

Challenges and Particularities in an Art Market: a Case Study of a Brazilian Municipality

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Abstract The main objective of this paper is to analyze the organization, functioning, and peculiarities of the local art market of the Brazilian city Belo Horizonte. For this purpose, semi-structured interviews were applied directly to Belo Horizonte's art dealers. Between August 2014 and January 2015, 26 art galleries were interviewed. Based on observations made in the fieldwork, it was possible to organize the art galleries in four distinct types: (1) conservative art galleries, (2) contemporary art galleries, (3) institutional galleries, and (4) alternative galleries – and to achieve two main global themes: (1) “*The agents of the local art market are subject to subjective incentives and values, which are stronger than pecuniary compensations or other traditional markets' laws*”; and (2) “*the functioning of the Belo Horizonte art market is disturbed by market failures and shortcomings, and, probably, absence of cultural habits and demand for artworks leads the gallerists to avoid investments and innovation efforts*”. Within the thematic networks analysis, our main finding is that the weakness of the innovation efforts in the Belo Horizonte art market is outstanding shortcoming, since the constant innovative status of artworks is one of its vital characteristics.

Keywords Local Art Market · Art Gallery · Case Study · Qualitative Analysis · Thematic Networks

JEL classification Z11 · Z10

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1 Introduction

There are several reasons to consider Belo Horizonte's art¹ market a periphery of the peripheries, especially if compared to Rio de Janeiro's or São Paulo's. In this matter, Brazil is still a small player in the international art scene, in spite of the growing volume of business observed in the last years. The availability of data for art markets is already lacking and scant in the most developed markets worldwide and, as expected, this situation is exacerbated in Brazil (Fialho 2013). However, some researches in the fields of Sociology, History, and Economics of arts were able to outline some general characteristics of the Brazilian art market (for a review of the Brazilian market development see Brandellero 2015).

A survey organized by the Project Latitude² (Fialho 2014) used data from 45 contemporary art galleries, which acted on the primary market³ and were mostly from São Paulo or Rio de Janeiro. She found that one third of the respondent galleries were founded in the decade of 2000 and another third in the ongoing decade of 2010. Of the one thousand artists who were represented by those galleries, 15 entered the market after 2013. Around 90% of the galleries reported a growth in business for 2013, and the average growth rate was of 27.5% (Fialho 2014). However, the sample comprised of only one gallery from Belo Horizonte, showing that the results mentioned above may not be representative of Belo Horizonte's galleries. In addition, the research only covers the primary market for contemporary art, a small niche in terms of the whole art market.

Although the art market has grown and internationalized significantly in the last years (Fialho 2014), it remains very concentrated in Rio de Janeiro and in São Paulo. According to estimates by Earp and Kornis (2012), Belo Horizonte accounts for only 6% of the Brazilian art market whereas São Paulo and Rio de Janeiro together account for 80% of it. In terms of the global art market, Brazil accounts for between 0.25% and 0.5%. Thus, following Earp and Kornis (2012), Belo Horizonte represents a marginal local market within Brazil, which in turn is also a marginal market on a global scale. Alain Quemin's studies remarkably defend the existence of a narrow elite for the contemporary art world, observing "the persistence of hierarchies and the concentration of the more dominant positions among a very reduced number of countries [. . .]" (Quemin 2014, p. 26), namely the US, and some western Europeans countries like Germany, England, France, Switzerland, and Italy (Quemin 2008, 2014). His work also "suggests [that] Brazil belongs to a 'third-tier' group of countries in terms of visibility and presence in the global art world." (Quemin apud Brandellero 2015, p.232)

¹In this paper "art" will solely make reference to the visual arts.

²The Latitude Project results from an association between Apex (The Brazilian government's agency for promoting exports and investments) and Abact (Brazilian Association of Contemporary Art), and aims to "create business opportunities abroad for the Brazilian art sector".

