpretations of Chinese socialism and thus the state. The sudden onset of wealth and insatiable greed created impatience, short-sightedness, and a gambler’s spirit that can be easily felt during the booming of the art market. Transition also brings nouveau forms that contradict the traditional ethos, and the economic slowdown probably marks the turning point. Thus in this paper, I attempt to show not only the global nature of the art market, but also to discover the specifically Chinese characteristics of the contemporary art market in China.

Being Chinese and also a student studying in the United States, which has a much older and developed contemporary art market, I can always feel the differences in ways of carrying out business between the two worlds. The American art market has changed significantly during the past three decades, transforming
from a small and close-knit community of relative few members into a modern, specialized, and multibillion marketplace (McCarthy et al, 2005). This encouraged me to think of the current chaos in contemporary Chinese art market as a necessary phase in the evolution. Also, I am always curious about the hidden facts behind the market mantra in the contemporary art field in China. It seems to be hitting the big numbers in auctions constantly while not making too much of a ripple in the world outside that. This intrigued my curiosity to find out who are really out there working in the scene, how they do it, and what is unique about this field. I think the most effective way to secure reliable information and knowledge is to approach this issue in a qualitative way, to immerse myself with an exploratory mind.

This paper focuses on the issue of the structure and the dynamics of the contemporary art field and how the interactions between various actors work to shape and transform this field, with a particular focus on China. Art is a social phenomenon. Not only it is a product of a specific activity, this activity itself is patterned and performed by people assuming certain roles and acting in the framework of certain norms and expectations, which relate to a certain set of values (Greenfeld, 1989). From a macro angle, this paper attempts to give a holistic picture of a particular contemporary art field (China), which also serves to build an analytical foundation in order to pursue or encourage future in-depth research on this specific topic or on other relevant areas/countries. The specific aim of the paper is to arrive at an explanatory framework necessary for the systematic understanding of
the branding or endorsement process and the circulation of artworks, while depicting
a whole system in which art is created and evaluated.

China is a geographically gigantic country; however, the art scene is very
much concentrated in three or four major cities, which makes it feasible to project
the findings of one city (Beijing), or even one area (the 798 Art Zone) to the whole
country. And as I will explain it later, the 798 Art Zone is the most typical and most
mature art zone in China, which serves as the best target. This paper builds its
rationale and foundation on various studies and research on the western art markets,
with a stress on the American art world, which provides more research literature,
since the contemporary art market is becoming more and more global rather than
local or even national. Also, the research on the western art market provides
evidence of differences, which helps to reveal the characteristics of the Chinese art
market with the information retrieved from the interviews.

Although the purpose is to document the whole art scene of contemporary
Chinese art, I find it impossible to spread the topic so large without losing the grip.
Therefore, the gallery, one of the most important and interesting players, has been
chosen as the focus to carry out this research. Setting the gallery as the premier
target, I am able to explore the interaction between it and other players in the art
world so the whole dynamics would be presented. Also, various types of gallery
offer a great chance to explore the differences among them and the differences
between them and the galleries in the United State, thus revealing the characteristics. Gallery owners tend to wear so many different hats in Chinese contemporary art world and they serve as great interviewees to acquire authentic information about the whole field.

**Structure of Paper and Research Questions**

The point of departure of this paper is the theoretical approach of institution studies and the explanation of some key definitions used throughout the paper. Key actors will be identified through the mapping of the contemporary art field and then the reasons for choosing the specific actor, galleries, and the specific location, the 798 art zone, will be explained. Then a combination of literature review and analysis of the particular galleries in China will be presented, in that this could be a more convenient way to do the comparison and easier for the reader to comprehend. An accumulation of various studies on different countries and cities, sociological studies, cultural economics studies, public policy studies, and management research will be drawn in and applied accordingly. And the part regarding the galleries in China will be based on the four detailed in-person interviews conducted with four gallery owners/managers, as well as other information sources. Finally, a summary comparison on government policies will be explored, and suggestions for future policy direction and methods that will benefit the development of the art market will be made.
This empirical study is guided by one grand tour research question “What roles do galleries play in China’s contemporary art field?” and three more specific issue questions as follows,

1. Who are the relevant actors in the contemporary art field?
2. What roles do galleries play in the contemporary art field? What are their functions and relationships with other actors in the network of contemporary art field?
3. How does this question apply to the situation in China? What are the similarities and differences between China and other art markets, especially the one in the United States?

**Significance and Limitations**

Analysis of the key actors and their interrelationships is useful for researchers, for practitioners, and for policy makers. The visual art world serves as a stimulating research area since it is very different from markets for utilitarian goods. In the general market place, prices send signals as well as reflect the supply and demand of goods. In the art market, however, the scarcity of the good is not the reason that drives up the price; but rather a value for the artwork is established by a community comprised by various players including dealers, auction houses, art critics, museums, and collectors (Joy and Sherry Jr., 2005). The unique nature and
subjective evaluation of artworks differentiate them from other products. Therefore, traditional economic theories have proved inadequate in explaining the pricing and the market of artworks.

Also, the contemporary art world is a multi-dimensional and complex system where human interactions are more important than the pure quality of the products (also in this case, very subjective). The buyers (collectors) have a much closer and most of the times much longer relationship with the seller (dealers) and the creator (artists). And since the art has a subjective quality and its value is not totally determined by the production costs and the market supply and demand, it cannot be treated as the usual commodity in the usual market. The contemporary art field can be included in the creative industries, but due to its products’ uniqueness of not being mass-produced, it also differentiates itself from the typical creative industries studies on commercial music industry, film industry, and television and broadcasting industry. Although fine art has a small, elite audience and does not offer an accurate way to measure its value, the whole field is also a very entrepreneurial, speculative one that can be analyzed through the same role-sets as other industries in the creative industries field: with artists as producers, galleries, auction houses and similar organizations as distributors, and collector and museums as output consumers. Therefore, the contemporary art field offers a challenging yet manageable topic to be analyzed by a combination of different approaches.
In addition, very little academic research has been done on the art market in China. Academic research on arts management, cultural policy, or the creative economy has just started in China recently, so I have not found much research material written on the contemporary art market in China within the academic world, although ample small pieces of information and news articles are flooding the internet. The pieces written in English are mostly devoted to the art history of Chinese contemporary art. Little has been mentioned about the structure and the networks in the field. It is highly understandable since this is such a recent phenomenon and among the people working in the scene in China, very few are from the academic world. Language, culture, and geographical barriers may also hinder people from the two worlds in understanding each other thoroughly. I hope I can make a contribution by presenting a comparison through both the literatures and my own perspectives, which derives from my understanding of both the western and oriental cultures.

Besides the research significance, the contemporary art field also poses questions for practitioners and policy makers. Currently, the art market is a highly unregulated one, especially in China, where policy and laws are far from complete and mature in the cultural sector. For practitioners, understanding how various actors work and interact in this field is essential before jumping into the wave. For policy makers in China, a comparison with western worlds may bring in another perspective about how to promote and effectively regulate the market in the future.
The Chinese government has realized the importance of the creative economy and the necessity of promoting the cultural sector, and has started to do so by funding the establishment of museums and creative districts in cities. Although the western example definitely cannot serve as a blueprint, it may provide a model to contemplate and adapt by the policy makers in China. Market structure and development is greatly affected by the political environment and policies play a highly influential role in China’s contemporary art market. Due to the government’s skeptical attitude towards the political implications or connotations from the contemporary art, it is rather difficult to have this visual art market free on its own. This also makes it necessary and interesting to see how art market differs in a socialist country.

The scope of this paper is national and international but in a narrower sense. Although the topic is on the whole country “China”, the real data sources will come from one specific area in one city. Art markets tend to form in big art centers, such as New York City, London, and Paris, and it’s the same case in China where Beijing, Shanghai, and Hong Kong serve as the absolute dominating centers. In big cities, it is also normal to see galleries clustered in art zones, such as the Chelsea area and Soho in New York City, and the Left Bank in Paris. Beijing resembles the whole Chinese art market and it has the natural advantage of being the political capital and receives great assistance from the government in making it the cultural center of China. The 798 Art Zone is the oldest, most well-known, and most mature
art zone in China, so it serves as the best option to be studied. Rather than stereotyping the art scene in China, I attempt to cut into the whole picture from a small angle and then use this small but important area to represent a general picture. Considering the complex situation in the visual art field, it is impossible to cover more than one aspect thoroughly through one single paper. Therefore, I choose to build a broad ground for my or other people’s future research on this topic.

This study has several limitations. First one is that it could make a much stronger mixed-method research by combining surveys, which is not feasible in this present study. Also, the single location data collection limited conclusion of any variation of city differences as well as mainland vs. Hong Kong difference. A third limitation would be the lack of in-depth analysis; especially the analysis of the political/policy environment, which I think plays a great role in the differences among countries.
Chapter Two: Theoretical Background and Methodology

Theoretical Background

Visual art market is significantly different from the market of commodities. The unique nature and subjective evaluation of artworks differentiate them from other products. Until most recently there has been still strong opposition against determining the value of art in terms of money. On the other hand, the art market is consisted of so many players as other markets and the smooth operation of the art markets needs the collaboration and competition among various players as well. To understand how and why the contemporary art galleries are functioning as the way they are, I think it is necessary to first look at their position in the whole environment of contemporary art. And the following institutional theory is used to present the whole picture.

Since the traditional concept of market cannot apply to the visual art world appropriately, various definitions and concepts have emerged in describing the unique art market. An industry or market is perceived to consist of an organizational field or fields, according to the institutional theory. DiMaggio and Powell (1991) first used the concept of “organizational field” and explained as follows,
By organizational field we mean those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products.

(DiMaggio and Powell, 1991, p64)

The institutional approach is a way of analyzing industries or organizations according to the cultures and institutional structure in which they operate; the culture and structure are a result of the interactions of the actors (DiMaggio and Powell, 1983, 1991; Scott, 1987). It assumes that organizations adopt structures and ways to conduct business that are considered legitimate by other organizations in the same field. This adoption is not politically forced but rather through imitation, coercion (exertion of formal or informal pressure by one organization such as the government regulating body), and by normative pressure (Palmer et al. 1993). This theory also can be seen as a bridge towards some sociological studies as the concept of “field” is similar to the concept of “world” in sociological studies on art market. Becker (1982) pointed out that the artistic activity is based on conventions, such as what art is or how it is presented, so it allows the actors to act collectively. So in this case, galleries as one field that constitute one part of the whole art market, have to act collectively with other actors in order to make the whole market run smoothly.
Although the term “field” or “world” seems to be more appropriate to include all the players in the contemporary art world, I will choose to use “market” as the term throughout this paper to refer to the art worlds in each country. Several reasons are behind the terminology. Firstly, studies and news articles have consistently called the whole art world the “contemporary art market”, so by using this popular term in this paper will not make confusion with the mainstream publications. Secondly, the buying and selling of artworks is still the main focus of this paper since the main target under research is the galleries, and nonprofit galleries are just a very small part of China’s contemporary art field. Therefore, the broader market concept used here does not only mean the place where the selling and purchasing artworks happen. It also includes actors that do not put monetary reward as their premier purpose, such as the museums and the government.

To further explain the whole market environment, I would like to emphasize the impact of various interactions instead of the power of individuals or individual institutions. Organizational sociology has viewed artistic production as a system of filters that select artworks destined for fame from among the mass of produced works (Bystryn, 1978; Hirsch, 1972; Peterson, 1997). Fully developed art worlds provide distribution systems that integrate artists into their society’s economy, bringing artworks to the general publics that appreciate them and will purchase enough so the whole process can proceed. Although artists themselves can perform the distribution functions, special intermediaries can do the work more efficiently and are more
commonplace (Becker, 1982). Gallery is one of the most important actors in the
distribution system and the most important in the primary market, which concept I
will distinguish later in this paper. And it is unavoidably connected to other actors to
carry out its functions. Again, the main purpose of this paper is to analyze one
particular actor in a network of many actors in the whole ecology.

Another theory from economics is also involved in this analysis.

Neo-classism is a set of ideas that explains how people conduct themselves in order
to get as much as they can from what they have, which is about sensible and
self-interested behavior (Grampp, 1989). This theory is mainly used to explain why
in the first place, art can be priced, and then why art has been treated as investment
by many buyers in China. According to Grampp, the art market, like other markets,
is a magnet for misconceptions. Auction houses can misrepresent their actual sales
by the practice of reserve prices, and dealers can pay artists very little for their work
and resell it at a great profit or just hide the sales from artists. Such misconception
prevails in China for many reasons, such as the extreme lack of art education in
China, the pragmatism ethos of the Chinese people, and the lack of formal and
informal regulations at the emerging stage of a market. These will be explained in
more detailed in later chapters.

Methodology
The aim of this paper is to reveal the structure and dynamics of the contemporary art field through description and analysis of different galleries’ roles, and through presenting the similarities and differences among various national markets, to find out the special characteristics in China’s art market. The art market is a unique field where a descriptive qualitative approach is appropriate in understanding the real issues. The paper starts with a social constructivist worldview with the purpose of understanding the situation. It focuses on the interaction among actors and the historical and cultural settings (Creswell, 2009). In this way, it can make sense of the meanings others have about the contemporary art field. Grounded theory and case studies will serve as the research strategies as the researcher will go into the real situation with an exploratory attitude to derive a general theory of interaction grounded in the views of participants. A literature review of studies from various approaches and countries is conducted before the beginning of data collection.

The primary data is collected in Beijing, China where 4 detailed interviews were conducted. The interviewees are the owners or managers of four distinguished art galleries or spaces in the 798 Art Zone. They have multiple identities, such as former artist, art critic, curator, auctioneer, and collector. The majority of interview questions is open-ended and is modified during the interview to include themes as they arise and exclude themes already understood. Operations are also observed and written in journal during openings and exhibitions. Reviews, articles, catalogues,
editorials, online discussions, blogs, and other document data are also used to complement the data. After the interviews, the collected data is analyzed by coding and then presented in the qualitative narrative. Also, final paper will be sent to the interviewees to make sure they feel that the final analysis is accurate (Creswell, 2009).

The Art Zone 798

In the research of different types of galleries in the contemporary art field in Beijing, I have narrowed down the geographical research location to the 798 Art Zone, which is the most mature and most well-known art zone in Beijing or even in China.

The area occupied by Beijing 798 Art Zone was once the place for Beijing North China wireless joint equipment factory (namely, 718 Joint Factory), which was designed and built by the experts of former East Germany in the 1950s. The Joint Factory was designed to be built in 1952, constructed from 1954, and put into production in October 1957. The designing task of the 718 Joint Factory was in the charge of a German architectural institution in Dessau, the same city with Bauhaus school at that time and they two shared the same architectural spirits whose main characteristics are meeting the practical demands; bringing the technical and aesthetic property of new materials and new structure into effect; designing simply
and composing pictures vividly with flexibility. That is the genre later called Bauhaus. After 10 years of operation, Joint Factory 718 was split into more manageable components, such as sub-Factories 706, 707, 751, 761, 797 and 798. The factory came under pressure during Deng Xiaoping's reforms of the 1980s. Deprived of governmental support like many state-owned enterprises, it underwent a gradual decline and was eventually rendered obsolete.

By the late 1980s and early 1990s, most sub-factories had ceased production. A real-estate operation called "Seven-Star Huadian Science and Technology Group" was then charged with overseeing the industrial park and finding tenants for the abandoned buildings. The Dashanzi factory complex was vacated at around the time when most of Beijing's contemporary artist community was looking for a new home after the shut down of the Summer Palace art district. In 1995, Beijing's Central Academy of Fine Arts (CAFA), looking for cheap, ample workshop space away from downtown, set up in the now defunct Factory 706. Through word-of-mouth, artists and designers started trickling in, attracted to the vast cathedral-like spaces. Attracted by ordered designing, convenient traffic, unique style of Bauhaus architecture, many art organizations and artists came to rent the vacant plants and transformed them, gradually forming a district that gathered galleries, art studios, cultural companies, fashion shops etc. The rare Cultural Revolution slogans that still linger on the walls, such as “Chairman Mao is the red sun in our hearts”, give the spaces an iconoclastic irony and attractiveness of controversy. As the earliest area
where the art organizations and artists moved in located in the original area of 798 factory, this place came to be known as Beijing 798 Art Zone (798 Art Zone website).

Since 2002, many foreign galleries and local ones began to rent spaces in this area, and rent has skyrocketed. Nowadays, it houses a cluster of 62 galleries, 46 artistic spaces, 21 boutique shops, many restaurants, companies, and studios. It also has its own magazines and annual festivals. With such a dynamic environment, it attracts not only art lovers, buyers, art students, but also tourists. It is not uncommon to see tourists with their point-and-shoot cameras wandering around the whole area, and it certainly is listed on the tourist brochure as one of the must-sees when you visit Beijing for the experience of the hot art scene in China. One of the positive aspects of being a tourist attraction is that in an unexpected way, the 798 Art Zone carries out a function of art education. Since art education is extremely absent in China, few people, especially people who live outside big cities, have virtually no contact with art. The 798 Art Zone has drawn the public closer to the “high” art and it may gradually change people’s attitude towards art so they will make purchases when they have some disposable money. One simple example is that many people would ask how much it would cost to go into a gallery, and with 798 Art Zone making them familiar with the galleries and contemporary art works, they have begun to feel more comfortable wandering through galleries and looking at what is exhibited and displayed.
Internationally, the Art Zone has been featured in various important magazines and been visited by important political figures. It now seems to be one of the symbols in the capital of China. Similar to the Chelsea area of New York City, it has made its name known nationally and internationally. The former Art Basel director Lorenzo Rudolf said that “The art and gallery district 798 in Beijing is more exciting than Chelsea in New York today, which is a little sedate and a little too academic.” Though gentrification has said to be choking the area’s creative energy, the 798 Art Zone is still seen as the best example of an urban-based art district. According to Berenice Angremy, a curator who organized an annual art festival at 798, “This is a site that provided freedom of expression and exhibition. The art events that we produced here are still difficult to product in other spaces.” (Pasternack, 2008).

Four Galleries

The formation of the contemporary Chinese art market has followed a unique track that fuses Western and Chinese experiences. Artists, dealers, museums, auction houses, art critics, art fairs and biennales are interwoven into a tighter and tighter network as they eagerly replicate the mature Western model. However, at the same time they continuously and uninhibitedly adapt it to the practical and philosophical needs of local specificity. As the country’s political and financial systems continue to shift, the operations created by the people in the art market definitely show the
Chinese characteristics. The art market in China has mastered the ability and flexibility to establish rules that would be compatible to the constant changes in the environment, with the most unbridled inventiveness and vision, and this has both positive and negative sides (Lu, 2008, forward).

The reason to explore various types of galleries in Beijing is that it provides the chance to find unique characteristics. Mature art markets like the one in the US or France have a pretty predictable mode for gallery operations while the art scene in China is more chaotic and dynamic, offering a lot of in-betweens and not-so-easy-to-define products in the process of evolution. Given the special political environment in China and the special Chinese context, it is unlikely that the western way of gallery operations would be simply duplicated. So a unique case breeds unique results, which is that the art market here witnesses a plethora of types of galleries unlike the ones in the west with a more regular “international standard”. The western markets also have various types of galleries, but the ones in China, which may have the similar names of types as the western ones, operate differently in the Chinese context. The media has paid nearly exclusive attention to the many mainstream commercial galleries that focus on the hottest artists and follow the market intensively. And people who live outside of the Beijing art circle cannot see much more while the big auction figures of star artists are blocking the view. Mainstream commercial galleries are only one part of the contemporary Chinese art market, although they probably are the most well-known ones in the media since
they are the ones driving up the hot scene. They are comparatively easy to be analyzed and generalized since there has been ample information and articles on them. On the contrary, little information was found on other types of galleries that operate differently from the mainstream commercial ones in China; however they are becoming a bigger force and might develop much faster after the financial crisis. And that is part of the reason for choosing these four galleries/spaces instead of some more established and commercially-matured ones, which will also be explained since the interviewees either have experience in running commercial galleries or are experienced in the art market that is full of these galleries.

The four galleries or spaces were chosen in that they are different in various ways and each of them represents one distinct type of gallery in the contemporary Chinese art market. One similarity among them is that they are all fairly new galleries or spaces. The reason for choosing young galleries is that they probably exhibit the market change most deeply. Also, regardless of how young the galleries or spaces are, the owners or the managers I interviewed are definitely not new to this market. They are all very experienced and knowledgeable about contemporary Chinese art and its market since they have been in it for a long time and have had so many different professions within this field. The information they have provided me is reliable and updated. And another interesting part is that they are very different in personalities and opinions towards the art market, which also offered me different ways to see the picture. The followings are the profile of the mainstream commercial
gallery in China, the profiles of the four galleries or spaces, and the professional information of the interviewees.