³The primary market refers to the first sale of an artwork from usually living artists, which can be made directly from the studio or from the representative, i.e. the dealer. The secondary market is the resale of an artwork, which author can be dead or alive, and can be made by their owners or throughout auction houses or dealers, and usually have nothing more to do with its author.

This paper focuses on art galleries, also referred to as *marchands* or art dealers⁴, because they represent a significant part of the transactions of the art market. The art gallery connects supply and demand, a role that allows one to understand the economics behind the art markets. In this paper we discuss some of the main features we found on the local market galleries, which are closely related to some of the existing theories about art markets. We also proposed insights over some problems observed in Belo Horizonte's market, especially those related to innovation and uncertainties. The paper is organized as follows, besides this introduction, the second section goes over some of the existent literature about art markets, covering some issues over art galleries such as information asymmetry and uncertainties and analyzing art as a commodity. Third section explains the methodological approaches used. Fourth section presents and discusses the results, and, finally, in fifth, we present some conclusions.

2 Art markets: some necessary concepts

2.1 Art as a mysterious commodity

The starting point to the analysis of an art market is to understand what type of object is negotiated thereof. These objects have peculiarities that determine distinctive characteristics of such markets. Furthermore, none of them has characteristics of ordinary consumption goods. The first reason is that they are mostly produced by individual artists, each artists being a totally different unit of production, leading art to be an extreme case of a non-homogeneous good (Throsby 2001). Bianchi (2015) for instance emphasizes its “infinite variability” property, using the expression coined by Caves (2000). An artwork can take many dimensions besides the authorship (e.g. support, format, lines, colors, styles, themes, etc.). Hence, the universe of choices seems to have no end, either for the producer or for its potential consumers (Bianchi 2015). Besides its originality, uniqueness and “infinite variability”, the judgement of an artwork's value is, on one hand, associated to the benefits of individual's consumption and fruition, and, on the other hand, attached to its cultural component within a society in general, exhibiting some of the characteristics of public goods (Throsby 2001).

Artistic goods are also known as experience and/or confidence goods. Experience goods are those of which the quality or the provided utility can only be defined after the consumption such as a theatre play or a dance show. However, in the case of artworks, the uncertainty over their quality can be even greater than experience goods, making them more similar to confidence goods (Prinz et al 2015). Confidence goods are those defined by the impossibility of ascertaining the quality of a good even after its consumption. In other words, the uncertainty over an artwork's value is an omnipresent characteristic.

Since confidence goods cannot have their quality appraised individually, their value depends on the assessments of experts, who judge the artworks collectively by means of consensus (Velthuis 2011b). For many reasons, the value of an artwork ends up being socially constructed, leading to a market based on the production of beliefs

⁴In order to simplify, in this paper we do not take into account the differences among these terms. For deepen approaches, see Plattner (1996), Moulin (1992) and Velthuis (2005, 2011a)

(Bourdieu apud [Velthuis 2011b](#)). The so-called experts are considered individuals who have the capacity to endorse the creation of artistic value due to their accumulated experience and reputation (e.g. critics, dealers, curators, scholars, consultants, artists, etc.)

This uncertainty arises for different reasons for each niche in the art market. For example, according to [Moulin \(1992, 2007\)](#), in the contemporary art market the uncertainty is on the unpredictability of the success of the artists. In the classic art market⁵, however, the mystery surrounds the authenticity of the artworks or the past artistic movements and artists that can come back into fashion and affect the current prices ([Moulin 2007](#), Bonus and Ronte apud [Velthuis 2011b](#)). It is interesting to see how [Prinz et al](#) emphasize the former, stating that “[i]nvesting in the most recent contemporary art is a very risky endeavor. At the point of a first investment in an artist, it is almost impossible to predict the likelihood of success” ([Prinz et al 2015](#), p. 159). This volatility and uncertainty in subjective valuations and qualifications strongly influence the prices and economic values, having the power of both creating and destroying great fortunes as fast as the beat of an auctioneer’s hammer.

2.2 Art dealers: filling an informational gap

The lack of transparency in the art world is considered by [Bianchi \(2015\)](#) its main and most incurable deficiency. Besides the uncertainty-generating characteristics of artworks, [Bianchi \(2015\)](#) emphasizes that information asymmetry, in many cases, is used opportunistically. Following this issue, [Velthuis \(2011b\)](#) quotes George Akerlof’s discussion of the market for ‘lemons’: “where the quality of the work is known to the seller but not to the buyer (Akerlof apud [Velthuis 2011b](#), p. 37). Thus, “for diverse work of art (. . .) buyers need a great deal of information in order to make a satisfactory purchase (. . .)” ([Towse 2014](#), p. 77). [Prinz et al \(2015\)](#), considering the art market to be innovation-intensive and to have a high degree of quality uncertainty, state that “[n]ew artists entering the market are unknown, and the products they manufacture require a lot of explanation and evaluation. On the other side of the market, collectors and investors know neither the artist nor her or his work. It is the task of galleries to close the gap between artists and collectors/investors.” [Prinz et al \(2015, p. 2\)](#). [Prinz et al](#) draw their concept from the two-sided market notion of [Rochet and Tirole \(2003, 2006\)](#) in which the art gallery is the intermediate platform, a necessary role in such innovation-intensive and uncertain sectors, in order to correct their typical problems. We must highlight here that this constant innovative status of artworks is one of the fundamental features of an art market.

This view of the gallery is indeed closely related to the gatekeeper role attached to the dealers of the primary market, and usually to avant-garde art galleries. This concept, drawn from [Bystryn \(1978\)](#) and further discussed by [Velthuis \(2011a\)](#), refers to the dealer’s capacity of choosing who is in and who is out of the market by carefully selecting his or her team of artists and in turn promoting their careers. Besides these gatekeeper and “informational-gap-filler” functions of art dealers, [Velthuis \(2005\)](#)

⁵Following Moulin’s definition, the consecrated oeuvres from modernism and earlier.

points out that there is a “father relationship” that exists between artists and dealers that “hardly look like the anonymous interaction that has come to be associated with a logic of capitalist markets” (Velthuis 2005, p. 55). Thus, we can assume that the gatekeeper and match-making roles must not be interpreted as neutral or cold attitudes within the marketplace but rather as intimate trust relationships. These relationships involve not only marketing the artists but also discussing their artistic ideas, praising and recognizing their work, and supporting them in many ways, even morally (Velthuis 2005).

3 Methodology

In order to reach our objectives we carried out semi-structured interviews with as many gallerists of the city we could find. The quantity of art galleries in Belo Horizonte and their availability to be interviewed have limited the number of interviews. We defined the questions⁶ in order to capture information about (1) the internal characteristics of the gallery, (2) the general characteristics of the local market, and (3) the perceptions and future projections of the local market.

The first list of potential interviewees was taken from the city Hall’s official website’s tourism section, which proved to be incomplete and out of date (some galleries were missing and others no longer existed or had changed their names). Throughout the direct contact with the gallerists who were able to refer us to other professionals and through references found in social and informative media, we identified 30 art galleries⁷ and, out of them, 26 were visited. This universe is very heterogeneous. For example, some galleries are not commercial while others have distinctive business activities. The fieldwork was undertaken between August 2014 and April 2015.

In the first page of his book “Talking Prices”, Velthuis (2005) highlights the difficulties in dealing with the art market agents: “In the middle of one of the interviews which I conducted for this study, I decided to give up, desperate as I felt about the respondent’s reluctance to respond to my questionnaire. The art dealer (...) refused to discuss what I was trying to understand (...)” (Velthuis 2005, p. 1). We were relieved to see that we were not the only who felt the same way about the interviews. In fact, the dealers’ reluctance and resistance to talk deliberately about their businesses, especially quantitative figures⁸, biased some of the data and made it impossible to gather many quantitative data and to trust some of their answers. Each interview had 42 questions and lasted approximately 1h30 on average, which provided us sufficient information to make three different but similar approaches to working with the data.

⁶The questionnaire is available from the authors.