Commercial Galleries in China

The mainstream galleries in the hot contemporary art scene are the commercial galleries. These galleries constantly appear in newspaper articles and magazine reviews. The first commercial gallery in China was opened in 1991 by an Australian, and this predicted that for the later several years foreign-owned galleries controlled most of the contemporary Chinese art market. This phenomenon is reasonable. For one reason, western standard commercial galleries did not have a tradition in China and almost no one sensed the need to open one. Direct-selling from artist was the traditional way of doing business in the art world for Chinese people and the fact dealers are taking around half of the money from the sales sounded unreasonable to the artists. For another reason, contemporary art was not preferred by Chinese people, who still have a favorable feeling towards the ink and brush painting and the antiques. So the first buyers of the contemporary Chinese art were largely foreigners and naturally they felt more comfortable buying from foreign-owned galleries. The brief history of the development of commercial galleries in China will be presented in Chapter Five. Generally speaking, the foreign-owned galleries and foreign collectors started the early buying and selling of the contemporary Chinese art, and not until the Chinese artists began to make big
numbers in international auctions in recent years did local commercial galleries begin to mushroom in major cities of China.

The operation characteristics will be explained in detail throughout the later Chapter Five. They were established from the western prototype but evolved into something not exactly the same as the western ones under the special Chinese context. Since they are rather late-boomers in the market compared with the auction houses and were born during the frenzy scene towards the contemporary Chinese art, they seem to be the product of the market force, and thus some of them were opened under a skewed purpose, which is to invest in art and make good money out of it. Some stereotypes of the sometimes called “pure commercial galleries”, which is negative to indicate their profit-seeking purpose, include that they choose the artists or the style of art that is most popular in the current market, they focus on the short-term profit of selling the artworks rather than the cultivation of artists and customers, and that they collaborate with auction houses and critics in driving up prices for the artists they represent. Some of the owners of the small commercial galleries do not have any knowledge in art and in running galleries and they treat the business the same as the investment in real estate or stock market, all of which serve the purpose of making money.

The possibility of their existence also relies on the ethos of the whole market. The whole money-oriented market force seems to have drifted all the players in the
market towards an investment attitude. These players reinforce each other. Auction houses make big money by auctioning star artists’ work; thus the galleries pursue the star artists or urge other artists to produce “popular” artworks; then the critics are commissioned by the galleries to make positive reviews on the artists; the artists who want to be star begin to produce artworks that are welcomed by the market; and the collectors try to find out what is hot to buy and this purchase reinforces the other players to produce the similar style or artworks (Interview with Zuo Jing; Zhu, 2008). This is not absent in the western art market. The whole commercial art market is rather globally similar in being driven by a market force and a branding process.

PaceBeijing

Pace Beijing was established in August, 2008, with the opening on August 2nd, right before the Olympics, by PaceWildenstein and is located in Beijing’s 798 Art Zone. PaceWildenstein is a major American gallery, with three locations in Manhattan. It is said to be the first U.S. gallery to open a space in Beijing, also it is PaceWildenstein’s first international branch (Wilton, ArtInfo). So the Beijing branch has attracted a great amount of attention. The gallery is dedicated to the promotion of contemporary art in Asia, presenting exhibitions by an international roster of artists. Housed in a 1950s former factory, the gallery has a gigantic space of 22,000 square feet (Gallery’s website).
The interviewee is the president of Pace Beijing, Leng Lin, 44-years-old, a prominent critic, curator and expert of Chinese contemporary art. He used to be the editor of a magazine called *Art Studies*, and runs his own gallery, Beijing Commune, which is also located in the 798 Art Zone (Interview with Leng Lin). He has been friend with PaceWildenstein for a couple of years before the establishment of this branch. According to him, PaceWildenstein thinks highly of the operation of his Beijing Commune and asked him to run the new branch the similar way (Interview with Leng Lin). Leng still runs the Beijing Commune but the operations are rather different. Pace Beijing is monitored by PaceWildenstein at large and is operated as a commercial gallery under western standards. Beijing Commune presents itself as a new model or a new alternative space between museum and gallery (Beijing Commune website). The reason for PaceWildenstein to choose Beijing as the location rather than Shanghai, Hong Kong, or Taipei, is that Beijing is developing at a very fast pace and has great energy. It reminds people of the previous New York City or London so it is expected to be another future art center for the entire world. The founder and president of PaceWildenstein, Arne Glimcher, said that he normally eschews setting up satellite spaces around the world but he insisted that it was necessary to establish one branch in Beijing because there is no local gallery of its caliber to be partnered with (Pollack, 2008).

The reason for choosing Pace Beijing is obvious by its uniqueness. As the first international branch of a major gallery from Manhattan, and the first location of a
U.S. gallery, Pace Beijing stands out from its peer by its identity. It would make a big impact on the contemporary Chinese art market with its strong funding resources and its experience of running a successful gallery. Also, the opportunity to interview one of the most important figures in the contemporary Chinese art market is precious, since he can provide valuable information on galleries from both the western world and the ones in China.

Iberia Center for Contemporary Art

Iberia Center for Contemporary Art is the art center established in China by the International Art & Culture Foundation (IAC) of Spain. The foundation was founded in Madrid, 2007 by a Chinese descendent, who accumulated his wealth by doing international trade. Located in the 798 Art Zone, Iberia Center covers an area of around 4000 square meters. It incorporates exposition area, film & video archive, médiathèque, visual studio, auditorium, library, café and art store. The center is dedicated to promote Chinese art and culture, as well as to introduce international artists and art projects. The Center values the independent films and videos, and especially the documentary films, which is nowadays one of the most forceful and dynamic parts of the contemporary art. The Center establishes an archive of independent films and videos as a platform, in order to collect, project, exchange and research Chinese independent films and videos (Center’s website). Iberia has a commercial gallery located within the center, but it is not the focus of its work. Iberia is different from other galleries or spaces in that it is called a nonprofit center.
and it seems to be so with a foundation providing its funding. This is the only reason that the art of documentary films can survive in the market-oriented art scene (Interview with Zuo Jing). However, the nonprofit status is not as same as the one found in western art market. How the nonprofit galleries are different from the American ones will be discussed in Chapter Four.

The interviewee in this center is the art director, Zuo Jing. The 39 years-old is also the vice editor-in-chief of Art & Investment and Contemporary Art & Investment magazines. He studied film as a student and wrote poetry for a long time. In the late 1990s, he started to work in the contemporary art field. According to him, the reason he started to get involved in the contemporary art was that it was the trend and it was natural for someone who was interested in art. In 2002, he was involved in initiating the first triennial of Chinese art—the 1st Triennial of Chinese Art Exhibition (now changed to Nanjing Triennial). He used to be the executive director of RCM Museum in Nanjing, China. As an art educator, he teaches documentary and contemporary art in university; as a promoter of independent films, he used to be the curator of China Independent Film Festival and Exchange Week of Chinese Documentaries. He has curated many contemporary art exhibitions nationally and internationally.

Zuo Jing is very different from other interviewees in that he calls himself a “fen qing” or “Angry Youth”, which means someone who is angry, critical and rebellious
towards the politics or dark aspects of the society. He still writes poetry and considers art as a very serious thing. He even hates the word “market” or “commercial”. His dream is to make the best documentary film archive in China. That’s why he is now working in a nonprofit art center rather than running a commercial gallery. He criticized the art market vigorously, revealing the big fraud, and constantly expressing the center’s irrelevance with the hot market trend. Although he is very familiar with the art market and people in the art circuits, he shuns away from the glamour or the news; instead, he is devoted to help advance the academic development of contemporary art, which he thinks is the most important way to make contributions to art. In the interview, he mentioned several times that reviving academic discourse is the center of his work. The following sentence is what he said when he was asked about why he chose to do what he is doing now.

I am not a businessman. This may sound too fake or ridiculous, but I do hope I could do something meaningful with this space (Iberia). I do wish to make some contributions to art......I do not care about the market, so I do not choose artists by their level of popularity in the market. I value the art discourse, and that is my goal in this nonprofit space. (Zuo Jing)

Loft 3 Art Gallery

Loft 3 gave out a very serene feeling, not only because it is kind of hidden behind trees and has a beautiful lawn, but also by the fine and gentle atmosphere it
creates through its architecture and the interior decorations. Situated in the 798 Art Zone next to the new Pace Beijing, Loft 3 consists of three factory buildings and an open courtyard with a total area of 1500m². Opened in 2007, it currently has an exhibition space and a café, with the construction of a hotel halted for now. The interviewee, Gao Yan, owns this gallery with her artist husband. Their reason to open the gallery was quite accidental since they were only renting this space to be her husband’s studio. However, it turned out to be too large for a studio so they decided to open a gallery as well. She was honest with her ignorance about gallery operation back then but actually very few people in China understood how to run a gallery professionally. Gao Yan is the only interviewee who is not personally involved in art making or art critics. With a background of computer science, she was working in an advertisement affiliated with Beijing’s Central Academy of Fine Arts. And it was then she began to be exposed in art. Later she moved to Seattle with her husband, who then created and sold his artworks in the US for a while, before they came back to China.

The gallery is devoted to representational realist style since Gao Yan’s preference is beautiful and serene art. She stays away from the hottest trend, such as political pop, violence, or sex, which personally she dislikes. Loft 3 is the only interviewee that is funded exclusively by the two individuals and is a commercial gallery. However, it is different from other mainstream commercial galleries (MCGs) in that it sticks to its own taste and idea without the influence by the market or
monetary gain. This makes it stand out from its commercial peers. With this concept in mind, the gallery has operated differently than the MCGs. For example, it hosts events for the public for free, and also it has its own standard in choosing which artists to represent (Interview with Gao Yan).

With her experience in living in a western art market, Gao Yan expressed some thoughts of gallery operations that are similar to the western way. But she also mentioned that she was considered somehow abnormal in the Chinese art circle with her different ideas. She also expressed a not-so-keen attitude towards the hot market, which makes her commercial gallery a unique and interesting case.

Right Space

This space is actually one that is still under construction. The interviewee, Fu Xiaodong, is the owner of the soon-to-be-open space. The reason to use this unfinished space as a case is that it is a place dedicated to experimental and cutting-edge art, so that its operational concept is again different from the previous galleries or spaces.

Fu Xiaodong used to be the manager of another similar space, T space, and she is a professor in LuXun Fine Arts Academy, a renowned art critic, an independent curator, and also the executive director of several art magazines. She comes from an artist herself, since she studied ink and brush painting in college. With a background
largely in the academic world and the art world of discourse, she has a more pure attitude towards art instead of following the market trend. Right now her focus is more towards the operation of this new space, which accumulated its funding from her and her friends in business. Right space is on the second floor and is over 2000 square feet with a high ceiling, a perfect space for single giant projects. Since the rent is incredibly low for its second floor location and the economy downturn, she thinks it is a good opportunity to promote experimental art, which basically does not make any money, at a low cost, and this fulfills her original purpose of opening up this space, promote rather than sell.

Unlike the other three, Right space looks more like a co-op by western standard. Artists will be invited to do shows in the gallery but little is expected to sell since the main focus is the installation art, not very popular in the current market since it does not serve the decoration purpose and it is not profitable as investment. The space will not be able to pay artists although they can divide the income from sales if there is any. No formal gallery operations will be seen in this space, but it provides artists who are emerging or rejected by the mainstream market opportunities to experiment, to fail, to carry out new ideas, and to have a place to show them. Fu Xiaodong mentioned that what they are doing has absolutely nothing to do with the frenetic art market that is seen on media all day long, and this circle is rather small, 30 to 40 people in total in Beijing (Interview with Fu Xiaodong).
In conclusion, the four galleries or spaces under studies are unique in various ways and all of them offer valuable information regarding the understanding of the market. This chapter I have presented the background and basic information about the four galleries or spaces and their managers/owners. And I also brought out the MCGs as the main player in the commercial world. In Chapter Five I will compare the western galleries and the galleries at hand from several angles. It should be obvious to see that in the China context, there will be many interesting differences coming out of it.
Chapter Three: Data Report from Interviews

This chapter is an accumulation of the in-person interviews I have had with the four owners or managers of the four target galleries in my study. The interview question were constructed before the interviews and slightly changed throughout the interview process to better accommodate the needs came up during the interviews. The followings are the questions and answers retrieved from the four interviews.

Interviewee No.1: Leng Ling
Title: President of Pace Beijing, Owner of Beijing Commune

Interviewee No.2: Zuo Jing
Title: Artistic Director of Iberia Center for Contemporary Art, Vice Editor-in-chief of Art & Investment, Contemporary Art & Investment, magazines

Interviewees No.3: Gao Yan
Title: Co-owner and vice president of Loft 3 Art Gallery

Interviewees No.4: Fu Xiaodong
Title: Owner of Right Space, Executive chief editor of Fine Arts Literature magazine at Fine Arts Literature Art Center
Question One: What was your background before you took the current profession?

Why did you choose to open a gallery or to work in a gallery?

One similarity among the interviewees is that they all have some experience with art, although under different contents and some direct while some indirect. Gao Yan’s background is probably more typical among the Chinese mainstream commercial galleries and is the farthest with art among the four interviewees. Her contact with art largely came from her husband, who is an artist and also the co-founder of the gallery. She herself did not have any training in fine arts or art criticism, which is rather typical in the owners of the mainstream commercial galleries born during the crazed market phase. The other three all had training in fine arts or art criticism, and they are rather typical among the owners of alternative or nonprofit galleries or spaces in China.

Leng was an undergraduate in the Central Academy of Fine Arts from 1984 to 1988 and a graduate from 1990 to 1993. In early 1990s he began to write articles and got involved in art criticism. In 1995 he became involved in the auction business, working in an auction house called Zhongmao Shengjia, and co-organized the first auction of Chinese contemporary art. He became a curator at the same year. From 1993 to 2000, he also worked at China Academy of Social Sciences as an assistant researcher at first and then became an associate researcher. Pace Beijing hired him as the president but before this he already opened a gallery called Beijing
Commune. His reason for opening the Beijing Commune was that he wanted to create a place to promote cultural root, such as focusing more on young artists as they try to be more experimental and vigorous, so the gallery is considered an alternative space between a commercial gallery and an art museum.

Zuo started to work in the contemporary art field in the late 1990s. In 2002, he was involved in initiating the first triennial of Chinese art—the 1st Triennial of Chinese Art Exhibition (now changed to Nanjing Triennial). He used to be the executive director of RCM Museum in Nanjing, China. He studied film at university, and then he taught documentary and contemporary art in university as an art educator. As a promoter of independent films, he used to be the curator of China Independent Film Festival and Exchange Week of Chinese Documentaries. His answer to why he started working in the gallery field is “it’s the trend, it’s just natural”. However, as a poet, he positions himself away from the commercial art market, and that is exactly why he chose to work in the nonprofit space of Iberia.

Fu studied ink and brush painting as a student in the Luxun Academy of Fine Arts. And after graduating from her master’s degree she stayed as a teacher in the academy. She has worked with several art magazines and now is the executive editor of the Fine Arts Literature magazine. She used to work as a manager in a Korean-funded gallery called T Space. She considers herself as an independent
curator and an art critic. The reason she founded the Right Space was that she
wanted to continue what she was doing in T Space, which is closed now. She wants
to promote experimental and cutting-edge art, especially the installation art, which is
not so popular at the current art market.

Gao opened her gallery by accident, since the original purpose of buying a
space at 798 Art Zone was to have a studio for her husband. It turned out to be too
big for a studio so the two decided to open a gallery. Gao herself came from a
computer science background and had worked in an advertising company for a
couple of years until she went to Seattle, USA with her husband. She had no training
in fine arts but she has been living among artworks since her husband is an
oil-painting artist and the former advertising company was affiliated with the
Central Academy of Fine Arts. She did not hide the fact that she basically knew
nothing about running a gallery when she opened her gallery and she said, “Actually
not so many people knew anything about how to run a gallery, it was too new, and
we were all crossing the river by touching the stones.”

*Question Two: What is the type of your gallery? What is the source of funding? And
how well do you think it is running? Has it met your original purpose or
expectation?*
The four galleries belong to four different types. Pace Beijing is a branch of an international commercial gallery, Loft 3 is a local commercial gallery, Iberia is a nonprofit space, and Right Space is an alternative artistic space. Pace Beijing’s funding is from PaceWildenstein, Loft 3’s funding is from the couple’s own pocket, Iberia has a foundation in Spain to support its operation, and Right Space’s funding comes from Fu’s friends in various industries. All of them expressed their content with their galleries or spaces and said it is running to where it was supposed to go. Although all of them mentioned the difficulties in running a space, their reasons were different. Zuo had a strong opposition towards the market and his purpose of running Iberia was to promote serious art in China. “This may sound funny, or pretentious. But my thought is just to make a contribution to the art in China. I think China lacks academic discourse, and that’s why I want to do this magazine.”

Leng expressed that Pace Beijing’s future goal is to be decided by PaceWildenstein and he has great confidence in the future of Pace Beijing. Gao mentioned the difficulties of operating a gallery and the fact that she had not made the investment back yet. Her husband and she run the gallery out of their own pocket without any funding from elsewhere. But she is not worried since she is doing what she wants to do and “some people want to get their money back in one or two years, but I can wait. It all depends on your expectation.” Fu did not have the market in her head as we talked about her space. “The rent is so cheap and I do not think about
money since I don’t think the art I am doing will make money anyway. I just want to have this space for great artists to show their installations, since it’s a fabulous space.”

*Question Three: What characteristics do you think your gallery has? What is the difference between yours and other mainstream commercial galleries?*

Leng has a lot of experience in the art market since he basically has nearly had worn every hat in the art market. “I was in the auction business, and I am telling you, it’s not the way it seems to be. Fake bidding was everywhere and nobody was actually buying. It was all advertisement.” He did not mention too much about the commercial galleries but he basically admitted that the news articles revealing the dark side of commercial galleries were largely true. Pace Beijing, on the other side, will operate under the monitor of PaceWildenstein, and will conform to the professional standard from the West. As a branch of a powerful foreign gallery, he believed Pace Beijing has natural power in the art market in China. Zuo thought the characteristics of his space is that it’s a nonprofit space, so he wouldn’t need to worry about the money or succumbing to the market force. And this nonprofit notion is not quite exact as the western one since the foundation provides funding for everything needed in the space and the directors are basically free to do anything he likes. His opinion towards the art market or the commercial galleries was that they are just doing short-term flipping, and the last ones got the artworks before market
crashes are the losers in the game. “The water is so deep, and they are so tightly
linked, you cannot solve this problem by regulating any one of them.” Gao basically
dislikes the hot type of contemporary art on the current market and she believed the
serious collector would want to collect and maybe hang the artwork at home in the
end so they would not choose to hang something sexual or violent. So that’s where
she thought that her gallery parts way with other commercial galleries, who only pay
attention to what and who is selling well. Fu did not think her space is a gallery
since she did not think about selling. It was rather a display space for artists to put
their installations. She said she couldn’t do anything like the commercial galleries
since she does not have the sense of what will sell and she does not care about the
star artists at all.

All of them mentioned that the diversification of galleries in China is a product
of the specific Chinese context. Some think the unprofessional phase will go away
and most galleries will operate in western standard. Some think diversification as a
good thing to continue.

Question Four: What is your standard in selecting artists to represent? Do you have
any preferences in artists? Do you have any contract with the artists?
None of the interviewees have an age or artistic development preferences. They all mentioned the word “creative” but no other similarities. Pace Beijing wants to cooperate with artists who have good ideas and are breaking away from their old patterns. Iberia focuses on “fun” and “uniqueness”, since Zuo emphasized the importance of artist’s value in the art history. Gao has a preference for artists graduated from academies since she believed that they would have a considerably solid foundation in skills as well as a better understanding of the culture. She also has a preference for a style of beautiful serene art. Fu mentioned that she wanted to do things she had never done before and she preferred artists who are truly experimental. She looks for exciting single projects rather than artists. Basically none of them have formal contract with their artists. Leng is not in charge of the signing of artists and Gao mentioned she had some contract signed with artists but they are all pretty flexible.

*Question Five: How do you promote the artists? Do you have close relationships with the auction houses, the art critic or art journals, and the art museums? What is your opinion towards these actors in the art market?*

All of them mentioned that they would like to have collaboration with art museums but local art museums are not functioning very well. “It is not that there are not enough of them,” said Gao, “it’s just I wish they could have operated better in various ways.” Iberia has more collaboration with foreign museums such as
museum in Spain and the Spanish-speaking South America. Zuo regarded the art museums’ operations as outdated. He does not cooperate with state-run museums but private museums have issue in running as for-profit with the title of nonprofit.

Fu mentioned that the installation arts are not the center of the contemporary Chinese art market so she did not think there would be too much collaboration with others. She thought now it’s the “era of art fair” and it is good in that art fairs are open for everyone, it is interactive, and it attracts public attention easily. She also provided a paradox in the art fair, which is that only 20% of the galleries at ShContemporary art fair are Chinese galleries, but Chinese collectors tend not to buy from foreigners. And her final point was that the art market in China needs better environment and more focus on the discourse instead of the price.

The interviewees, whether are actively involved in the commercial contemporary art market or not, all expressed that the current chaos is problematic, especially the power misplacement between the auction houses and the galleries. Also they all thought that the art market needs regulation and a better academic environment to pull everyone away from the prices. They also all showed understanding that the current scene is a necessary phase before the market gets more professional and mature. Zuo also mentioned that although it’s a necessary phase, the investment idea would never die in China since it was rooted in the nation’s ethos. The lack of art education cannot be corrected in a short time and the
attitude towards money and the mentality of pragmatism will continue to push the art market to the next peak.

Question Six: How do you cultivate your customers? What is the ratio of collectors to speculators in your customers? What do you think of the investing in art frenzy?

Shockingly, none of them gave me any clear answer to this question regarding the cultivation of customers. It seems typical that galleries go out and seek artists actively but the customers just appear spontaneously. It is reasonable since the past few years saw the insatiable demand for contemporary art from China to the extent that artists have to hire assistants to paint for them in order to meet the demand locally and internationally. It is not necessary for galleries to go find customers, especially when the new riches in China have shifted their attention to contemporary art from real estate and stocks. Zuo obviously loathes the investment scene and he laughed at the buyers who would never open the package of their purchases until the resale. “They just put the artworks against the wall and never open it. They do not appreciate art; rather, they just want to make money by transferring them to the next buyer,” said Zuo. On the contrary, Gao said that her customers do not usually sell their purchases quickly. She said, “Maybe it’s what I sell. They will buy it and hang it at home if they like it. The artworks in my gallery are not so hot so they probably are not attractive for short-term resale.”
All of them admitted that there are very few serious collectors in China at the moment. Lack of art education and the absence of serious art discourse make the buyers not qualified enough to start serious collecting. But they have confidence in future generations as art has become familiar in everyday life of the general public, the new generation might contribute to the formation of a generation of serious collectors.

*Question Seven: Do you think the government is still playing an important role in the art market? What influence do you feel from the government policy in regard to the galleries?*

Government’s important role in the whole contemporary art market was definitely admitted by all of the interviewees. They also all agreed that national policies towards the contemporary art market are very crucial and necessary. Little censorship is felt right now from the government and it is generally said that the government would not care as long as your activities or shows are in your private places. However, all of them mentioned that the government is still suspicious of the contemporary art as its content usually relates to political and ideological issues. The government will absolutely not let go of the control on this area. The artists and galleries are “trying out” with the government. They are constantly pushing the boundaries to see how far they can go. But with the enormous reputation of contemporary Chinese art on the international art stage, the government is now
trying to use it to promote China’s status globally and thus has shown some support in the building of infrastructure of the cultural industries.

Still, the interviewees felt that China needs a more realistic and doable cultural policy instead of a propaganda slogan. And this may take a long time to be realized.

**Question Eight: Does the financial crisis or the economic downturn affect your gallery? What do you think of the crisis? How do you think the art market in China would change after the crisis?**

The galleries under interviews are considerably new so they were born near the start of the bubble burst phase. They did not feel much of the difference as the crisis swept through but they witnessed other galleries close down and the decrease of the sales in auction houses. Zuo thought artists are not losing anything in this crisis since they have a very low production cost and now they can just wait. The losers are the ones who paid big bucks on the artworks before the crisis and now they have nowhere to resale.

All of them expressed positive thoughts regarding the financial crisis. They think it is a great time for the contemporary Chinese art market to rethink its future and its operations. And it is a filtering process so the serious galleries will stay and
the ones who came to invest will be cleaned out, thus making the market a cleaner place. Artists will also have a time to rethink what kind of art they want to create, and why they are making art. Serious collectors would not be hurt and speculators probably suffered and would desert this field as investment area. Therefore, they thought the crazed market crash offered such a great chance for everyone to readjust and learn from the past, and thus a healthier and stronger market will be born out of it.
Chapter Four: Historical Background of Contemporary Chinese Art Market

Introduction

To understand the current art market one needs to look at where it came from and how it evolved through time. This chapter is about the past of contemporary Chinese art market. A brief summarization of how the market came to what it looks like now can help us better understand the mechanism lying in the market before I proceed to the main discussion in Chapter 5.

Moulin (1987) delineated a tripartite classification of periods widely recognized among art experts: “Older paintings (prior to Impressionism); Modern paintings (from the Impressionists to the twentieth century masters); and contemporary painting (the work of living artists or those born after 1900). This is generally how western art periods are concerned. Contemporary art in China is a very new thing with a history of around 30 years. The art market is an even newer phenomenon and its rapid development is only realized within the last few years.
Contemporary art market stands in sharp contrast to the traditional or established market. In previous centuries, the historical system of the academy served as the central institution for legitimization of artists and their works, with fixed criteria for evaluating works and official procedures for conducting such evaluations (Peterson 1997). In the contemporary art field, conflict over what is considered good art is much more open and less regulated. Art dealers compete with each other, at the local level as well as the international level, and make great efforts to attract the attention of multiple evaluators, such as critics, collectors, auction houses, museums (Moulin, 1986; Peterson, 1997) and even the government. With the market being highly fragmented and the power highly dispersed, the uncertainty of “being sold” is much higher than in the established or traditional art field.

**Political Environment**

A Chinese art market based on the Western and Japanese models was created in the early twentieth century, but was abolished in 1949 when Chairman Mao adopted a socialist framing model on the national level. Although market socialism was adopted in 1979, breaking out of the totalizing frame was difficult. After Mao’s death and the end of the Cultural Revolution, government leaders including Deng Xiaoping, initiated reform programs that increased openness to the west. Since then a nationwide economic reform and social transition was carried out in the development of “socialism with Chinese characteristics” (Gao, 1998). It is generally accepted that
the contemporary Chinese art came out after the Cultural Revolution and the pioneer
group was the Xing Xing group, or the Star Group, including principally self-taught
artists. The group's first exhibition, in September 1979, is a provocative display of
work hung without official permission on the fence outside the National Gallery of
Art in Beijing. After the police disrupted the exhibition, the artists post a notice on
Democracy Wall and stage a protest march (Gao, 1998). This was generally regarded
as the beginning of contemporary Chinese art (Li, 2006). The Stars' first formal
exhibition, held in Beihai Park in November, includes 163 works by 23
nonprofessional artists. The Stars hold another exhibition with official approval at the
National Gallery of Art in August 1980, and the show became controversial for its
overt political content (Gao, 1998).

After that, protests and crackdown were repetitive throughout the years as the
authorities launched the Anti-Spiritual Pollution campaign. A rapid surge of creativity
happened between 1979 and 1989, but artists still had to cope with the aftermath of
Mao’s assertion that art could be no more than a servant helping to shape the
consciousness of the masses. The well-known movement happened in 1985 is often
referred to as the '85 movement, which started as the Anti-Spiritual Pollution
campaign ended, expanded for three years, and then weakened under the dual impact
of the government’s antibourgeois campaign and pressures to produce more
commercial work, a result of Deng Xiaoping’s 1978 economic reform. The year 1989
saw the first nationwide avant-garde art exhibition “China/Avant-Garde” held in the
National Art Gallery. In this exhibition, one artist Xiao Lu took out a gun and shot her own work twice, and thus the show was closed. Later the Tiananmen Square massacre in 1989 signified the end of an important period, and many artists went abroad.

The year 1989 also marks the start of Western interest in Chinese art. Chinese contemporary artists had participated in an important international exhibition outside China for the first time, the “Les Magiciens de la Terre” organized by the Centre Pompidou (van der Zijpp, 2008). A key factor in the distribution of contemporary Chinese art during the tumultuous years was the support of the international community, including foreign consultants in Beijing, western expatriates in China, and foreign tourists. They generated a lot of private sales for artists in Beijing and Shanghai and artworks were shown overseas. Fortunately, the adoption of a national policy of rapid growth gave the culture industries a sharp nudge (Joy & Sherry Jr., 2004). Although the period following the Tiananmen Square massacre was dark days for China, with Deng Xiaoping’s endorsement of economic reform, the government heralded a new attitude towards art since increasing the value of Chinese commercial art can be part of the economic expansion. One of the most obvious examples is the art fairs sponsored by the government, starting with the Guangzhou First Oil Painting Biennial in 1992 (Gao, 1998). Although government began to show support for the art, valuing art was still a controversial issue with the government’s participation (Joy & Sherry Jr. 2004), and the ideological and commercial pressures never left contemporary Chinese art.
The year 2000 was a crucial juncture in the course of development of Chinese contemporary art in that it was at that moment the underground status of contemporary art was revoked and consumed by the mercy of the government, and thus the art market officially set in. This was marked by the Third Shanghai Biennale organized by the Shanghai Museum of Art in 2000, which was the first edition of the biennale to showcase both Chinese and foreign contemporary art and the first major international art event organized by a state-run museum (Lu, 2008). A well-known show *Fuck off* was later organized by Ai Weiwei and Feng Boyi at Shanghai’s alternative Eastlink Gallery, with a display of boundary-pushing works shown. Authorities closed the exhibition a few days after its opening, and for a year or two, oversight of exhibitions became stricter.

However, with the international art world showing great interest and the auction houses making highly profitable sales of contemporary Chinese art, as well as reputations of Chinese artist reaching higher, the government has become more and more flexible with the contemporary art. It seems to come to realize that the contemporary art can be used as a soft power strategy to enhance China’s global status (Vine, 2008). In 2003, China’s Ministry of Culture asked Fan Di’an (director of China National Art Gallery), Hou Hanru and Ke Jiabi to curate the “Life at This Moment” exhibition in Contemporary Art Museum of Hamburg Railway Station in Berlin, Germany, and that was the first time Chinese government held a large-scale
contemporary art exhibition on foreign soils. At the same year, the Chinese government was officially invited to the Venice Biennale in the name of a national art museum. Later, a series of governmental contemporary art exhibitions were held in many places around the world. The government since then has been active in sponsoring art biennales in China and the development of creative art districts in major cities. The most recent policies will be discussed in Chapter Six.

Public, Semi-Public, and Private Art Museums

Traditionally, all official art galleries were sponsored by the state, and their exhibitions served strong educational or political purposes. Major national and municipal galleries included the National Art Gallery in Beijing (founded in 1962), the Shanghai Art Museum (founded in 1952), and the He Xiangning Art Museum (founded in 1997) in Shenzhen, and these are all public galleries funded by the government. Aside from the public galleries/museums, there emerged other channels of exhibition of art in China. The Yanhuang Art Gallery and the International Art Palace, both in Beijing, are among the earliest semi-public art galleries established. Although funded by private donations, they obtain their legal status of a “public exhibition space” from the municipal government largely because of private political connection. Another semi-public art gallery, the Chengdu Contemporary Art Museum, was founded in 1999 and financed by the municipal government of Chendu and a Sino-American joint venture company called the California Group (Wu, 2001).
These institutions have close relationships with the government, although they have a greater flexibility on the choice of their programs than the state-owned museums or galleries.

Recently, a surge of private art museums has emerged and more and more museums are being built in major cities. Private art museums are defined in China as museums that are owned by private citizens (Sun, 2006). Their funding sources are various, but the biggest supporter is the corporations. Some are affiliated with big companies, such as the Zengda MoMa. Some take all the operational funding from the company that sponsors them, such as the Square Art Museum. Some are taking the “private but non-corporate” profile, such as the Today Art Museum. The formal semi-public Yanhuang Art Gallery has been taken over by a commercial bank and now its funding completely comes from the foundation established by the bank. The details regarding art museums will be discussed in Chapter 5.

Art Fairs and Biennales

Since 1993, international exhibits have played a great role in laying the infrastructural foundations of art distribution networks in China. In 1993, Venice Biennale saw the first Chinese participation, and in the same year, the show “China Avant-Garde” took place at the Haus der Kulturen der Welt in Berlin. Both events helped to open the door for Chinese artists to the world. This was the year that the
Chinese artists got the world’s attention for the first time. One year later, another important international exhibit, the Sao Paolo Biennale also witnessed the participation of Chinese artists. Generally, it was believed that international art scenes’ formal recognition of Contemporary Chinese art happened in this San Paulo Biennale. In 1995, China for the first time had a pavilion at the Venice Biennale and exhibited the works of three well-known artists, Zhang Xiaogang, Liu Wei, and Gu Wenda. In the 48th Venice Biennale in 1999, Ulli Sigg, the former Switzerland ambassador to China and now the biggest collector of contemporary Chinese art, brought out contemporary Chinese artists on a large scale through curator Harald Szeemann, and a total of twenty participating Chinese artists exceeded the number of Italian or American artists and, in consequence, contemporary Chinese art gained an even wider recognition (Li, 2006).

Yet exhibitions within China were still under the restricted atmosphere of control after the Tiananmen Square Massacre. China’s first art fair, China Art Exposition, was held in Guangzhou in 1995 and sponsored by the local government, and it was the base of the 1st Guangzhou International Art Fair, which came into birth in 1996 (website of Guangzhou Art Fair). It was also in 1996 that China had its first biennale, Shanghai Biennale, at the Shanghai Art Museum. In 1997, the Shanghai Art Fair was established under the support of the Shanghai government (website of Shanghai Art Fair). In the same year, Beijing had the first Academic Exhibition of Chinese Contemporary Art (Davis, 2008). The year 2000 marked the first time a
Chinese gallery was invited by a top-level international fair. The expatriate-run Shanghart Gallery participated in the 31\textsuperscript{st} Basel Art Fair. And it was the year the Shanghai Biennale, whose first two editions were reserved exclusively for Chinese artists and traditional techniques, opened to international participants and curators. In 2004, China opened its first international gallery fair, the China International Gallery Expo (CIGE) in Beijing (Lu, 2008). Since then, various biennale, triennials, and art fairs have proliferated in major cities across the country, among which Art Beijing and CIGE are the major two art fairs in Beijing, and Shanghai Art Fair and ShContemporary are the major two in Shanghai. ShContemporary is the newest member and was born in 2007, and it is considered the only international art show that provides a comprehensive, top-quality overview of Asia’s art scene and an intriguing crossover with top Western art. It was founded by the former Art Basel director Lorenzo Rudolf, who believed that ShContemporary is an international fair with a special focus on Asia instead of a Chinese art fair.

**Development of Galleries**

After achieving name recognition and being renowned on the international market, certain artists effectively use the new state ideology (strong market orientation) to promote their works. Just as China was beginning to attract more foreign investment through multinational joint ventures, Chinese artists began to achieve acclaim on international art circuits. For both artists and the Chinese
government, market values became the medium to reinvent themselves (Hung, 1999). Foreign investment does not only come for industrial companies, but also art and culture. Not until 1991 were there private and commercial galleries (Cohen, 1987). Several important foreign-funded galleries were established in the early 1990s as the first generation of commercial galleries in China. Red Gate Gallery was the first privately owned contemporary gallery in Beijing, founded by an Australian Brian Wallace in 1991. Another important and one of the earliest contemporary galleries is the Courtyard Gallery, which was founded by Handel Lee, a Chinese-American lawyer in 1996. In Shanghai, the first private gallery was the Shanghart, established in 1996 by Swiss gallerist Lorenz Helbling. Since 2004, with the increase of international attention on contemporary Chinese art and the market value of it, an explosion of new commercial galleries for contemporary Chinese art owned by locals has been sweeping in major cities in China, such as Chengdu, Tianjin, and Guangzhou, besides Beijing and Shanghai.

Nonprofit, privately funded art galleries are a more recent phenomenon in China. In late 1990s, nonprofit galleries/spaces, alternative galleries like cooperatives, and semi-commercial galleries began to emerge in the art scene in China (Davis, 2008). As what I will discuss later in Chapter Five, it is rather difficult to define nonprofit in China and they have such blurred identity it is nearly impossible to tract their history. Also, another phenomenon has taken on the trend, which is the establishment of branch galleries in China with main operations outside, such as the
Schoeni Art Gallery of Hong Kong in Beijing, the Soka Art Center of Taiwan in Beijing, and the most recent one, the PaceWildenstein’s Beijing branch, Pace Beijing. According to the most renowned art website in China, Artron.net, there are 67 foreign-funded galleries among the 500 plus galleries in Beijing, but they are taking the lead of market (Yan, 2009). The reason is that they are operating in a “professional” way and thus give the artists better opportunities to grow both their artistic capabilities and reputation.

Development of Auction Houses

Alongside the galleries, auction houses have proliferated earlier and faster in this market-oriented trend. Auctions were illegal in China before 1991. In May 1991, China’s National Cultural Conference decided that auction markets of artworks might be established in China in an effort to curb illicit trade and regularize the market, and following first auction of art took place in Xi’an on September 8th, 1992 (Davis, 2008). The establishment of fine art and antiquities auction companies followed thereafter. In 1993, the first state-level professional auction company in China, the China Guardian Auctions Co., Ltd., obtained approval to operate in Beijing (Davis, 2008). Right after the opening, Guardian initiated a specialized auction of oil paintings and sculptures, which was the first case in Mainland China, with a sale volume of 1.9613 million RMB and a sale rate of 70.59%. In Shanghai, Duo Yun Xuan Art Auctioneers were founded in 1992, and it also runs a traditional Chinese art gallery and a store for art
supplies. In December of 1996, art critics Leng Lin, Gao Ling and others produced for the first time a special auction of contemporary Chinese art, which, however, did not achieve a desirable result because the whole contemporary art market had not taken shape at that time (Li, 2006).

Since 2003, the wave of soaring price had begun to surge, which culminated in 2007 as a result of years of market cultivation. With a better market there emerged quickly a large number of auction houses, and the sale number has soared as well. Reportedly there are over 1,000 auction houses now operating in China, but only a few are worth following for contemporary art (Vine et al. 2007). Until 2006, China contemporary art auction had evolved to make Beijing and Hong Kong the centers, New York the observation post, and Taiwan, Shanghai, Nanjing and Hangzhou the regional centers. In Beijing, there are Guardian, Hanhai, Huachen, Poly, Chengxuan and Council competing; in Shanghai, the long established Duoyunxuan and Chongyuan dominate the scene; in Hong Kong, there are the international Sotheby’s and Christie’s; in addition, there are several big auction houses in Tianjin, Hangzhou and Nanjing (Li, 2006).

Sotheby's and Christie's both have been auctioning modern and contemporary Chinese art for several years. Hong Kong is the center for their business. Sotheby's has been holding sales there since 1973 and Christie's since 1986 (Vogel, 2005). On September 30, 1991, Christie’s Hong Kong held the “Contemporary Chinese Oil
Painting Auction”, where Chinese oil paintings began to enter the international auction market under a unified image, and among the auctioned articles there were works by Liu Xiaodong, Yu Hong, and other well-known artists. In March of 2006, Sotheby’s New York held a “Special Asia Contemporary Art Auction”, mainly featuring China contemporary art, and the sales volume exceeded one hundred million RMB yuan for the first time (Li, 2006). This auction greatly stimulated the already hot market into a roaring situation. The inroads towards the mainland market are a more recent phenomenon. Both auction houses opened offices in Shanghai in 1994 to identify property to sell and to contact prospective buyers. Two years later, Christie's opened an office in Beijing. But only until December 11th, 2004, are foreign auction houses technically allowed to operate in mainland China, in accordance with the WTO agreements. However, foreign auction houses are still required to obtain a certificate from the Cultural Relics Bureau if they want to auction Chinese artworks produced prior to 1949. And this permission is not easily granted (Chang, 2006).