⁷Our intention was to interview every business or institution that called itself an art gallery, except the museum types.

⁸Velthuis (2005) and other authors discuss this toughness better, which can, in brief, be associated to the well-known paradox that some agents from the art market face between commerce and the “sake of art”. This conflict arises from the commodification of an object which is allegedly covered with a kind of aura that should not be contaminated by “mundane” commercial interests. The need of artists and dealers to sell artworks in order to survive put them in the middle of this *limbus*.

First, we discarded nonsensical or illogical answers and used the remaining answers to construct tables of descriptive statistics. Second, we created typologies for the galleries interviewed based on what was observed in the fieldwork and in the data gathered. We found four types of galleries among the interviewees. Finally, in order to analyze the large amount of textual data we had in hands, we applied a qualitative method, the thematic networks. Drawn from [Attride-Stirling \(2001\)](#), this method allows to identify the main themes addressed in the interviews and to establish connections between them in order to recognize the issues covered by the gallerists in an abstract and grouped way.

“The procedure of thematic networks does not aim or pretend to discover the beginning of arguments or the end of rationalizations; it simply provides a technique for breaking up text, and finding within it explicit rationalizations and their implicit signification” ([Attride-Stirling 2001](#), p. 388). This qualitative method, in short, consists in building a scheme that connects a set of themes extracted from the raw textual data. According to [Attride-Stirling \(2001\)](#), the first step is to reduce the data by fragmenting the text into “manageable and meaningful text segments”. Then we must gather in groups those text fragments that have something in common with each other. This *something* may be a similar issue, a common keyword or a related explicit or implicit meaning.

The second step consists on the ground of a purely interpretative effort. The text fragments are read within the context of their respective groups. Thereafter, following this order, a list is made with the many issues addressed by collecting the text fragments and then synthesizing them in one or a few words. Using these more pertinent groups, we discover and extract the most recurrent themes addressed by the reunited text fragments. The newly extracted themes are themselves the basic themes presented in this paper on [Table 3](#) and [Table 7](#).

In the final step, the thematic networks are built. Starting from the basic themes it is possible to define the most general themes of the text. To do so, it is necessary to group the basic themes by similarity, which is also an interpretative move. The reference points or common issues, around which we organize the basic themes, must guide the abstraction of the organizing themes, which must synthesize the main issues treated by the basic themes. Having in hands such thematic clusters allowed us to deduce their global themes, which are “the core, principal metaphor that encapsulates the main point in the text” ([Attride-Stirling 2001](#), p. 393). This is done through the same process that gave origin to the organizing themes, that is, an abstraction of the main “claim, proposition, argument, assertion or assumption that the organizing themes are about” ([Attride-Stirling 2001](#), p. 392 - 393).

4 The Galleries Classification

4.1 The Four Types

The typology that follows was built based on three pillars: (1) the personal impressions and observations of the interviewer, (2) the comparisons made using discrete data (e.g. the number of exhibitions per year or whether the gallery is specialized in

contemporary art or not, etc.), and (3) the qualitative interpretation of the discourse of each dealer. We have defined four types based upon these criteria, although there may be overlaps between some of their characteristics. Despite the galleries have showed the features of their own types in different degrees, we have classified each gallery in only one type.

According to [Velthuis \(2011a\)](#), the various general classifications of galleries proposed in the literature are similar. The differentiations he quotes are [Moulin's \(1987\)](#) among traditional and entrepreneurial galleries, [Bystryń's \(1978\)](#) among galleries driven by symbolic rewards and those driven by monetary rewards, and [Fitz Gibbon's \(1987\)](#) among galleries that sell popular art and those that sell high art. These types mentioned certainly find some parallels on the suggested classification that follows. However, it is not our intention to provide a general classification for all the art galleries of the world but rather to discover the peculiarities of a local art market. Many of the classifications for art galleries and for different market segments (e.g. classic vs. contemporary art; high end of the market vs. low end of the market; traditional art circuit vs. avant-garde art circuit) found in the literature served as an inspiration for our typology. However, we found that none of them was fully applicable to our case due to the blurred bounds between different roles, styles, activities, and segments of the local market structure and of the agents thereof.