In 2005, Christie’s attempted to be the first Western auction house to put a hand on the Chinese market by circumventing the certificating process. It partnered with a Beijing Auction house Forever to conduct auctions in Beijing (Vogel, 2005). However, shortly after the auction, the Chinese Auctioneers’ Association suspended the license of Liu Xinhui, Foever’s chief auctioneer, claiming that he presided over an unauthorized auction (Chang, 2006). Later, the partnership was declared illegal by the Chinese government (Robertson & Chong, 2008). Although direct local auctions seem
not to be easy in the near future, Sotheby’s and Christie’s still control the sales of contemporary Chinese art outside China.

The auction scene is undoubtedly hot in China. However, many of the practices at Chinese auctions are considered illegal in the Western countries, such as a group of friends intentionally bidding up the price of an artwork in order to advertise the artist. Many times a dealer promises the auction house a fixed amount of money to take the artwork back even if nobody actually buys it, and performs fake-bidding during the auction to make an illusion that this artwork is bought with a high price. Although “pulling the price from the chandelier” is not an uncommon practice in western auctions, the high level of fake bids have a far worse effect, since most buyers in China are new to this field and artificial high prices definitely disturb future dealings in the market. Thus if the auction houses want to be taken seriously on the international level, they would have to adjust their operations and follow the international norms. This is a problem for the burgeoning young market, and also for the lawmakers in the field.

**The Perfect Storm and the Timeline**

The explosive Chinese art scene in recent years can be seen as a result of several major market factors. The broadening of the international market for Asian art sets the trend and provides the stimulus. Heighted speculation in contemporary art
worldwide also urged the speculators and collectors to look globally in seeking new opportunities. Asian contemporary art has attracted increasing global interest and China is the biggest segment in the Asian contemporary art market. These international tends coincided with the gradual emergence of a domestic Chinese art market. The Open-Door policy in the late 80s and early 90s allowed the contact between China and the western world, thus opened the door for cultural communications. Later, with the return of Hong Kong to China in 1997, galleries and auction houses in Hong Kong started to have more opportunities to be involved in the mainland art market. The acceptance of China as a member of the World Trade Organization in 2001 marked the time cultural trade was made possible. Since then more and more business in the art market has been conducted between China and the Western world. Thus, all these events together created a “perfect storm” (Vine et al., 2007) or a window of opportunity for the contemporary Chinese art market to boom. Here is a timeline of the evolution of the contemporary Chinese art market before the global financial crisis.

**The Time Line of the Contemporary Art Market**

1979  “Star Art Exhibition” launched the beginning of contemporary Chinese art.

1979-1989  Rapid surge of creativity happened.

1989  Tiananmen Square Massacre stopped the rapid development.

1991  The opening of the first privately owned commercial gallery for contemporary art in China: Red Gate Gallery.
The opening of the first semi-public art museum for contemporary art in China:

The Yanhuang Art Museum

Auction was deemed legal by the Chinese government.

Christie’s Hong Kong held the “Contemporary Chinese Oil Painting Auction”, where Chinese oil paintings began to enter the international auction market.

1992  First auction of artworks took place in Xi’an on September 8th, 1992.

1993  The first state-level professional auction company in China, the China Guardian Auctions Co., Ltd., obtained approval to operate. Since then, auction houses began to flourish in Mainland China.

The Venice Biennale saw the participation of Chinese artists, and Chinese artists got the world’s attention for the first time.

1994  The San Paolo Biennale witnessed the participation of Chinese artists.

1995  Government sponsored the first art fair, China Art Exposition, in Guangzhou.

The Central Academy of Fine Art (CAFA) set up spaces in the 706 factory, which was in the now Art Zone 798. From then on, Art Zone 798 has flourished.

China had a pavilion at the Venice Biennale; three important Chinese artists were shown.

1996  The first Shanghai biennale held by Shanghai Art Museum.

The first special auction of contemporary Chinese art took place in Beijing.

1997  The Shanghai Art Fair was founded

Late 1990s  Nonprofit and alternative galleries began to emerge in mainland China
2000  The first time a Chinese gallery, the Shanghart Gallery, participated in an international art fair, Basel Art Fair.

The state-run Shanghai Art Museum hosted the 3rd Shanghai biennale, which was the first time that a biennale showcased both Chinese and foreign contemporary art, thus the biennale went truly international.

Commercial galleries owned or run by Chinese began to develop in major cities.

2001  China was admitted into the World Trade Organization, opening the possibility of cultural trade with the outside world.

The establishment of the first private, non-profit museum for contemporary art in China: The Today Art Museum.

2004  China opened its first international gallery fair, the China International Gallery Expo (CIGE)

Galleries in China began to flourish and proliferate.

2006  Sotheby’s organized the first New York auction of contemporary Asian Art.

Chinese collector began to make visits to Art Basel and made purchases.

2007  Former Art Basel director Lorenzo Rudolf founded the ShContemporary, the more international and highest-quality international art fair that focuses on Asia art.

The current economy downturn has affected the global market, and the contemporary art market in China is not immune. After enjoying skyrocketing prices for the past decade—growth to the tune of 583 percent between January 2004 and
January 2009 ((artprice, Art Market Insight [Feb 2009]), the worldwide financial turmoil has made the previous suspicion of “bubble burst” into reality. Top galleries dealing in Chinese contemporary art have seen drops in sales abroad up to 90 percent and 60 percent declines in local Beijing sales. Plummeting figures have caused numerous Beijing galleries to reduce exhibition schedules, limit art fair participation and even close (Grube, 2009). 50 galleries in the 798 Art Zone have been closed in the last three months of 2008 alone (Unknown, 2009), and auction houses are not selling their expected number in the recent auctions.

However, the challenge given by the cooling down of the whole market allows everyone involved in the circle—artists, galleries, auction houses and collectors—to reflect about the past, and to walk towards an adjustment and new development of the market. Interviewees in the study all expressed the confidence in the readjustment of the market structure and all think of the crisis as a great opportunity to clean out speculators and put the market back on its track. It also gives artists a break from the crazy market and makes them go back to create for art instead of the market. The interviewees mentioned that although their customers largely are not affected by the economic downturn, they are more selective and precautionary in making purchases. “It seems like everyone wants to wait to see where the market will go.” (Interview with Gao Yan).
Lot of dealers believe the market’s cooling down will shift the art market from relying on exportation to the largely untapped domestic wealth, and thus provide a great chance for the growth of serious domestic collectors. The government has shown support in the recovery of art market since it is one important segment in the cultural industries that the government is determined to develop. According to the director of Art Beijing, Dong Mengyang, Art Beijing has secured 5 million RMB (USD 730,000) funding from the Art Beijing fund, a government initiative to promote the arts in the city. He also said that the Beijing government has set aside 1 billion RMB (USD 146 million) to promote the development of cultural industries (Chris, 2009). In all, despite the plummeting sales figure in galleries and auctions, most people are optimistic about the long-term development of the contemporary art market in China and also believe the economic downturn will serve as a correction to build a healthier and better market.

In summary, in order to understand galleries’ roles in contemporary Chinese art market, I choose to approach this topic from two backgrounds. The theoretical background in Chapter Two includes two parts. First one, institutional studies, is to understand the importance of the position of galleries in the whole contemporary art market. And the second one, the neo-classicism theory in economics, is for understanding the phenomenon of investing in art that has been in hot trend in China. These two approaches explain the intermediary role of galleries between the artistic supply/production and the artistic demand/consumption. The historical background
discussed in this chapter is also crucial. How the contemporary art and the art market have developed since the end of Cultural Revolution was provided to help understand the present market situation. Also at the end of the historical background, the impact of most recent global economic downturn on the art market gives us a most updated look at the market. Art market, like other markets, will recover from the crisis, and it is very possible that it will reemerge as a stronger and more disciplined one.
Chapter Five: Discussion and Comparison on Gallery’s Role

Introduction

The mechanics in the art market and the players. Moulin’s (1987) research on the contemporary art market in Paris of the 1960s still holds true for today at large. In many aspects, the art world still represents Moulin’s alchemy, since her research method was interviewing key players, such as dealers, auction houses, collectors, museum curators, and critics. As the business on contemporary art has been booming around the global, this new phenomenon and the largely unregulated nature of the art market has been an important motif for various researchers and governments to carry out research on this topic.

For example, in the UK, the Culture, Media and Sport Committee of the House of Commons convened to examine the art market in the UK by again seeking written submissions and oral evidence from key players in the field. Questions were asked: What are the mechanics existing in this particular market? Who are the key players? A report by Arts Council England, Market Matters, discussed the mechanics of the art market. It explained the concept of endorsement that underpins all the market’s transactions and lies at its core. According to the report, endorsement is a
complex process where works of art are written about by art critics, bought and sold in the market place, and selected for exhibition by museum curators, all with a view to find a lasting place in the history of visual culture. Both public and commercial factors have key roles to play in this journey to bring the artwork towards the ultimate intended home, a major museum collection (Buck, 2004).

This endorsement process seems to be the primary way to promote talented artists and identify significant artworks that contribute to art history and the evolution of mankind. However, the recent boom of contemporary art market before the financial crisis resembles more of the “branding process” that was elaborated by Don Thompson (2008) in his book. The branding process is quite similar to the endorsement process but it differs in that all the players in the process help to build a high price for an artwork or a high star status for an artist, and the players themselves must be brands in order to make the process viable.

So one has to ask: who are these players? Ian Robertson pointed out in his book that several types of organization are involved in the art business: dealers and auctioneers are key intermediaries; public art museums are leading institutions alongside universities; providers of ancillary services include art fairs, art advisors, insurance companies, and etc.; and business corporations who sponsors nonprofit organizations and purchase artworks as decorations (Robertson, 2008). In order to aspire to be collected by a museum, an artwork has to be advocated, debated, and
endorsed by a network of experts within both public and private sectors. This comprises the various players mentioned above, and these groups need to present a finely tuned interplay between both public and private sectors and among themselves. Thus, the “art eco-system” can exist in a healthy condition (Buck, 2004) or the art market can produce billions of wealth.

The focus of this paper is one of the two key intermediaries in the art market, the galleries. Galleries are run by dealers or gallerists, who are in charge of the operations, and the difference between them is in not the focus in this discussion. I want to point out that gallery and dealer are two interchangeable concepts in this paper. As an intermediary, galleries have to manage two main sets of relationships well in order to succeed: the ability to represent key artists and secure key artworks from the supply side, and the relationships with collectors to form sales from the demand side. In the following part I will use the gallery’s operations in the endorsement or branding process as a thread of logic to find out how galleries work with other players in the art market to form the mechanics and accelerate the endorsement or branding process.

The Dealer

**Dealer’s resources.** The profession of dealer may be one of the easiest and one of the hardest at the same time. As one of the least regulated and the least
transparent commercial activities, art trade gives anyone who purchases a business license the chance to call oneself a dealer. No required background is needed, nor is any certification necessary. But becoming a superstar dealer or lesser than that, a dealer who can survive the ups and downs in an unpredictable art market, requires a lot. The most important thing is money: they need a great amount of operating capital. Besides money, good contacts are essential in this highly connected circuit, as well as knowledge in art and taste in choosing artists, aggression in approaching collectors, business savviness, personal charm, and luck (Thompson, 2008).

To elaborate that, whether a dealer can be successful or not depends not only on the quality of the artworks by the artists she represents, but also the social characteristics of the dealer. Peterson (1997) pointed out in detail the dealer’s resources that are needed in successful dealing. Normally a dealer needs three resources: cultural capital, which means the knowledge of art and a taste for specific art styles; financial resources, since it is an expensive business; as well as the social capital, meaning the size of the reservoir of connections and networks available to a dealer is essential in making a deal. The success of a gallery is the creative use of these resources.

**Dealer’s background in Western market.** As mentioned above, Peterson pointed out the importance of the dealer’s resources in her case study of 101 Parisian galleries from 1985 to 1990 (Peterson, 1997). Cultural capital was said to be
significant and every interviewee in her study had experience in the world of art, many of which came from families that have a tradition of art loving and art-collecting, and some had experience as collectors, dealers, or artists. She also stated that the acquisition of cultural capital was often associated with the acquisition of social capital and thus the background of a dealer is rather important. In addition, a number of Parisian dealers in her study started their galleries with substantial collections, some from inheritance and some are previous personal collections. Peterson’s study gave out an idea that most non-struggling galleries in Paris were operated by dealers who had a combination of the three resources and it had a lot to do with their family background and collecting tradition (Peterson, 1997). In Thompson’s book (2008), the author pointed out the importance of “wealthy patron”, without whom the new gallery has a precarious future. He stated that in the art world four out of five new contemporary art galleries will fail within five years, which is conventional wisdom. The reason is that the high cost of opening a mainstream gallery and the extended period of negative cash flow that follows mean a wealthy backer is highly needed (Thompson, 2008). Looking through the list of famous dealers in the American contemporary art market, the most prominent ones made their first appearance in the art market as dealers (Gagosian, Jopling), businessman (Castelli), or just people who work in the art market (Karp).
Dealer’s background in China. Now we can take a look at the China case.

The interviewees in my study all have some experience in the art world as well, although some directly and some indirectly (detailed information can be found in Chapter 3). One interesting and somewhat apparent discovery is that most of the Chinese gallery owners, especially prior to 2007 when the market craze happened, are or were artists or art critics. They definitely have the cultural capital required and social capital in this small connected artwork, but they do not possess as much financial capital as businessmen, nor do they have as many inherited or accumulated previous collections. On the other hand, as the market appearing to be profitable, the mainstream Chinese-owned commercial galleries are operated by the ones who do not possess much of the cultural capital but are no short of financial resources. Some of them are operated by people who are wealthy and curious about this new trend, and some are doing short-term investing or flipping in the market. There is also a big branch of galleries in China, which is foreign-owned, and the owners of these galleries were largely businessmen, dealers, or collectors, similar to the pattern I described earlier.

Reasons for differences. I am taking a guess from the situation observed, which I assume is not very bold. The reason for collectors and heirs of families to dominate the European art galleries is the collecting tradition rooted in the European cultures. As for the American counterpart, culture does not play as big a part since America is an immigrant country and the history is short. But history provided
America plenty of European artists and dealers who rushed to the US during World War II. The immigrant cultural capital, combined with the rapid growing of wealth in the US, makes the art market grow fast in this part of the globe, which provided a good environment for people to engage in art business. The fast industrialization and modernization process makes everything look like a good “business” in the US. Compared to China, US had a better art education and a more favorable environment towards contemporary art (comparatively relaxed political environment and tax benefits), which make working in this field a respectable and decent thing.

The situation in China was partly explained in Chapter 4 through the history of contemporary art market in China. Contemporary art itself is an extremely new thing and the art business was a new concept never heard of until less than two decades ago. Nearly all collectors in China were collecting antiques and traditional Chinese paintings, so there was not inheritance similar to the European countries and no collectors to be involved in this business. Even till now, Chinese collectors of contemporary art are very few. Thus there was no way for collectors to open galleries. In addition, the war with Japan, the civil war, and the Cultural Revolution wiped out the majority of the wealth accumulated before then, especially the wealth of the educated people or business people since they were treated as capitalists. Tight political control and simply not knowing anything about the art market, the American-type of businessman-run galleries was also out of question. So artists and art critics, who were the only groups back then in the contemporary art field, were
the people who started the art market in China. Thus it is not strange that they form
the majority of the gallery owners and have been one leading force in the evolution
of China’s art market. Three out of four interviewees in my study are or were artists
or art critics, while only one was from advertising background but she was greatly
influenced by her artist husband who cofounded the gallery.

Types of Galleries

Like other business organizations, galleries can be categorized into different
types. There are also different ways in categorization according to different
standards. In this section, I still attempt to present the categorization from literatures
on the western art markets before turning into the situation found in the oriental
country.

Categorizations of galleries. One of the earliest articles that talked about
galleries was written by Marcia Bystryn, in which she emphasized gallery’s
important role of gatekeeping. Bystryn pointed out two kinds of galleries in her
article, one being the experimental galleries and the other being the established
galleries (Bystryn, 1978). Normally artists go through the experimental galleries at
the early stage of their careers and then move on to the established galleries when
the reputation is earned. The two kinds of galleries provide different functions and
receive different benefits. Experimental galleries work to establish clientele for their
emerging artists and promote reputation for them. They are more open-minded towards new, creative, or cutting-edge styles, which are not yet welcomed by the market. On the other hand, established galleries less often deal with the artists directly since artworks can be purchased from other galleries and at auctions. They are involved in both primary market, where artworks are sold for the very first time, and secondary markets, where artworks can be traded among parties. The established ones tend to represent established and more market successful artists who have already gained a rather prominent reputation among the public. And artworks instead of artists are the focus of the whole process, since established artists have somewhat endured the test of time and have existing market prices of their previous works to be consulted or compared to. Established galleries sometimes cultivate new artists and promote them relentlessly as well, taking the example of Leo Castelli’s work with several artists who rose from nobody to world-famous stars under his promotion.

Another categorization of galleries is by its type of operation or funding resources. Commercial galleries were and still are the main players in the art market, with its funding largely private and its mission as profit-seeking. While they dominate the mainstream of the contemporary art market, other types of galleries emerged as time went by. Take the galleries in the United States for example. In the 1970s, artists’ spaces and cooperative galleries were created as alternatives to the traditional marketplace. The artists themselves funded cooperatives initially while
spaces at first attracted public support and funding (Jefferi, 2005). Their funding is largely a combination of grants from government and foundations, individual contribution, and money from the participating artists. Also, there have emerged arts councils that usually include public galleries that are free to the public with the mission of art education and the cultivation of local artistic creativity in mind. They are mainly funded by national and local governments and sponsored by local business as well. The National Endowment for the Arts has played an important role in stimulating public support and the proliferation of local art councils since its founding in 1965.

Nonprofit galleries in the United States happened around the same time as the emergence of governmental support. Non-profit galleries typically show the work of lesser know artists, or “emerging artists”, with sometimes edgier or more experimental work. It is able to do so since the nonprofit status does not require it to put profit-maximization up front. Rather, it provides a place for artists to experiment, to create, and even to fail, before they can become mature and established artists. With a combination of various funding sources, including the government, individuals, foundations, and corporations, it can stick to its mission and fill up the blank space commercial galleries left.

Even in the world of commercial galleries, there are several levels of galleries to be distinguished since they play different roles in the market and affect
the market to different extents. Thompson (2008) differentiated them as branded galleries, mainstream galleries, the “High Street” galleries, and vanity galleries plus artists’ cooperatives. Branded galleries or dealers are at the peak of the dealer pyramid, and they represent artists who have achieved great success. This can be seen as the most successful galleries within the established galleries depicted in Bystryn’s article. These galleries and dealers are world-famous and have achieved such a great reputation so purchases made from them normally guarantee a success and a validation of one’s social and financial status. In other words, they are trustworthy “brands”.

One level below the several branded galleries are the mainstream galleries, and they serve as gatekeeper to the world of contemporary art. They are found in the same cities as branded galleries, to be specific, New York and London, with some exceptions in a secondary location. They normally represent between fifteen and twenty-five artists, each of whom may get a one or two-person show every eighteen month. It is in the mainstream gallery that the artwork is first seen and purchased by serious collectors and a success in a mainstream gallery can lead to being shown at art fairs and then maybe being picked out by branded dealers and be auctioned in branded auction houses. The “High Street” galleries are a further level down, representing artists rejected by or not ready for a mainstream gallery. Artist’s cooperatives are at the same level. At the bottom are the vanity galleries, where
artists pay a fee to have their work shown. They are said to be selling very little and attracting little attention and reviews.

**Types of galleries in China.** The case in China seems to be more complicated and opaque. It is a little bit more difficult to categorize galleries into types as clear as the aforementioned ones in the western countries. The first level of categorization is the ownership. Foreign-owned galleries, almost all are commercial, started earliest in China and have been operating more professionally and successfully. Although there is a high 34% tax on imported art, more and more galleries are setting up branches or satellite galleries in China since it is a large market with great potentials. Also the branches represent mostly local Chinese artists since local branch needs local characteristics and it is important to develop the market (Picard, 2008). Their operations follow the headquarters’ rules with some alterations adapted to local situations, such as one of the cases in my study, the Pace Beijing. The majority of Chinese-owned galleries does not follow the western standard completely but rather have formed their own way of doing business in the specific economic and political environment in China. A large number of them emerged very recently as a product of the art market boom.

So now we move to the second level of categorization. Within the Chinese-owned galleries, there exist what I call “mainstream commercial galleries” (MCG) and other types. The reason to distinguish the MCGs from other galleries is
that they are the ones that are constantly under spotlight and also under attack for the frantic market and the burst of bubbles. Most of them are the ones who conducted flipping and speculation in the market. “Galleries” in articles and reviews written on the contemporary Chinese art market are usually referred to them. At the subcategory of other types within the Chinese-owned galleries, there are several kinds. First, commercial galleries that is not MCG, which means they are run privately and have a profit-seeking quality but they are not speculating in the market, such as the Loft 3 gallery. Second, there are painting shops where only transactions of paintings take place rather than the education of the collectors and promotion of the artists. They mainly deal with low quality artworks and are not professional by western standard. The fact is that even though galleries have multiplied in China, very few offer full-fledged art operations. Third, co-ops by artists also exist in China but the funding sources are difficult to explore and usually they are short-lived since artists do not have the adequate knowledge and resources in running a business.

The fourth type is a recent one but has potential to grow, the nonprofit. Very recently nonprofit galleries came to the stage of China’s contemporary art market, but most of them are not strictly nonprofit as they have for-profit part in their operations and do not have clear missions. Thus their identities are rather blurred. It is rather difficult for nonprofit galleries to survive in China, which lacks a foundation system, a legal system for nonprofit sector, and the idea of philanthropy. Individual donations are not common in China since art education is largely missing
and there is no tradition or tax incentive in individual philanthropy in the arts. The detailed policy issue regarding the nonprofit sector will be discussed in the following chapter. “We essentially have no nonprofit infrastructure for art,” says Pi Li, of Universal Studios, a cutting-edge gallery in Caochangdi, another art cluster near Art Zone 798, “The market is hot, but we don’t have the private foundations and such to support young artists in realizing their ideas.” (Chen, 2007). Some nonprofit galleries or spaces seek help from foundations overseas, such as Pi’s Universal Studios seeking funding sources from Holland’s Mondriaan Foundation (Chen, 2007), while some of them are trying to set up foundations in China to support themselves (Unknown, 2006 Sep 9th), and others are incorporating other business practices into their nonprofit entity.

Being one famous nonprofit space in Beijing, Iberia relies exclusively on the funding from an overseas foundation. According to Zuo Jing, the best thing is that they now can do the things they want to do without worrying about money. However he also commented that most of the nonprofits are not doing what nonprofits should do. In his opinion, there is only one real nonprofit space in China, which is called CCD Workstation, a space devoted to documentary, modern dance, and performance art. Other nonprofits, according to him, are using a mode called “1+1”, meaning one nonprofit space plus one commercial gallery/space. Iberia also has a commercial gallery in its space, although it does not make any money at all
(Interview with Zuo Jing). He said the reason for the mode is that the environment is not favorable towards the nonprofits.

Finally, there are also many types of galleries or spaces that are hard to define, such as the Right Space. According to Leng Lin, president of Pace Beijing,

A lot of people in China don’t know what a professional gallery is, or what a professional museum is, and they’re trying to find a balance between the two. Some galleries do good things and find new directions. But some don’t: They show work of poor quality, or have no direction, or don’t know how to develop.

The question is, how do you make art function in a Chinese context? You have to consider the knowledge and experience level of the audience before you can choose what kind of art to display first, and determine how to introduce new things. That’s the question for galleries from the West. (Wilton, 2008 May 13)

Selection and Representation of Artists

In the highly uncertain art market, galleries or art dealers are facing great responsibilities of creating and maintaining the reputations of the artists they represent and simultaneously staying financially solvent (Peterson, 1997). As one of
the key intermediaries in the art business and the dominating player in the primary market, the galleries take great risks in choosing artists to represent and promote. It is impossible to predict the success or failure of a particular artist in that either success or failure is the result of a variety of reasons from artist herself, the whole economic environment, the multiple evaluators, historical events, and etc.

A gallery has its characteristics or style in the market. And the first step to position a gallery after its funding sources is the selection of artists. Crane (1987) pointed out three strategies gallery can use in order to be successful in selling. First, it can increase the differentiation between their products and those of other sellers. Second, it can increase the visibility of their products. And the third method is to establish a leadership role in the art market by the sheer fact of its size or by its ability to represent the most prestigious and visible artists. The first strategy means that the selection of which artists to represent is important. The gallery can focus either on the artists or the styles they want to represent. Data in Crane’s study revealed that the majority of the galleries in her study did not commit themselves to one particular style, rather, they committed to artists as individuals (Crane, 1987). Therefore, to be successful, dealers need to compete with each other in making discoveries of talents and convince the whole art world of the merit of their representing artists (Peterson, 1997).
In the contemporary art market itself, the promotion of various artists are different, depending on which artists you choose to represent. So the preferences determine the future promotional direction. For example, promoting established artists involves negotiation, which lies more in the realm of investment; however, the promotion of emerging artists requires entrepreneurship, which is the business of converting aesthetic value into economic value (Moulin, 1967). In the following part, I will attempt to depict how selection and representation is formed between the artists and their galleries.

**Mutual selections.** Artists naturally want to have their work shown to the public and hopefully make a living with the selling of their work after they finish schools and/or are ready to go to the market. While galleries used to be the dominant place artists would go to make their work known and sold to the public, they recently find themselves in battle with auction houses and collectors in discovering new artists and new work. Many collectors of contemporary art seek out direct contact with artists, for reasons such as they want to catch the artist at the source rather than wait for the dealers to filter them. And they enjoy the feeling of discovering a talent early, as well as the chance to buy cheaply and from a stock not yet picked over. Auction houses are supposed to deal in the secondary market with artworks already existed in the market. However, the auction houses have begun to sell contemporary artworks consigned directly by the artist occasionally, and this has a big impact on the dealers in the primary market.
Artists for sure can sell their artworks directly to collectors or auction houses, but most of them seek public exposure for their creations in a well-established gallery that will understand the work and promote it suitably. They can choose to be represented by commercial galleries, nonprofit spaces, and cooperative galleries. Nonprofit spaces usually have too limited funding to promote an artist heavily and for co-ops, the member artists usually lack the entrepreneurial ability of a capable dealer and the knowledge of what kinds of artworks will sell on the market (Caves, 2000). The most desirable and effective way for an artist to get public exposure is to form a relationship with a professional commercial gallery, which has both the financial resources and the managerial abilities to represent and promote the artist.

**How representation is made.** A traditional series of steps need to be followed for an artist to gain gallery representation or for a gallery to discover a new talent. A dealer usually goes to artists’ studios several times a year to attend the first shows of some fresh artists. Or the dealer attends the juried exhibitions of BFAs or MFAs in art schools. Through these shows, the dealer hopes to discover artists by his or her instinct whose work will be well received. If the artist does not expect a crowd in an open studio show and is not affiliated with any school, she sometimes drags or sends her portfolios to the galleries she thinks fits her style and hopes to be accepted. Some dealers claim to receive thousands of slides each year, many of which will not be opened before being sent back. The dealer usually uses two filters
to select the artists. First, dealers rely heavily on established artists for suggestions about new artists to represent. This appears in art markets of other countries besides the United States, such as the French contemporary art market between 1945 and 1960 (Moulin, 1967) and the Israeli art market (Greenfeld, 1989). Although the dealer has a sharper eye for immediate commercial prospects, the artists holds the advantage in detecting creativity and originality. Therefore, the artist community is itself a filtering mechanism of peer review. Second, dealers consider artist’s fundamental resilience and seriousness besides his or her talent and current achievement (Caves, 2000). Nobody wants to put effort into cultivating an artist who would probably desert art for other things later or who lacks the potential for long-term development.

In addition to signing and promoting new artists, the gallery has to do other things to stay solvent. New artists are inherently unprofitable in that the gallery expenses will be the same for any show and promotion costs are high but selling prices will be low and sometimes the work may not even sell. Therefore the gallery needs to make money by selling new artworks of established artists and making profits in secondary market sales.

**Exclusive representation and contract.** After mutual selection, the issue of representation is on the table. Exclusive representation is important in the artist-dealer relationship. First of all, a dealer’s incentive to promote will be
depressed if exclusive representation is not granted, since any one dealer’s promotional efforts will spillover one’s benefits to other dealers who represent the same artist’s work. Second, competition will cause dealers to offer higher prices to artists in order to get more of her work and lower prices to collectors in order to make a deal. Thirdly, if a dealer cares about the artist’s trajectory of development, she will diligently protect the market prices of the artist’s previous sold works, since she cannot expect future benefits if the preserved high prices are not sustained. This case is especially true in dealers that represent emerging artists, or in Bystryn’s words, the experimental galleries, whose functions are mainly nurturing and promoting upcoming artists. Artists who choose nonexclusive representation are mostly the well-established ones, since the promotion work for their reputation and the values of their artworks has been done and people have a fairly clear idea of how much his work would worth based on previous prices and other factors such as the branding efforts.

In order to establish a good relationship, it is necessary to form one kind of contract. However, the infeasibility of explicit contracting is obvious. First of all, it is difficult to predict the future value of the artist’s work and the length of the artist’s career. Secondly, it is infeasible since the outcomes can be observed by one party while not by the other. Since the whole production process is conducted by the artist solely, only the artist can say whether the creative result realized his or her intention. On the other hand, the dealer is the one who has more information when selling the
artwork to a collector. So in both cases, the information is asymmetrical. Lastly, hidden efforts and outcomes may cause the relationship to break since the artist cannot observe the sales activities in the gallery and concealed sales are not uncommon with dealers.

Despite the difficulties of reaching an explicit contract, dealers and artists do have methods to cooperate. The infeasibility of explicit contracting leads the parties into the area of moral obligation, with reputation as the insurance of reasonable performance in the absence of legally binding obligations. The most common form is merely a gentlemen’s handshake, meaning the dealer commits to promote an artist and show her work periodically in exchange for exclusive representation and a share of the proceeds of sales (Moulin, 1987). Sometimes formal contract is signed to cover their mutual obligations but very often the two parties operate on a handshake.

The dealer and artist endure a struggle for power as they are both developing in the art market. Their relationship is being reassessed constantly since they are not growing at the same pace or direction. The gallery may feel the need to upgrade its artists when some artists are not well received by the market and the artist may feel the need to upgrade her dealer as she quickly grows to a star. Sometimes the upgrading of dealer is from an experimental gallery to a more established one, and sometimes it is from a mainstream gallery to a branded one, as the latter may lure the artists with better promotional efforts, monthly stipend, and signing bonus. If the
power is at the gallery’s side, the dealer normally asks for the 50 percent commission fee and she probably even asks the artists to share the promotional cost. However, the rules and commission rates are usually dictated by the artist if she is a branded one (Thompson, 2008).

Another problem in this artist-dealer relationship is when a dealer encourages or urges the artist to produce what the market wants instead of supporting her experimental ideas. But the artist may want the dealer to find buyers who want to purchase what she wants to create. Some galleries offer monthly stipend to artists. These stipends help emerging artists to concentrate on their art making activities but also have a disadvantage of demanding the artists to produce at a fast pace or to produce artworks desirable for the market. Some artists feel in debt to the galleries as they take the stipend and do not like the pressure that comes with it.

Selection in China’s case. The cases in my study and the general situation in China show similarity and differences with the aforementioned western ones. In selecting artists to represent, the interviewees in this study basically do not have a preference in artistic development stages. The MCGs usually follow the market intensively and sell what is hot at the moment. The four interviewees expressed their own standards in selecting artists. Pace Beijing focuses on artists who have creative ideas, or established artists who are developing new ideas, this is a similar pattern as
most branded or mainstream galleries aforementioned. Iberia, as a nonprofit space, stressed that “fun” is a very important factor in the selection process, although these artists may not seem so attractive to the market. Loft 3 follows its owner’s preferences for graduates in top art schools in that the academic training “makes some guarantee on artistic skills, the quality of their works, and the depth of their cultural understanding”. Also, Loft 3 stays away from artworks that are trendy, such as works of political themes, violence, and sexual provocation. Rather, it promotes representative style and the theme of pure beauty. For Right Space, its purpose is to promote cutting-edge artists who are interested in experimental art and usually are not welcomed by the market, and it urges the artists to use its huge space to produce giant single projects.

Like the dealers in the western markets, dealers in China also receive portfolios sent in by artists, visit studios and juried exhibitions, and receive recommendations from others. Probably due to the special China tradition, where “relations” are far more important than anything else, recommendations from friends or people in the art world seem to be a more widely used method in the contemporary art world in China. This was the case for the U.S. as well prior to the market boom that began in the 1980s. Back then, dealers who specialized in the contemporary work usually actively sought to recruit promising new artists through word-of-mouth, studio visits, and references from other artists (McCarthy et al., 2005). There are surely other ways for dealers to find their preferred artists, though
relations work most effectively in this tightly connected circle. Therefore, artists and dealers spend lots of time networking. This sometimes affects the artists’ artistic advancement in a negative way. Some young artists are using too much energy in getting to know the important people in the circle rather than working in their studios and honing their skills, thus they become too fickle and distracted to create (Interview with Tang Zitao).

One New York Times article revealed that students in the Central Academy of Fine Arts, which is the top art school in China, are so popular that collectors frequently show up on campus in search of the next art superstar and sometimes make promises to buy all the future works of a student. This stirs unease among those who feel that students should be shielded from commercial pressures since they need time to develop (Barboza, 2008). Searching for student work is not unheard of in the western market. One example is the exhibition mounted by Jack Tilton in 2005, School Days, which included artworks by nineteen student artists. The dean of Yale’s art school, Robert Storr, warned that these artists were much less likely to mature since they got sidetracked and confused and were not giving themselves time to grow and develop (Thompson, 2008). In China, the booming market makes student artists think they have a good chance of being famous overnight, and the market also rushes the collectors to buy out hastily before other people take the step.
**Representation in China’s case.** Quite unlike the exclusive representation in the western art market literature, artists in the contemporary Chinese art market usually do not grant this right to the galleries. It is said that the superstar Chinese artists, such as Zhang Xiaogang, Zhang Huan, Cai Guo-Qiang, built their impressive international careers largely by managing their own affairs. They work with one or another gallery occasionally, but they also retain the prerogative to sell directly from their studios to whomever they want to (Vine et al., 2007). Galleries in China may not feel threatened by peer galleries or other actors in representing the same artists since they think it is a good thing that others can help promote the artists they represent. The owner of Loft 3 mentioned that she has some kind of contract with the artists but she offers flexibility when artists want to participate in group-shows in other galleries or in art biennales.

I think it is good that they participate in other shows somewhere else. It provides another way for them to be known, serving as another promotion of their works. If these shows make them more well-known, my gallery benefits as well. However, I would ask the artists to fix the prices in all the places that they have their work for sale. And I would like to be told before they decide to join other shows. (Interview with Gao Yan)

Other interviewees mentioned that they do not exclusively represent their artists, and Right Space encourages its artists to have as many shows elsewhere as
possible since most of its artists are not so attractive to the market or well known to the general public. Basically the contemporary galleries, especially the commercial ones, are operating similarly in general representation of artists as the western ones since the operations of gallery are learned from the West. But the commission rates and some detailed operational practices are very opaque in the galleries in China. Dealers get sensitive when it comes to these issues that they consider as trade secrets. Also it is difficult to know how upgrading is taking place since the market is very young and chaotic so there is no clear path to show it. The superstar artists are either shown in leading foreign-owned galleries or auctioned in the prestigious auction houses.

**Reasons behind the differences.** Although auction houses occasionally take up the role as primary market dealer for artists in the Western market, it is a much more common practice in China. Artists do not find going to the dealer is their first instinct, but rather sell directly to collectors or consign it to auction houses. The reasons are multiple. The first one is that the traditional practice in China has been for the artist to sell works directly to the buyers and it still has great influence on how artists manage their affairs today. A high percentage of commission fees seemed to be unacceptable. A second reason is that auction houses developed much earlier and have much more public influences, and this was shown in Chapter 4. A third reason I would guess is the illusion that auction houses guarantee high prices, even for young artists, who usually have to wait a rather long time for galleries to
promote them into stardom. So why would they go to a dealer and wait instead of
being sold with a high price in an auction as soon as the paint is dry?

Some would worry that serious international collectors and museums would
never have confidence to pay the substantial amounts for the artists’ works if they
are not playing by the international rules. However, the current situation seems to
prove that direct selling might also work since artists in China have successfully
circumvented the galleries and sent works directly to the auction houses or the
buyers. Part of the reason why this works just fine is that the demand for
contemporary Chinese art has been so high that artists have no worry about finding a
buyer (Vine et al., 2007). Although it is not uncommon for artists, especially
established artist, to avoid the dealers in western countries, it is not so common
among young artists and on such big scale. Selling directly to a private collector is
not as troublesome as selling to auction houses. Since the artist’s work has never
been tested by primary art market, it is rather random to put a price on it in an
auction and will make the less knowledgeable buyers confused. A high priced artist
in an auction may turn out later to be lacking of values or potentials, leaving the
innocent buyers a worthless artwork. Subsequent failed-to-maintain-high prices
would also trouble the artist’s career. A good sign is that artists in China now have
begun to realize the benefits they could get if they have relationships with galleries.
Thus with the market getting mature, the artist-direct market might change towards
the more “disciplined” global standard (Vine et al., 2007).
Promotion of Artists

The problem of mutually satisfactory relationships is exposed starkly by the contemporary galleries, which are probably the most important actor that mediate between the artists and the consumers of the artistic creations. Contemporary dealers provide all kinds of services to the artists they represents, since for many reasons the art does not speak for itself. Serious purchasers of contemporary art not only care about the work they purchase, but also the trajectory of the development of an artist’s career, since the latter greatly influences the future market value of the work they have already acquired, and for another aesthetical reason they value the work depending on the stylistic evolution of the artist. Therefore, the dealer serves not merely as the sales person for artworks but more importantly a promoter and an agent for the artists she represents.

After the selection of artists to represent, the dealer has to carry out the most difficult job, which is to promote the ones she has chosen. The promotion work takes many forms. The dealer spends time with prospective clients articulating the artist’s intent, providing context for the artist’s work, and formulating a best case for its significance. Also she organizes and promotes shows for artists, both one-person shows and group-shows, involving expenses on advertisements, mailed announcements, and receptions. Apart from these, the dealer also has to promote the
artists with certifiers such as art critics and museum curators, hoping to accumulate positive reviews from prestigious institutions and people, who greatly influence less well-informed buyers (Caves, 2000). In addition, the dealer has to deal with the auction houses in various ways, since the auction houses have both positive and negative impacts on the galleries. Lastly, the dealer tries to make deals with the buyers and hopefully put the artist’s work into a museum or at least a significant collection that will lead to the permanent collection by renowned museums. In the following part, I will discuss in detail the gallery’s relationships with other players throughout the promotion process.

**Competition and collaboration with auction houses**

In the traditional Western art world, primary market dealing, which is, selling a piece of work for the very first time, is characterized by finding the right kinds of social value and accreditation for art values, identified with traditional humanist virtues of a heightened intellectual-affective appreciation. Taking art as a commodity and talking about art by its capital accumulation is a degradation of the artwork and shed away by dealers and collectors (Malik, 2008). Investing or speculating in art is considered wrong reasons for buying art. Collecting for the love of art and enjoying the company from the artwork is the ultimate reason for serious collectors.
Studies on the U.S. art market have shown that the current situation is turning away from the aforementioned one. Changes in the art market over the past years have not only produced a dramatic increase in prices, but have also altered the role and importance of different players in the market (McCarthy et al., 2005). People no longer treat prices and money in art as taboos; rather, they are the reasons art market news can grab headlines from time to time. This is the case for nearly all art markets since the contemporary art market has become a global one. These changes have brought auction houses to the dominant position and remained the most influential actors in the market. And this makes price and money sound louder than the true love for art. Another set of winners from the changes is the artists who are “hot” and thus have reaped substantial financial rewards. Some buyers and sellers have also enjoyed financial success from the buying and selling frenzies. On the contrary, galleries that had formerly dominated the art markets lost their dominant position even though they reaped some short-term benefits. They find themselves not in a favorable position when competing with the auction houses for consignments and buyers.

**Competition for consignments.** There is always intense competition for consignments between dealers and auction houses. Nevertheless, there is a symbiotic relationship between them, as auction houses obtain part of their consignments from dealers and dealers sometimes purchase at auction for high-quality works for their galleries or for clients. Galleries have a disadvantage competing with auction houses...
even if they are prestigious, which is that auction houses can always tell the client to take the consignment back to them when the gallery fails to sell it. And as auction houses have private treaty sales besides the public auctions, they enjoy an “always-win” situation.