4.1.1 Type 1- Conservative art galleries

These galleries are better defined by what they do not consist of. They drift apart from the basis of the current system of galleries ([Benhamou 2001](#)). It means that they do not focus on the primary market, they do not enter into exclusivity agreements, and they do not invest in young artists to help them create a career in their activity (see [Moulin 2007](#); [Benhamou 2001](#); [Towse 2014](#); [Shubik 2003](#); [Velthuis 2011a](#)). Essentially, this type of galleries does not have a well-marked style and they look for different means to survive in Belo Horizonte's art market. They make few investments, they do not take risks, they diversify their activities, and they prefer artists and artworks that are more traditional and well established in the market, thus avoiding the uncertainties of contemporary art. [Brandellero \(2015\)](#), when referring to eclectic Brazilian galleries (from the 50's) with no focus in any artistic style or movement, reinforces the idea: "The lack of market segmentation was seen as an indicator of low risk-taking and high conservatism" ([Bulhões Garcia apud Brandellero 2015](#), p. 221). This quote suggests that our [Type 1](#) interviewees are a kind of lost-in-time art galleries, indicating that the Belo Horizonte art market shares some of the characteristics of those in São Paulo and Rio de Janeiro at the beginning of their development.

More specifically, these galleries: (1) are marked by the absence of a defined style for their artworks, that is, they have no focus (they can eventually sell contemporary art, but none will work only with that), (2) prefer the security of well established artists rather than risking themselves with the new ones, (3) do not work in an exclusivity basis, (4) tend to work in the secondary art market with modern, academic or figurative art, (5) have a diversified business in that the gallery is not the unique or not the center of the activities of the dealer (for example, he or she can be an auctioneer, an artist, and a framer, among others), (6) do not intend to have a "white-cube" space, (7) have

their business size ultimately determined by a complementary activity; and (8) are marked by the heterogeneity among galleries.

4.1.2 *Type 2 – Contemporary art galleries*

Unlike the *Type 1* galleries, which seek to “adapt” to the local market, the *Type 2* galleries try to adjust themselves to the international standards of contemporary art galleries as much as possible. There are hence well-known international patterns of contemporary art galleries, which are the practices of the already mentioned currently dominant system of galleries (Benhamou 2001, p. 78). *Type 2* may incur important costs to be able to fit in the international profile. Thus, while *Type 1* galleries have a heterogeneous, adapted, non-intentional and not-planned profile, this second type contains galleries with an intentional, homogeneous and well-defined profile.

These are galleries that (1) have a focus, especially in contemporary art⁹ or in one of their niches, (2) are directed to the primary market by working and negotiating directly with live artists¹⁰, (3) are more or less willing to take risks, perhaps allowing unknown artists a chance to become well-established (as it will be further discussed on the thematic networks, we suspect that, on average, all the galleries from Belo Horizonte, including *Type 2* galleries, avoid risks and do less investments than the galleries from more developed markets), (4) work with exclusivity agreements based on trust and cooperation, (5) are more open to innovations and to the discovery of new artists, renewing the supply side of the market (despite the limitations of the local market already mentioned), and (6) have an architecture close to the “white-cube” style.

4.1.3 *Type 3 – Institutional art galleries*

These galleries take the risky “discoverer” role and hence are less risk-averse than *Type 2* galleries. *Type 3* galleries take the responsibility of easing the introduction of young or unknown artists and in turn fostering innovation on the art market, a function that is lacking in Belo Horizonte and that will be further discussed in section 5.2. These galleries (1) are attached to larger institutions or companies such as private, public or private-public partnerships; (2) are not profit-driven and thus don’t sell art; (3) organize exhibitions of artists picked up by competitive selection processes and by experts’ judgements; (4) enhance new local artists’ careers and hence also regional contemporary art; (5) are administered by the employees of the institutions in which they are part of; (6) foster culture, their direct purpose, by helping artists who have difficulties in gaining visibility; and (7) are noticed by other gallerists, especially *Type*

⁹Authors have different concepts of contemporary art. Some treat it as the art produced by live artists, and others treat it as the art produced by artists since the 60’s until today, which can be separated in several niches (e.g. Urban Art, Conceptual Art, Abstract Art, Concrete Art, Hyperrealism, and so on). Despite being described by a vague concept, the contemporary art field can be well differentiated from modern, figurative and academic art.