When a star work is offered to both auction houses and one or two branded dealers, the auction house usually submits a proposal not only stating the strength of its team, the specialists, financial and legal advisors, the auctioneer, and suggesting a price, loans, promotion, but also a financial guarantee, which dealers usually cannot do. Dealers would have to rely on their expertise and personal relationships with their clients. Sometimes dealers can offer to buy the artwork outright at a higher price than that guaranteed by the auction house, but not so many dealers can afford this amount of money and risk (Thompson, 2008).

Besides have a dominating advantage in the secondary market, auction houses sometimes spread their fingers into primary market as well, taking more business away from dealers. It is uncommon for young artists or fresh artworks to enter into the auction houses before being shown in the galleries. The auction houses even purchase dealerships sometimes by buying out the gallery and to the horror of dealers, they managed to gain admissions to art fairs through their purchased galleries, which is the dealers’ last major defense to the inroads of auction houses.
**Competition for buyers.** It is said that auction houses are the places where the “wrong” reasons for buying art can become the main reasons, since the focus is on the price more than any other aspect of the artwork’s biography. The reasons why people go to auction houses to purchase instead of galleries are as follow. First, the price and the place are crucial. For status seekers, price serves as a passport to a higher societal level or a boast of their wealth; and buying from the prestigious auction houses makes the buyers feel part of an elite community. For speculators, the artworks are not much different than other commodities that they use to make profits so price is unquestionably the index of a good or bad buy (Velthuis, 2005).

Secondly, as buyers are normally extremely insecure about the value of the “commodities”, they rely on branded auction houses and other people in the auction to feel reassured, which is a herding effect (following the herd), and this is where brands make the biggest effect (Thompson, 2008). Also the wealthiest collectors are time-poor, which means that they do not have enough time or are not willing to devote much time in educating themselves to be knowledgeable about the artworks they wish to purchase. Again, they rely on branded auction houses with the intention of minimizing the risk.

A third reason is that, rather than the prices given in galleries, which is subject to great negotiation depending mostly on the dealer’s incentives in selling, prices in auctions is the most accessible price of art for the public. For artworks
auctioned at headline-grabbing record-setting figures, the price becomes a powerful and over-determining characteristic of the art. And especially for a general public who has little knowledge in art appreciation or even art education, public prices provide a good reassurance for these insecure buyers.

One more reason is that new collectors just entering the art market may find it hard to purchase a high-quality work from a prestigious dealer since dealers always have a list of collectors arranged according to importance. The dealer may refuse to sell an artwork to a collector she has never contacted before, while auction houses welcome everyone as long as they can afford the work. The last reason is that by their sheer size and financial power, some auction houses offer loans to buyers, which increases their competition power toward the galleries (Thompson, 2008).

**Galleries and Auction Houses in China.** Like the art market worldwide, the auction houses also play a vital role in China’s art market. However in China’s case, the chaos between the primary market and the secondary market has existed for quite a long time and has caused more trouble than its Western counterpart. All the reasons aforementioned for auction houses being popular can be found in China, but to an even greater extent. For instance, local Chinese buyers, usually the nouveau riches, care much more about the skyrocketing prices paid at auction houses that boast their wealth and raise their status than western buyers. They are also more
insecure about the purchase since they are even more innocent about the field and also have a natural skepticism towards market booms

Apart from the reasons mentioned above, there is another particular historical reason why auction houses are favored in China. From 1994 to 2001, smooth cooperation and interaction between the artists and galleries were not developed and the gallery industry as the basis of art market was not well established. But the auction houses, on the other hand, began to operate quite smoothly since the first one founded in 1993. So the underdeveloped primary market had to let the more developed secondary market share some responsibilities of cultivating the emerging art market. From 2000, galleries have developed quite a lot but still are not able to take the power back from auction houses. Then the market went crazy, preventing the primary market from being developed healthily. With money and high prices flying all around, it is nearly impossible for most people to care about serious operations in the galleries.

The auction market for contemporary art was a sore point for galleries, since they are selling lots of artworks that have not been previously exhibited in galleries. Thus, the auction houses are acting like galleries themselves, competing with galleries not only in the secondary market, but the primary art market as well. Artists can directly contact the auction houses directly. This then enables him or her to ask
for prices determined by the auction price later in the galleries (Joy and Sherry Jr., 2005).

**Problems from collaboration in China’s case.** Although some galleries lament on the abnormal phenomenon happening in the primary and secondary markets, some, mostly the MCGs, are taking advantage of the chaos. One shocking article by a well-known art critic Zhu Qi called the whole thing a “big fraud” (Zhu, 2008). The MCGs who intend to stay in the market for a short time to make money care only about making prices high and they perform “fake bids” in auctions, meaning they hire people to raise bids in auctions without actually buying the lots. They promise the auction house a sum of money to buy the work back if no one takes it, and the auction house will announce the work sold under the fake price bid in the auction. In this way, they use the auctions as an advertising tool for their artists. The jaw-dropping prices can be used to trick less educated buyers or clueless speculators to buy other works of the artist in the future. Zhu also mentioned that art critics also play a part in the fraud and the ultimate losers who pay for the fraud are the last buyers before the market crashes.

**Collaboration with art critics**

Galleries and critics are both the products of the new system that shifted from the system of patronage in the eighteenth and nineteenth centuries. Critics frequently make the same discoveries gallery owners make, and the two groups collaborate to
promote those artists whose innovations are attractive and critically acceptable to them (Becker, 1982). Although gallery is the main character in the primary market to promote artists and their artworks, the importance of the critic and the curator must not be neglected. They articulate and make explicit how art is full of socio-cultural or, less generally, biographical content (Malik, 2008). The critic and the curator attest to the work as having stronger or weaker cultural interests independent of market value, which is what secondary market or auction houses mostly care about. This is a very crucial role, especially as the contemporary artwork has not been tested by the power of time.

**Critics’ current position in the contemporary art market.** The drastic changes sweeping through the art market during the past year repositioned the players in the market. Galleries in the Western world lost their dominant role to auction houses as the market becomes more money-driven or price-driven. Another set of losers is art critics, who lost their influence in a market where legitimacy and value are less determined by experts but more by the pocketbook of buyers and the power of the market (McCarthy et al., 2005). Even if critics still have some say in the artwork’s value, their role in giving the artwork legitimacy is used as an economic tool whereby good reviews translate into higher prices.

The director of Art Basel, Samuel Keller, commented on the previous and current status of art critics. He thought that critics used to have an aura of power
back when he entered the art world, but now the critics are more like philosophers, who are respected but are not as powerful as collectors, dealers, or curators. Art critics have received almost no mention in the discussion of what drives demand and prices for contemporary artworks, and they have little influence on either the promotion of artists or the prices of their artworks. A highly favorable review in a most influential newspaper such as the New York Times will help sell out a show, but articles in other less powerful newspapers or magazines clearly do not have much clout over the public (Thompson, 2008).

Why do critics have so little clout? The reasons behind probably include the following ones. The first one is the employment status of art critics. Art critics are basically divided into two groups, art journalists who are mostly full-time employers by art magazines, and freelancer art critics, who take commissions from publications and other organizations. The art critic has a function of helping generate advertising revenue of the publications, and these publications will not review a gallery that does not advertise with them. So the art critic has indirectly become a commissioned writer by the gallery. They write catalogue essays for galleries and auction houses, and what they write must be approved before publication. Sometimes the critic’s writing fees are paid directly by an artist’s dealer, who naturally demands a favorable review. This inevitably compromises the critic’s impartiality and credibility. (Thompson, 2008; Vine et al., 2007)
Another reason is the critics are wearing too many hats. Besides writing reviews for various organizations, they also curate exhibitions, advise collectors, and run galleries, hoping to generate more influence and income (Thompson, 2008). However, by spreading their fingers into too many fields their independent status is decreased and they are viewed by the public as untrustworthy. This multi-hat wearing phenomenon is a global rather than local one. It happens in the mature art markets, and also the emerging ones like China (Interview with Zuo Jing), Finland and Sweden (Jyrama, 2008). The third reason is that unstoppable power of the market, especially when everything seems to be profitable and a good investment, the meaning of originality and art historical importance does not matter that much any more. One negative review from the stock market analyst has minimal effect in stopping someone to rush into the market when everyone else is doing it and making big bucks. The art market is just the same.

Art critics in China. Just like what happened to the western markets in the old times, art critics were a great force at the beginning of the development of the contemporary Chinese art. Without any local collectors and professional dealers, it was the art critics who organized several important shows that attracted the international attention to art from China in the 80s. It was the art critics who picked and organized the artists to participate in international biennales, which greatly helped the growth of their reputations. It was the art critics who helped start the auctions and organize shows in the western countries that helped Chinese artists to
step onto the international auction stage. However, as the market force got stronger and the role of art critics got more blur, their importance waned and their credibility decreased.

One prominent gallery owner, Lorenz Helbling, who runs ShanghArt, one of the earliest and the most important contemporary art galleries in Shanghai, commented on the status of art critics in China. He thought the most knowledgeable and the most independent group in contemporary Chinese art market are the artists, who create, study, research, and experiment, and when they have some money, they take trips to learn about the outside world. On the other hand, art critics seem to be lagged behind in this market when their taste is rather outdated. Also, the market environment might pose a bigger problem for art critics to survive in China since the market exerts a much more powerful impact than the dealers and critics together here (Qiu, 2009).

Contemporary art criticism does not have a very long tradition in China and there are very few professional art critics (Interview with Zuo Jing). At the beginning when there was no one doing professional art criticism, artists had to play the role. The role-mixing phenomenon continued to the present. China has the same problem of multi-hat critics as the rest of the international art market, and the situation may be even severe here. That is because most art magazines in China are not editorially independent academic journals or trade publications, but merely
disguised advertising vehicles. Other aforementioned reasons why critics are losing their power can be found in this market as well.

One difference that I observed throughout the study is that Chinese art critics might have a higher status or bigger influence towards other players than its western counterparts. One reason is that they began as the oldest members in the contemporary Chinese art market so many famous art critics have powers nationally and internationally. Another reason may be that many of them started galleries that cultivated new artists and encouraged creativity, thus they have become dealers themselves. Their galleries are usually an alternative between a commercial gallery and a nonprofit and they try to stay true to their belief in art by filling in the blank in the market. The owners of Right Space, Beijing Commune, and Iberia are all art critics, and they all expressed their intention to promote art rather than pursuing monetary success in the art market. Also independent curator is a very important profession in the art market in China, and many of them are art critics. They organize exhibitions for various events and participate in national and international events, making them a crucial group for the promotion of Chinese artists.

Therefore, we can see that they may not have a bigger influence on the prices of the artworks, but they do help in promoting artists and the development of the art market in China. Another reason is that China currently does not have many powerful local collectors and dealers, nor do the museums have much of the say in
the market. So the art critics and the critic-dealers are not so overwhelmed by the collector, dealers, and curators as their western contemporaries. The connections and communications between the local art market and the international one are mainly performed by these well-known independent curators so they have a bigger clout in this way.

Therefore, although there are art critics working as hired guns or commissioned by publications in China, it is common to find that many of them have taken on other roles to help promote the local artists and creativity. As art critics were such influential figures and many of them now are still powerful in their new territories, such as independent curators and dealers, they will continue to exert power on the art scene in China.

**Collaboration with art museums**

Visual art works can be displayed, sold, and purchased in either the commercial or nonprofit sectors. The distinction between the two sectors lies not in the artworks but in the organizations that distribute them. Several noteworthy differences between them are presented here.

The most obvious one is the tax status. Under the laws in the United States, nonprofit organizations are largely tax-exempted, so are the contributions of their benefactors, which is a great incentive for people to donate in arts. On the other
hand, nonprofit organizations are expected to provide educational, cultural, and scientific benefits to the general public in exchange for the tax-free status. Another difference between the two sectors is the sources of their revenues. Commercial or for-profit organizations generate most, if not all, of their revenues from their earnings, or earned income, whereas nonprofit organizations rely on a combination of earned income (admission fees, earning from cafes and gift shops), contributions (foundations, corporations, and individuals), and grants from the government. Thus, nonprofit and for-profit organizations have different goals. Maximizing profits is for-profits’ general aim, while nonprofits are mission-driven and their profits cannot be given out to stakeholders at the end of the year as for-profits do. Missions are different from one nonprofit organization to another, but all of them have the ultimate goal in common, which is to bring the public as many benefits as possible (McCarthy et al., 2005).

Two actors are relevant in discussing the nonprofit organizations in this study. One is the nonprofit type of galleries that I mentioned previously. The other one is the art museums, which are the dominant nonprofit institutions in the visual art world.

The importance of art museums. The reason why museum is important in the discussion of the art market is that it guides the public appreciation of art. If juried exhibitions, galleries, and artists’ spaces “discover” artists, then museums
select and validate their work. The ultimate goal of artists is to have their works preserved by the museums permanently, because in this way they can position themselves in the history of art and enjoy the possibility to have their works shown to future generations. Museums, especially in the United States, are where artworks will finally go. By the nonprofit status, donations of artworks to museums help exempt part of the benefactor’s tax. Combining with the love of art and philanthropy, this tax incentive helps museums receive important works from collectors all year round.

Art museums have at least five traditional missions: collecting, preserving, studying, exhibiting, and interpreting arts objects. For contemporary art, being collected and preserved by major art museums signals which artists seem significant in the long term and which artworks are most likely to pass the test of time. The exhibiting and interpreting functions encourage the discourse on art and also signal the quality of the selected artists and artworks. In the contemporary art world, the art museums have taken on another level of function, which is the possession of a considerable influence at the level of converting the aesthetic value of the artworks into an economic one (Moulin, 1989). The leading art museums, respectively led by top curators whose career is more international than local, participate in the definition of contemporary art, exercising their influence over an international network of galleries. So in this case, the art museums are not independent with regard to the market, but rather align themselves with market trends. Therefore, they
cannot claim monopoly in the day-to-day production of art history. In fact they are losing the power of approval; instead they are supporting and guaranteeing the market choices by closely participating in the market.

**Relationships between art museums and other players.** Art museums compete with major collectors and dealers in purchasing important works in both the secondary market, such as the auctions, and the primary market. Nowadays art museum purchases contemporary artwork shortly after its creation and often exhibits the same artists as the ones shown in galleries at the same time. The forty-year test is replaced by the opinion of a curator or a committee, and by doing so, legitimacy is given to young artists who have just emerged in the market, and this was never heard of in the past (Thompson, 2008). As more and more private collectors aspire to set up their own museums which allow great freedom for themselves, museums find themselves not only losing donations but also in direct competition with these individuals whose power and influence far exceed a general collector. One example is Charles Saatchi (Gucht, 1991).

The relationship between museums and commercial galleries is symbiotic, but the economic benefit to dealer and artist of a contemporary artist exhibition in a major museum is clear to all. Artists’ value generally rises after such events and increases at a faster pace if their works are purchased for the museum’s permanent collection (Jeffri, 2005). It is said that if the best thing that can happen to the value
of an artist’s work is a huge price at auction, the second best thing is a retrospective at a world-famous contemporary art museum. The dealers will pay for the opening reception and now sometimes they also contribute to the catalogue, advertisement, and other activities. However, they are willing to do so since it is a great branding chance for their artists, which will generate a positive buzz and a very possible later demand. Thus, dealers have the urge to have their artists shown in major museums, for reasons such as monetary reward in selling future artworks of the artists and enjoy the proud of discovering a talent that is endorsed by the highest level of certifier.

**Art Museums in China.** Museums in China used to be exclusively owned and controlled by the government. They have complicated uses, such as aesthetic delectation, moral education, pop entertainment and political propaganda (Cotter, 2008). With contemporary art making a sensation for the past few years, many private museums and some provincial museums that exhibit contemporary art have been founded to support the development of contemporary art. However, art museums are, for the most part in a separate, still shaky category, an amalgam of public and corporate, for-hire affairs and collectors’ vanity showcases (Cotter, 2008). They are torn between officialdom on one side and vanity exercises on the other. A practice of art museums in China that particularly troubles the Western observers is that the museums are willing to rent gallery space to just about any reputable artist who is willing and able to pay for a “museum show”. This greatly
compromises the museum’s reputation as an evaluator and their validation purpose. Thus, most artists who have already had international recognition express no respect for Chinese art museums (Vine et al., 2007).

The reasons behind this practice are multiple. First of all, state-owned museums still prefer the traditional ink and brush art and antiques, although some of them exhibit modern art occasionally. Contemporary art, with its questionable political implication and possible violence and obscenity, is still under skepticism by the government, who has a definite saying in what kind of exhibition state-owned museums can show. The private and semi-public art museums recently founded in China, some of which are sponsored by corporations and local governments, are said to have their own purposes besides the promotion of contemporary art. Some are said to be galleries with a museum title, and some are criticized for using their museum status to win the support of the government and enjoy the benefit of affiliating themselves to the government branch (Unknown, 2009). In addition, even though some art museums are sincerely promoting contemporary art, they are struggling to make ends meet. Since the government does not support the development of the foundation system in China, private museums do not have steady and reliable funding sources. Some of them are forced to be run like a commercial gallery to secure steady proceeds to stay solvent.

Most of the private art museums in China are corporate art museums. So they
are not the western-standard art museums. Actually, corporate art museums in China operate more like cultural enterprises whose investment in art museums has ended up a disguised form of their advertising input and the art museums can be the public image for the company. And the corporate cannot enjoy the tax exemption since its ownership of the museum. So only when the art museum breaks away from the enterprise and belongs to the society, and the enterprise’s investment ends up as a donation instead of financial input in its subsidiary cultural sector can the enterprise enjoy the “same amount tax exemption” policy because of its donating act.

Undeniably, the flood of money into the art world has basically led to the upsurge of private art museums. The investors see the investing opportunity in this frantic market and determine to build a museum as an affiliate. Though it is improper to run museum as a business, the subsidiary status decides that a corporate art museum has to depend on the enterprise for its survival. And if the price of the collection is expected to rise, the board of directors gains confidence and invests more money to the museum. The critical issue remains to be the ownership of the art museum. “It can’t be called a genuine art museum if it doesn’t cut ties with the enterprise. But the blame shouldn’t go to the investor, because our government provides no platform for public investment and it doesn’t allow establishment of private foundations,” says Li Xiaoshan, the art critic who previously wrote criticisms and planned exhibitions but now is the director of a private art museum (Sun, 2006).
When asked about whether there is any need for more private museums, the interviewees generally responded with the urgent need for quality rather than quantity. Unlike contemporary art museums in Western markets, art museums in China are not performing as the permanent collector of important artworks, by which it is losing its status in legitimization and guiding public appreciation. Buyers seldom seek information from museums when they make purchases and lacking appropriate guidance, buyers are easily deceived by auction numbers and the frenzies put up by commercial galleries.

Art museums are one of the fragile links in the art ecology and they definitely need more support both from the government and from the public to perform its functions. Otherwise, the missing of this validation link would only drop the final power to the market itself and lead to the abandonment of long-term collection, thus encouraging short-term speculation. In western art markets, one way for artists to achieve reputation is to have works exhibited in major museums. If museums are not available for serious exhibiting and validating, and this is the current reality in China, how would artists achieve fame? This is why artists sought fame and opportunities in international art fairs or biennales, or being auctioned by major auction houses.

The emerging alternative artistic spaces are taking on some responsibilities of art museums in China. They exhibit high-quality artworks and initiate discourses
among the artist and art critic communities. However, they do not have the purchasing power of museums and nor do they offer a powerful and trustworthy validation of the artworks chosen. As high-quality artworks find nowhere to go within China, many of them will probably end in foreign museums and serious collectors’ hands, which ultimately will end in these renowned foreign museums.

Participation in art fairs and biennales

International biennales have a major influence on artist reputations and on art market trends. Biennales are usually of international scope and artists are selected or invited to show in a venue at the same time, but normally these biennales are nonprofit and no selling will be conducted during the event. Being selected to participate in important international biennales has a similar effect on artists as being selected by art museums. Unlike biennales, art fairs are mostly consisted of galleries, and transactions or purchase intents can be realized at the events. Art fairs are a vital element of gallery operations. Since in this field proactive marketing activity tends to be very limited and marketing budgets for advertising tend to be modest, attendance at art fairs is a major marketing activity. Art fairs generally serve two main purposes: advertising and showcasing the gallery and artists in a location where they can reach large numbers of buyers in a short period of time (McIntyre, 2004).
If dealers are losing power in the ongoing battle against branded auction houses like Sotheby’s and Christie’s, branded art fairs can be used to gain them a relative competitive advantage. In the art fairs, dealers can reap great publicity by handling their appearance properly, such as bringing in an already sold good work to impress collectors and media by putting a “sold” sticker within five minutes of the fair opening. Another advantage of attending a fair for dealers, especially one of the top fairs, is that all the important collectors, curators, and dealers are going to be present, and making a deal is much faster than the normal operations. Collectors love fairs because they are convenient, since they can do comparison shopping and it saves them great deal of time. Also it gives the collectors a high level of comfort since the sheer number of people present and sold stickers alleviate collectors’ uncertainty of spending foolishly. The third reason why dealers find art fairs favorable is that they allow a dealer with limited capital to compete for top-quality consignments, because the work is expected to resell quickly at a fair, unlike the consignment made to an auction house, which usually takes much longer to get negotiations done.

Dealers sometimes have hesitations about attending art fairs as well. First of all it is time- and money-consuming. Traveling, setting up and taking down a booth all take time and rent of booth is expensive. However, attendance at top-notch fairs, such as Art Basel and Maastricht has become a necessity since the dealer has to ensure that the gallery is perceived as important. If it does not participate, collectors
may think the gallery is not good enough for the fair to accept it. Another downside of fairs is that dealers will feel the urge to push their artists to produce repetitive work since there are so many fairs to attend, which will inevitably hinder the artist’s self-development and creativity, making the work repetitive and a cookie-cutter.

**Art Biennales and Art Fairs in China.** The current star artists in China largely got their reputation by attending international biennales from early 1990s, most importantly the 1993 Venice Biennale and San Paolo Biennale. Back then, there was no way for contemporary artists to achieve fame within China since no private galleries existed and auction was still banned by the government. Biennales have proliferated in China since the first opened in 1996 (Shanghai Biennale). There are three important biennales now in China, the relatively conservative Beijing Biennale, the more cosmopolitan Shanghai Biennale, and the critically up-to-date Guangzhou Triennial.

However, biennales are called “official entertainment” in China, since they are government vehicles in one way or another. The reason is that these exhibitions must be cleared by the Ministry of Culture due to their public nature, thus are compromised by bureaucracy and censorship. Therefore, it is very difficult for biennales in China to lead the market (Vine et al., 2007). Biennales in China, a nation that is void of foundation system and private support, can hardly support itself without the funding from the government. Thus, it cannot be independent from
government preferences and regulations. The Beijing Biennale is directly funded and organized by the Beijing Municipal government, and the Shanghai Biennale has been receiving government support for quite a long time. Biennales are to the most part serving as a propaganda tool by the government to show the cultural image of China to the world, and by being so they have lost part of their original meaning. They are showcases rather than real biennales, and are not considered important by Chinese artists.

From the Venice Biennale of 1993 on, western or international biennales have been playing a much more significant role in the art market in China since the market is relying heavily on the biennale system and the western powers. Nearly all of the artists who were invited to participate in the 1993 Venice Biennale became famous and were invited to other biennales and exhibitions in foreign countries. Thus this seems to be the path to fame for Chinese artists. Since there were few ways to exhibit one’s work and get attention within China, participation in international biennales provides artists with the opportunity to get in contact with important curators, dealers, and collectors. The acquaintance with these people can probably lead to the invitation to the next biennale or exhibition, and so on. And when they come back to China, they will be treated as important since they were part of an important event. This can help explain why so many artists were painting political themes, such as the Cultural Revolution and Chairman Mao. They were trying to cater to the Western preferences in order to get into these international
events. The first generation of artists who got international exposure gained the power since they had the earliest contact with the outside world, so they have been able to use this power to introduce other artists in China to the foreign curators and dealers. So they somewhat controlled who gets famous and who does not. Although this trend is somewhat declining in recent years, it is still normal for local people to chase after artists who have won awards or been exhibited or auctioned in the western market.

The first billed non-government biennale, 798 Biennale, was held on August 15th, 2009 in the 798 Art Zone. The event was hampered by a lack of funds, operational support, and some inexperience on the part of the organizers, who were predominantly Chinese art journalists. The biennale was arranged with international contributions from numerous private galleries in the 798 Zone, which were not affected by government censorship. However, the biennale was still greatly censored and there was a protest by artists who were excluded from the biennale at the opening day. Pieces with themes on the tragic earthquake in Sichuan were called off by the Sichuan propaganda department through the Beijing municipal government, and a performance piece was stopped as one elderly cadre became upset by characters acting like prostitutes (Gill, 2009). Chinese art biennales will not be able to perform their supposed functions in the near future if censorship is not much relaxed in China.
Art fairs are becoming a larger and larger force in the West, affecting public perception of what is hot, especially through the famous exhibitions such as Miami Basel and New York Armory Show (Vine et al., 2007, pp51). Art fairs in China are a very recent phenomenon, the first one being the China Art Exposition held in Guangzhou in 1995. Currently there are four major art fairs in China, the CIGE and Art Beijing in Beijing, and the Shanghai Art Fair and ShContemporary in Shanghai. Compared with the biennales in China, art fairs are more independent from the government control. Since the majority of buyers of contemporary Chinese art are still westerners, the art fairs have been trying to attract international attention and making deals with international collectors. Previous to 2006, these art fairs have not succeeded in attracting major European and American galleries or buyers but have drawn the attention of top dealers in Korea and Japan. The ShContemporary art fair founded in 2006 was a quite successful one. Some top galleries around the world appeared in the fair, and the number of visitors and collectors from the globe was impressive.

Like the art museums, these art fairs still lack the criteria used to select participates, which are quality and professionalism, and thus make them not as reputable as they should be. Any gallery that is willing to pay the fees can be easily approved to the fairs. So their endeavor to climb up to the international stage is still in process. Despite their growing pains, the new art fairs are trying to cultivate an audience that has yet to reach full maturity. “We want to expose overseas collectors
to Chinese art while giving Chinese collectors a chance to see good foreign art,” says Wang Yihan, director of CIGE, “In China, we play the role of a museum.” (Chen, 2007).

The interviewees in this study showed generally favorable attitudes towards the art fairs and biennales. They thought that these events provide an opportunity for galleries to learn from each other and get more exposure to foreign collectors and international dealers. Although many of the local fairs and biennales are not organized professionally, they are making progress, and more and more foreign galleries and artists have appeared in these events that generate a chance to build up international conversation on China’s soil. Sales number of art fairs has also been increasing in the past few years. As people get more familiar with the operations of the events, it is believed that these biennales and especially art fairs can achieve higher quality and professionalism.

**Making a Sale**

**The reasons to purchase.** Fine art is a special kind of consumer good whose existence is supposed to “expand civilized consciousness” and whose possession is supposed to demonstrate the owner’s high cultural standing and social status, because art is a nonutilitarian good whose position is higher than merely useful goods. A high price indicates the high elite value of the artwork when it
enters the art market, rather than mere demand and supply (Plattner, 1998). Art is a unique commodity and how to define its value is constantly under debate, especially for contemporary art, which has not been tested by the power of time. While the rules of defining excellence in art has become more and more confused and contested, the number of people making art has increased dramatically. On the contrary, fewer and fewer people are confident enough about what to buy.

There are many types of buyers in the art market. Some buyers regard themselves as decorators who are not concerned with the stylistic heritage or critical esteem of a work of art, but only its harmony with the home or office environment in which they wish to present it. Other buyers are collectors, who purchase artworks in a fundamentally different sense. Collection devolves from the concept of classification, drawn from biology that upgraded the one-time cabinet of curiosities to a body of objects sharing familial affinities. The true collectors invest in taking courses, visiting galleries and museums, training one’s eye, learning to choose the artwork that supports a reasoned judgment as to why one excels another (Caves, 2002). There are also buyers who focus more on the rate of return of art and treat art more as an investment. Although future values of contemporary artworks are highly risky, the short-term shockingly high return still attracts a lot of speculators. Moulin (1987) outlined the diversity of collector’s motives several decades ago, from cultural snobbery and sheer financial speculation to a deep engrossment in painting
for its own sake. Dealers, with possible aid from the critics, help to satisfy the
different motives or needs of individual buyers.

**Buyers’ decision.** Thompson (2008) pointed out in his book *The $12 Million Stuffed Shark* that collectors purchase contemporary artworks relying on branded institutions and people, and branding has a great effect on the high returns of contemporary art. The underlying reason is the insecurity of buyers, which prevails worldwide among the art buyers. So, very often the way the purchase is made is not just about art, but rather about minimizing the insecurity. This is very understandable from several angles.

First the concepts in contemporary art are slippery and the most basic definition of contemporary art is under great debate. Second, most people who make purchases in the contemporary art field are not willing to take enough time to educate themselves to overcome the insecurity. Third, since the buyers know their inability to fathom the values in the artworks, they rely on other people’s judgment, which makes “branding” one of the most important things in the business of contemporary art. Branding adds personality, distinctiveness, and value to a product or a service, and brand equity offers trust and reliance for buyers, especially when they know they have limited knowledge of the products at hand. Making a purchase of a superstar artist in a branded auction houses has the same motivation that stimulate the purchase of luxury goods. They see the possession of a Jeff Koons as
an indication of personal wealth and taste, and the motivation is not too different from a woman buying a Louis Vuitton handbag. Therefore branding and brand equity have a huge effect on art pricing. This is why value-adding process comes from the branded auction houses like Sotheby’s and Christie’s, branded museums like MoMa and Tate, branded dealers like Larry Gagosian and Charles Saatchi, and the most pursued artists are the branded superstars.

The buyers seek security or reassurance by consulting trusted experts, reading publications and articles about the artwork, and seeing whether it being marketed in larger markets (Plattner, 1998). Trusted experts include the art critics and the curators in museums. The publication and articles are also written by these important value-authenticators. However, since these value-authenticators now have gradually lost their power and even trustful identity, buyers will naturally use the third method, which is to look at a larger market. The gallery has a responsibility and incentive to cultivate the taste and increase the knowledge of its buyers if it desires a long-term relationship with its clients. The economic term “asymmetrical information” can also be used in the art market since the dealer always knows more about the artwork he or she sells than the buyer. Repeating transactions naturally decrease dealer’s incentive to rip off or cheat the buyers. In addition, buyers or collectors find it useful and necessary to develop personal relationships with the dealer as well as the artist if they want to follow the trajectory of an artist’s career.
**Gallery’s relationships with buyers.** As mentioned above, buyers need reassurance and trust in making purchases so here is where dealers can step in. Gallery works with other players to promote artists and cultivate serious collectors and its ultimate intention is to make a deal with a buyer and hopefully win a loyal customer. Usually the selling is not a one-time thing, because dealers like to maintain relationships with their buyers, especially the collectors who buy arts under the motivation of love, who think about art as an “intellectual pursuit”, and who follow the gallery in its artistic choices and get together with the artists. Serious collectors in the United States usually donate all or part of their collections to museums and some even started to fund museums of their own. Museums themselves also are one group of buyer. With its institutional power and validation role, museum purchases give credibility and legitimacy to the artists’ work and further the galleries selling them.

Some dealers are wary of new buyers and they argue that it is better to devote time and effort to make a sale to a reliable, high-value client than to an unknown, possibly one-off, lower-value client. They claim that they enjoy the mentoring role they can offer to their buyers (Mclintyre, 2004). Buyers who are new to the market need more guidance towards serious collections besides their appreciation for the art. Dealers try to train appreciators to be collectors, which means adding to appreciation of the work such elements as price and confidence in displaying one’s taste, the confidence showing in the expenditure involved and the
willingness to let others know (Becker, 1982). Serious dealers do not want works to be flipped for a quick profit by speculative buyers since dealers have a great stake in the subsequent ownership history (provenance) of works, which has an impact on an artist’s market value (Chong, 2008).

Many dealers look to the international market for buyers. The report from Arts Council England reported that most high-end dealers are heavily dependent upon international sales, picked up by attendance at art fairs and from international collectors, to supplement their small domestic markets. This reinforces the trend of a global art market with the proliferating art fairs that link the national art markets together.

**Buyers in China.** The fast development of contemporary Chinese market has brought along a generation of local buyers and collectors. In 2000, China was hosting only a handful of serious commercial galleries, notably Shanghart in Shanghai and Courtyard Gallery in Beijing, both opened by westerners. The sales, at incredibly low prices by international standard, were exclusively made to Western expatriates living in China, affluent emigrant Chinese in foreign countries, and foreign buyers. The early patrons of contemporary Chinese art were few in number. Alongside David Tang, who supported the most influential gallery in Hong Kong, Hanart TZ, there are two notable European collectors. The most famous, the former Swiss ambassador to China, Uli Sigg, is claimed to have the biggest collection of
contemporary Chinese art. The late Peter Ludwig, an omnivorous and eclectic German art collector, was the other early convert. Even after 2000, the main collectors of contemporary Chinese art are still Westerners, such as Charles Saatchi, Belgium-born Baron Guy Ullens, who founded the Ullens Center for the Arts in the Art Zone 798, and Americans Eloise and Cris Haudenschild (Robertson, 2008).

China has always lacked indigenous collectors, especially in the field of contemporary art, which seems too far away and strange for the general public. The cultivation of collectors and the leading trend by Westerners have resulted in a growth of collection recently. Back in the 1990s, almost no Chinese was collecting contemporary Chinese art. Guan Yi, a chemical tycoon who started collecting since 2001, said he did not know anyone else who was also collecting except for himself. He is often said to be the first home-grown contemporary art collector in China (Zhang, 2008). The boom in contemporary art has, however, begun to create a class of wealthy Chinese born collectors, particularly among the nation’s real estate tycoons. In Poly Auction House’s 2007 spring auction, only 15% of the lots were bought by westerners. Collectors from China, Singapore, Indonesia, Korea, and Japan were big buyers in this sale, and they seemed to be redefining the contemporary Chinese art market. However, in the current market frenzy, especially in China, serious selling and buying and personal relationships are buried by a larger quantity of short-term transfers and the desire to make quick bucks. Galleries do not need to educate the buyers as long as they can provide the buyers something hot to
invest in. Some buyers cut the galleries out as the middleman and contact the artists directly instead, hoping to have a lower deal price. Some buy from auction houses rather than galleries since bidding is a social as well as a business activity, as buyers can flaunt their social status or their wealth by paying record prices (Interview with Zuo Jing). Some buyers are said to not even open the package of the artwork before they quickly resell it to the next buyer, since their only purpose is to have short-term monetary gains.

Regardless of the speculation, it is also very obvious that China has a gigantic buying power in art, and the Chinese collectors are said to be the key draw luring western galleries to Beijing (Pollack, 2008). There are serious collectors, but very few, according to the interviewees, and the serious collectors usually do not pursue the hottest artworks (Interview with Zuo Jing, Gao Yan). Although their number is small, the present ones are taking actions, such as building private museum (Guan Yi), building art hotel (Zhang Rui), and opening galleries or lending their collections to other institutions (Pollack, 2008).

**Reasons in China’s case.** The reasons behind the short-term investment trend other than collecting are various. Many people in China have a natural skepticism about economic boom and art market boom, so they have an unshakable feeling that it will all crumble very soon. It is hard to explore the deeper reason behind this in this paper but this mentality prevails in China. One can easily observe
this by looking at newspapers where the focus of discussion is always whether and when the market is going to crumble. Thus for both artists and buyers, it seems rather foolish to bet on the long term.

Another reason is the insecurities buyers have towards contemporary art. Plus, the extreme lack of art education and art appreciation has separated art from the lives of most people in China. The absence of contact with artworks and an ethos of pragmatism discourage people to appreciate and purchase artworks. This can help explain why local Chinese buyers value the artist who has won awards at international biennales, or whether the artwork has achieved a high price in auctions overseas, since the branded names give them trust and risk avoidance.

So as demand drives supply, many galleries, mostly the MCGs, do not have much incentive to be nurture new talents; rather, they hope their artists can achieve big numbers in auction houses, participate in as many international biennales as possible, and have controversial articles written on them. Also, these galleries are eagerly seeking the hot artworks of star artists, hoping to reap short-term benefits in reselling them to the next buyer or the auction houses. They urge their artists to produce more in-demand artworks regardless of whether they want to continue the style or not.
Although problems are prevailing and serious collecting was nearly out of the picture, the current economy downturn provides a good opportunity to clean up the market and for the non-MCGs to grow. As the financial crisis burst the bubbles, the buyers who stay are the ones with real interest and have the potential to be serious collectors, and the dealers who stay are the ones who treat art not simply as a profit-gaining tool but a passion. The interviewees who have been doing alternative spaces or nonprofits mentioned that they did not feel too much an impact of this crisis and they expressed their gladness in the possibility of a reconstruction of the market and of the market getting more regulated and mature. There will be more space for serious art to grow, more serious buyers who appreciate high quality cutting-edge art, and more artists who are pursing their passions rather than chasing the market trend.

Summary

After a quite long discussion on galleries and other players in China’s art market, it is not difficult to see that galleries in China have a lot on their shoulders and have to deal with many difficulties besides the impact of the global economic downturn. Put the political environment aside, which I will discuss in next chapter, the general picture now looks like this in a brief summary.
In all, China’s art market is mostly led by the “market”, internationally and locally. This means that market has a much more powerful influence on how artworks are appreciated and valued. And this gives auction houses a very advantageous edge since they are the primary player in the secondary market where prices matter greatly. Combing this with historical reasons such as the later development of galleries, this advantage makes auction houses more dominant and glamorous in China’s art market. But why is the market “market-oriented”? The reasons have to do with other players as well.

First, foundation system and private support is missing in China, which means there is no soil for nonprofit institutions to grow. Thus, it leads to the lack of high-quality museums and nonprofit galleries that have a function in supporting creativity and avant-garde art and in balancing the art field from leaning completely into the pure commercial side. The absence poses two problems as a result. First, the lack of high-quality museums means the validation, appreciation, and permanent collection link is missing in the entire art world, so the artworks have nowhere to go but the market. Second, without the healthy environment for nonprofit institutions or galleries to grow, the market-oriented trend is reinforced and many people would chase the trend hoping to make money. Since it is so difficult to cultivate and nurture serious art and artists, ripping off short-term benefits seem to be the reasonable thing to do.
Second, China does not have a credible art-criticism system. The absence of reliable criticism gives the control away to the market since if nobody can tell from good art from bad art why don’t we use supply and demand to decide? Art critics wear too many hats to be trustworthy and not being an independent class makes them hard to be unbiased. One positive thing is that some art critics understand the importance of cultivating serious art and their responsibility urges them to open alternative and nonprofit galleries that can perform this function. They have been and still are a leading group in the Chinese contemporary art world, so they can still exert some influence in building up a healthier market.

The third one is that the extreme lack of art education in China helps build up this frantic market scene. Chinese people have been cutting off from basic art education and the recent tragic history has made them more pragmatism and skeptical than before. The fast economic development through the past decade brought along a generation of nouveau riches, who usually do not understand art but are unwilling to miss the good opportunity to make an investment. So they rely on their ears rather than their eyes in making a purchase, and the big brands in the art market are used to overcome their insecurities and to show their wealth status. A good thing is that serious home-grown collectors have appeared and the financial crisis will drive away the speculators.
A brief summary shows why galleries are struggling, competing, and developing various types on the Chinese soil. China provides the art market a unique environment to grow so the result is an adapted but rather in-mature one. However, one can also see the potential in the emerging and developing market as people began to be more knowledgeable about how the art market works and more experienced with the situation. The recent economic downturn has also provided a good opportunity to clean up the market from many short-term flips and to adjust itself to the needs of competition in an international market.
Chapter Six: Implications for Policy and Practice

The art market, like other markets, cannot operate in a vacuum. Indeed, its living environment is probably far more complex than other commodity markets. It is greatly influenced by the economic and political ups and downs, as well as the cultures and histories in various countries. Thus the art market differs from country to country in regard to its culture roots and its interaction with its environment. The economic impact is a rather global one as the world’s economies have become so tightly connected. And generally people, no matter where they come from, purchase art when they have some disposable income. History shows that the art market follows the stock market closely and stock market is a thermometer of the economy. Therefore when the whole economy suffers, the art market may be hit the hardest.

Apart from the great influence of the whole economy, political environment is a crucial factor as well, and it tends to be more uncertain and unpredictable. The political influence comes from government policies, and this varies greatly from country to country. The prominent art markets in the US, the UK, France, and maybe Switzerland and Germany, and the newly emerging art markets in China, India, Russia, and the Middle East all have different policies towards the cultural institutions and people working in this field. And cultural policy has attracted attention from
nearly every government. China’s political environment offers an interesting case in the impact of the political environment towards art in that its Chinese socialism is under the influence of sweeping consumerism and open reinterpretations constantly. In this chapter, I attempt to discuss what kinds of government policies exist and what policy must be implemented to strengthen and facilitate the development of contemporary Chinese art market based on the deficiencies and characteristics I discussed in previous chapters. Practices in other countries will be used to provide possibilities and comparisons. Cultural policies are a very important aspect in discussing the art market, and now is a good time for the government to reconsider its role and show its support. The following is a brief summary of policies in different countries followed by the discussion on China’s policy possibilities.

**Policies in Western Countries**

**The United States.** The US government has a combination of ways to support the visual art market. In the 1930s, the US government began to support artists and their institutions through the WPA (Work Projects Administration). With the founding of the National Endowment for the Arts (NEA) in 1965, the United States government started to be involved in the arts in a more ongoing and systematic way. In a short period of time, state arts agencies were established across the nation. Now each state has its own art council and city-level arts councils have also been widely founded to better support local art organizations and individual
artists and serve the public. The NEA receives funding from the legislature each year through its budget appropriation. The state art agencies receives part of their funding from the NEA and other sources such as state legislatures, foundations, and corporations. Although money from the national and local governments does not constitute the big part of an art organization’s or a state agency’s budget, and appears to be minimal comparing with the amount of money in the commercial market, it does give out validation signals and is an effective mean to stimulate private giving.

A much praised and the most effective method of indirect support from the government comes through the tax exemption. With the tax-exemption benefits, nonprofit organizations have a better chance to survive in the US. Nonprofit organizations do not function for money so most of their services are not profitable but rather have an educational or philanthropic purpose. Thus nonprofit organizations normally cannot make ends meet on their own. With the tax-exemption system, not only they enjoy tax-free status, but also they can receive tax-stimulated donations from individuals and corporations. In this way, the nonprofit organizations can provide individual artists the opportunity to experiment and to mature, and bring art to local communities. So the government, through the tax exemption, indirectly supports the cultivation of emerging creativities and artist talents. Apart from nonprofit organizations, foundations benefit from the tax-exemption measure as well, and this helps explain why there are so many
foundations in the States besides a tradition of philanthropy. Since the NEA is now forbidden from direct support of individual artists, foundations alongside the nonprofits, have taken on the responsibility to fund individual artists and give out fellowships.

As mentioned above, there are two ways tax exemption can benefit the nonprofits and art market. The first one is that nonprofit organizations enjoy a tax-free status under the 501(C)(3). They do not need to hand in part of their income as tax but they cannot distribute profits to its stakeholders. The profit, if there’s any, must be put back to the organization to use as future funding. Another important benefit in the tax exemption is that individual can enjoy a tax deduction when they make donations to nonprofit cultural institutions. That is why taxation measures are the major factor in explaining the high level of donations including works of art to museums in the US. Under this system, donors are allowed to deduct contributions to arts institutions from their income taxes, and they can choose whichever institution they want to donate. This measure greatly encourages wealthy people and corporations to donate in arts since they benefit in both money and reputation. Public museums are a big benefactor since they receive a big part of their income and collections through such tax-stimulated donations. Nonprofit organizations also enjoy the donations from their patrons. Thus, the art museums in the US have accumulated such great collections and are also able to compete with other buyers in art market for important pieces.
The United Kingdom. Other governments have different ways of supporting artists and the development of art markets. In the United Kingdom, the Arts Council England is a major supporter in the art alongside the Department for Culture, Media and Sport (DCMS) and local authorities. It receives money from the DCMS and the national lottery. Its members are appointed by DCMS with a term of four years. Over the last ten years, it has successfully developed a series of funding and support initiatives for visual artists. One initiative was thought to be the pilot program of the council’s national art purchase plan in partnership with HFC, a division of HSBC bank. Started in 2003 and was later called Own Art, this program allows any subscribing UK gallery to sell contemporary artworks priced up to two thousand pounds. The buyer can take the artwork home without any payment and the price is covered by an interest-free loan from the art council who guarantees the loan. The loan is supposed to be repaid in ten months. In addition, the buyer can use the loan as a down payment on a more expensive art purchase. This initiative has helped many galleries selling affordable artworks make deals and has helped young artists to sell their works, although it is worth noting that many commercial galleries already offer buyers long-term interest-free payments on an informal basis (Buck, 2004).
The Arts Council of Great Britain also purchases art directly and owns the largest national loan collection of modern and contemporary British art in the world, the Arts Council Collection. It has a limited annual budget of £150,000, thus it normally concentrates on young emerging artists whose artworks are comparatively affordable. However, insufficient funding and the lack of a coherent national strategy for purchasing contemporary art mean that most public museums and galleries in the UK are unable to pursue an active policy of purchasing for their collections. There also lies an uncertainty of whether it is reasonable to back contemporary art by direct purchasing since most of the artists have not yet proved to be the most significant ones of their day (Buck, 2004).

The report on the British art market by Louis Buck argued that the single most effective way to assist the market for contemporary art would be to implement a system of tax incentives to buy and donate to public institutions. Many players in the market believe the introduction of an American-style tax system would facilitate the market and stimulate donations by a great level. Many complain about the value-added tax (VAT), which is said to be discouraging sales and putting British dealers at a disadvantage with dealers in countries that do not levy VAT on sales.

**France.** The French government also has direct funding to contemporary art as the US government though the National Endowment for the Arts, and
governmental support has long tradition in France, a country that is well-known for its rich cultural history. France is known for its public support for the arts but the heavy direct funding and tight control by the government is said to have crowded out most of the private support (Morel, 2008). France has employed the Droit de Suite (resale right) since 1920 to give living artists the right to enjoy part of the profits obtained through the resale of their works. However, this right is said to have discouraged business from entering the French Market. In addition, the French government also has the VAT on imports, which contributed to the decline of French art market compared with the faster-growing American and British ones (Morel, 2008).

In regard to the comparatively weak private support and the declining status of France in the global art market, the French government emulates the United State in the tax measures, hoping to stimulate more private funding. The law of 1st, August 2003 significantly amended the way private donations are made in France. The most striking element is the improved tax deduction offered to corporate patrons. Sixty percent of the donated sum can be deducted directly from the amount of payable taxes and not from the taxable earnings as before, which results in almost doubled tax relief offered to corporate patrons, as long as the tax returns received from the donations do not exceed 25 percent of the initial sum donated. Another law on museums also provides an incentive for businesses to donate and it helps the public institutions to acquire works of art considered as part of national heritage.
The law allows the business to deduct 90 percent of the donation from taxes payable, and allows individuals to deduct 66 percent (Morel, 2008).

Another tax measure is that business can deduct twenty percent of the sum paid from taxable earnings each year for five years if they purchase works of art by living artists, as long as it does not exceed 0.5 percent of annual income. In exchange, the businesses are asked to make the works accessible to the general public, but later the Minister of Culture, Donnedieu de Vabre, declared that access to staff, clients, and business partners would be enough to qualify for the tax rebates. If the business buys a work of art considered as part of the national heritage, the percentage rises to forty. France also passed a law in 1968, allowing estate taxes by private individuals could be paid with works of art, books, or collections of high artistic or historic value. In this way, France has received some outstanding collections (Morel, 2008).

**Other Countries.** The Dutch government is said to subsidize artists by purchasing their work for many years until 1987, and the price paid reflected both the amount asked by the artists and the amount thought necessary to provide a living wage (Thompson, 2008). Finland has a VAT, which made the dealers form an institutionalized organization to promote their own interest. The auction houses, on the other hand, benefit from the new liberal customs regulations and lower taxes on
The Case of China

Cultural policy is a comparatively new research topic in almost every country and it was totally absent in China until the past few years. To look at the current situation and the possible future direction, I would like to first discuss the problems lying in the tax and legal context for contemporary art market in China, and then present the recent progress and the future practices the government might consider to take.

There are two main problems in the policy areas for China’s art market. One is the tax and legal system that is hindering the development of the nonprofit sector, meaning the development of art museums and nonprofit art organizations in my case. The other one is the government’s attitude towards the contemporary art and the development of the visual art market. In the following one can see that the nonprofit sector is still functioning in an unfavorable situation but the positive news is that the
government seems to be determined to support of the development of creative industries, which includes the visual art market.

**The Nonprofit Sector**

The nonprofit sector, like most sectors of the Chinese economy, has grown at a fast pace over the past few years. According to the China Association of NGO Cooperation, the number of registered nonprofit organizations in 2005 became over 170,000 compared to a mere 6,000 in 1999. And there are so many more that are not registered. The emergence of the modern nonprofit sector in China has a history of less than 30 years. It began when the Chinese government started carrying out many deregulation measures regarding the development of nonprofit organizations, coupled with a relaxation of the political control and scaling back of various government sponsored social programs in the transition to a more market-driven economy. Today the Chinese nonprofit sector is represented by three main categories of nonprofit organizations: Government Owned NGOs (GONGOs), International NGOs, and local or grassroots NGOs (Zhou & Popovici, 2007). The policy towards nonprofit sector matters to the subject in my study since museums and nonprofit galleries/art organizations are part of the nonprofit sector in China, although only a small part. Before the passing of the new business income tax law in 2008, nonprofit institutions such as foundations and nonprofit social organizations enjoyed some kind of exemption from the business income tax. In late 2004, for example, the Ministry of Civil Affairs announced a new framework to recognize the foundations that finance
charity in China and to offer them a variety of tax deductions, including exemption from stamp duty (Erie et al., 2009).

Although nonprofit sector enjoyed some tax benefits and has benefited from a wider liberalization in recent years, nonprofit organizations are still facing numerous challenges such as the dual administration system, legal and political uncertainties, limited funding, and fiscal constraints. First, the dual administration system requires that domestic and international nonprofit organizations register both with the Ministry of Civil Affairs (MCA) or its local branches, as the "registration and management agency", and another government department working in a relevant field, as the "professional leading unit". The nonprofit may apply for formal registration with MCA only after the leading professional unit agrees to serve as its sponsor. Because the leading professional unit is liable for the nonprofit but does not necessarily benefit from its partnership, the system creates disincentives for the leading professional unit to agree to sponsor a nonprofit. The nonprofit must also meet capitalization requirements to be approved. For example, a nationwide public foundation must have a minimum capital of ¥8 million ($1.2 million), paid in cash, to receive registration approval (Erie et al., 2009). This would shut small grassroots nonprofits out of the door. Even if they are successfully registered, the nonprofits are required to renew their registration on a yearly basis. This system was created as such to bring nonprofit organizations under control of the central government, and also to restrict the emergence of domestic nonprofits, especially grassroots organizations that has no
Second, there is no smooth or transparent registration system in place, nor any legally guaranteed "right" to exist for nonprofit organizations. However, many of them who were unable to register admit that the Chinese authorities often do not restrict them from carrying out their activities as long as these are not political. Thus many nonprofits chose not to register to avoid the complex process. However, their operations would be terminated if their activities cause any unharmonious sound to the authorities. Things are more difficult for grass-root organizations since the GONGOs absorb mostly of the government’s funding and domestic company giving is extremely low. In this situation, nonprofit organizations are hindered to form a strong independent support network (Chen, Pan & Wu). Some organizations rely on foreign foundation or corporation support but this is not a safe and reliable practice.

On July 17, 2009, officials raided two nonprofit organizations’ Beijing offices and later detained one of the founders. The two have been receiving foreign grants and are both using laws to hold authorities to account on sensitive issues. It is said that a tightening control on critical voices was implemented to ensure the 60th anniversary of the People’s Republic of China (Montlake, 2009).

Third, in regard to individual donation, the tax system does not provide tax benefits for donations of tangible goods, nor does it provide any incentive for donations to overseas nonprofit organizations. Although some government documents
mentioned that monetary donations could enjoy tax benefits but no article regarding the detailed benefits was found. Besides, there is no standard paperwork process and no trained personnel to handle the donations, which increase the difficulty of individual donations. In all, although there are some legal provisions that provide some kind of tax benefit to nonprofit organizations, they are very sporadic, broken, chaotic, and hard to process. Thus they cannot provide a good environment for nonprofits to grow and are unable to protect the rights of these organizations. Without a solid, systematic, and effective law on nonprofits or philanthropy, it is impossible to hope that nonprofits would grow and private giving would rise.

If the nonprofit sector does not receive a more relaxed and supportive policy environment, it is impossible for the nonprofit part of the art market to grow healthily. Without a sound foundation system and tax incentives for private giving, the nonprofit part would still be struggling to make ends meet and cannot perform their tasks. If this part of the market is not functioning properly, there will be a chain result, which was mentioned in last chapter. And this is why the art market in China looks like it is now. Price and money dominate the art market, auction houses collaborate with critics and dealers to drive up the prices, and new collectors are being cheated while speculators flip to make quick money.

The good news is that the central government has shown some concern on this problem since recent events in China (the Sichuan earthquake) have caused domestic
and foreign businesses to call for a more transparent and supportive system for charity and donation within China. The 11\textsuperscript{th} five-year plan has indicated among its priorities, the development and better management of NGOs, which includes, among many other things, the revision and issuing new administrative regulations for NGOs. After the December 2008 China Charity Conference, officials said that the draft law on the promotion of charities would soon be promulgated. Though there was no timetable for the draft law's release, MCA released a statement in late March 2009 noting that it had solicited feedback from certain individuals and charities, and initiated discussions on a comprehensive philanthropy law that would create a certification process for nonprofit organizations and provide tax deductions for individual and corporate donors (Erie et al, 2009).

The American system of tax benefits seems to work very effectively in attracting individual and business donations. Although it might be a very difficult thing to realize in China's political environment, the results would be exciting if some kind of tax incentive were to be effectively implemented. The need to have a foundation system and to cultivate individual and business donations could bring great changes to the fragile links in the art field in China, as museums and nonprofit organizations are likely to major benefactors of these donations. And these institutions thus can provide better access to the art for the general public and by doing so they contribute to the necessary art education urgently needed in China.
The Creative Industries

The Chinese government has always had a suspicious attitude towards visual art, especially when the early art groups focused on the Cultural Revolution themes and protested the government with their brushes. The contemporary art field is always very sensitive and is closely watched by the authorities. However, the government’s attitude towards arts has been changing during the years since the economic reform, which was discussed in Chapter Four.

Recently, with the government seeking to boost China’s cultural image in the world and as contemporary Chinese art has made a big splash in the art world globally, the government has loosened its censorship a little on the visual art market (Interview with Fu Xiaodong). Despite sporadic incidents of exhibitions being closed or artworks being seized by officials, the government has supported the growth of an art market and has not interfered with private activity by and large. The government also shows growing tolerance for experimental art, which was once banned. While Beijing still censors art that it deems politically offensive, including overtly critical portrayals of the ruling Communist Party, economic and market reforms have changed the way the government thinks about art. One New York Times article wrote that the support from the government to the Central Academy of Fine Arts, which is funded by the state, has been extremely generous (Barboza, 2008).
Before beginning the discussion on the recent policy support of the creative industries, I think it is necessary to look at the problems first. There are several issues in the art market that need to be solved and the government has shown willingness to work on them. The first issue that China needs to work on to attract more internationally prestigious galleries or dealers to do business in China is to lower the tax on imported art. Currently, many foreign dealers choose to carry out their business under a licensed company in Hong Kong or other offshore haven in order to avoid Chinese tax penalties. The renowned Gagosian first considered opening an office in Shanghai but encountered obstacles to doing business on the mainland. The most formidable of these is a 34 percent luxury tax on imported art, which foreign galleries found difficult to avoid. Hong Kong, by comparison, is a duty-free zone with no sales tax on art. Besides, company registration is straightforward and company laws allow a wide range of commercial activity in Hong Kong, while in the mainland, confusing paperwork process and bureaucratic regulations only provide disincentives for businesses (Pollack, 2008).

Apart from the heavy taxation, there is another serious issue that prevents serious collectors or private entities to build contemporary museums. The special land property law in China only allows a twenty-year lease on land, since all land in China belongs to the government. Thus it is difficult for people to invest in a project
that does not guarantee long-term usage and ownership. The biggest Chinese collector, Guan Yi, is negotiating this issue with the government as he intends to build a large contemporary art museum to exhibit his collection on contemporary Chinese art (Gill, 2008). If the usage of land will not be guaranteed after twenty years, it would be very hard for people to concentrate on the long-term development of a private art museum.

By the year 2005, as concepts like “creative class” coined by Richard Florida flew around the world and cultural industries became the hope for future economy, the Chinese government also began to treat the cultural creative industries as the next stage of economic development. Art clusters started to be the hotbeds not for censorship or dissent but for promotions of creative industries. The Beijing government dedicated $140 millions to the development of visual arts and art market in Beijing, exempted art-related business from city tax, and included art districts in its next Five Year Plan (Pasternack, 2008). The Art Zone 798, back then being called the Factory 798 area, alongside with Songzhuang Village, was one of the first art clusters developed by artists who were shut out from the Summer Palace art district. As the government began to support the building of art districts and creative industries clusters, small art clusters have been mushrooming around the Beijing city.
Real estate developers are a strong force reshaping the city’s art geography, using galleries as a branding tool for their commercial and residential projects. One example is the Today Art Museum, established by developer Zhang Baoquan at the site of his Pingguo apartment complex (Pasternack, 2008). The art districts are receiving more and more government attention since they are an influential part in the city’s urban development. “The government sees that this new complexity can generate more interest, have economic effects, somehow create a community and a social texture,” says curator and art critic Hou Hanru, “It can bring the city together, make the city more interesting.” (Pasternack, 2008).

Realizing the importance of cultural industries in driving up economy and boosting the cultural image of this country, the Chinese government has shown growing warmth towards the creative industries, including the visual art market. In the 11th Five-year-plan, the central government stressed the importance of cultural industries and this is the first time the development of cultural industries was mentioned in the first-rank report. The Minister of Culture has published several reports acknowledging the importance of creative industries and the measures to facilitate their development, although the reports were generally vague in specific practices. It emphasized that cultural industries are a great way to strengthen China’s influential power in the world, thus it is worth supporting. The Ministry of Finance has published a circular concerning tax policy for supporting the development of cultural enterprises, which includes “Culture, art and performance broker enterprises
“and “enterprises engaged in press and publication, radio, film and television and culture and art exhibition” (Ministry of Finance, 2009). Although the tax benefits are mostly favorable for television, film, and publishing enterprises, it is good to see that the central government has shown real support for these cultural industries.

Local authorities are following the central government’s lead in promoting cultural industries, and every province seems to be pulling up creative industries funds and building up creative industries parks and municipal museums. Some people worry that with so many museums under construction, there will not be enough significant works to fill in these spaces, and museums would then be a waste of money just for showing local responses to central guidance. And this problem is under debate in the art circuits. Under the present financial crisis, the Chinese capital and other regions will receive huge investments to stimulate the creative industries. Under this program, said Dong Menyang, director of the Art Beijing fair, “the Beijing government has also set aside Rmb1billion ($146million) to promote cultural industry development.”

Besides the policies towards tax and legal system and the creative industries, art education is another issue that requires immediate government attention. It is a tough area but also a fundamental one in changing the mentality in the art market. One reason why speculations and investing are popular in the local art market is the
ignorance of appreciation of the contemporary art. Thus, the government needs to emphasize the importance of art education in schools, such as encouraging schools to develop more courses on art and setting aside more funding for school to carry out more projects in helping students have more contact with different kinds of art. The newly developed art districts are one useful tool for the general public to get to know art since these districts are scattered around communities. Recently the government has asked all the museums to be free to students in elementary, middle and high school. This might increase students’ attendance in museums greatly, especially in big cities.

Interviewees in this study mentioned the importance of the government’s influence on building the infrastructure of the art market. Some people are still skeptical about the government’s policy and say that the warmth towards the arts is a way to distract public attention from other issues that have been bothering the public. And the new taxation and the promise to develop the nonprofit sector would probably be much hindered by complicated bureaucracy process and the unpredictable political weather. Some would also argue that the government should keep an arm’s length with art since art should not be affected by political preferences. However, in a socialist country with a communist party in charge, art is definitely under the government control and there is never an arm’s length with or without government support in art. Therefore, since art cannot be totally free
anyway, I believe more government support and a better policy environment would
definitely be of more help than harm.


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Relationships with External Constituents: A study of Nonprofit Professional