¹⁰However, it is common to galleries to work on both primary and secondary markets, being more important to perceive which one is their focus. This is because there are no reasons for a gallery to refuse a good opportunity on the secondary market (for example a rare artwork to sell), if they can do that in privacy without harming their “primary market excellence” reputation.

2, as the major means of artists' insertion in the professional market besides art salons, contests, and prizes.

4.1.4 Type 4 – Alternative art galleries

Few galleries of this type have been noted in Belo Horizonte. They are innovative and offer disruptive proposals, which make them very different from the other types. They (1) act in the primary market with young artists; (2) do not work with exclusivity agreements; (3) have the objective of fostering art and culture, especially in the emergent artistic scene of Belo Horizonte; (4) operate in the vanguard environment; (5) criticize and offer an alternative to the “elite” of the high art market; and (6) diversify their activities in a more audacious way by, for instance, being attached to a bar, selling souvenirs, having on-line platforms for selling art, and doing broader art projects such as events, workshops, urban interventions, and so on.

4.2 Comparisons and observations

Beside the characteristics of each type of gallery mentioned above, some observations and comparisons among them are necessary. Type 1 galleries represent 42% of all galleries, Type 2 galleries 3%, Type 3 galleries 15%; and Type 4 galleries 12%. Furthermore, Type 2 galleries have the most submitted projects to the government funds (Rouanet Law and other cultural incentives laws). Some Type 2 gallerists refer to the Type 1 gallerists in a pejorative way, calling them mere “painting’s shops”. These Type 2 galleries indicated that the Type 3 institutional galleries are one of the best ways for a new artist to enter the market and begin his or her career. Type 1 galleries did not make such indications and rather pointed out some generic qualities as the determinants for artists to be part of the market such as luck, talent, and marketing.

It was also possible to build an index of the number of yearly exhibitions per gallery, which is a proxy for the galleries' willingness to promote art, take risks, and make investments. All else equal, a gallery with a larger number of yearly exhibitions is likely to be making more investments and efforts to promote its team of artists and hence to be riskier. Thus, according to Table 1, which contains the yearly exhibitions index, the typology seems to be well fitted. Indeed, as can be seen, Type 1 conservative galleries are much less willing to spend money in exhibitions than the other types. Type 3 and Type 4 make more exhibitions though, which reflects their ideal of promoting art and culture as a public good. Due to their objectives of creating a career for their team of artists, of bringing attention to their business and of enhancing sales, Type 2 contemporary art galleries promote a significant number of exhibitions.

Table 1 Average number of yearly exhibitions organized and art fairs attended per gallery in each type^a

Type	Exhibitions per year	Art fairs attendance per year
Type 1 - Conservative art galleries	2.2	≈ 0
Type 2 - Contemporary art galleries	4.3	2.7
Type 3 - Institutional art galleries	6.5	≈ 0
Type 4 - Alternative art galleries	8.7	≈ 0

^aWe have discarded imprecise or unreliable answerse.

Attending art fairs has similar implications as organizing exhibitions since it is a form of investment to increase the sales and the visibility of the artists. The participation in art fairs also symbolizes the insertion of the gallery in the international contemporary art circuit as doing so follows one of the “best practices” of the of contemporary art galleries of the international elite, which corresponds to the profile that Type 2 galleries seek to fit. Thus, we also created for each type of gallery an index calculated as the average attendance of a gallery at art fairs per year. Table 1 shows, as expected, the predominant tendency of Type 2 galleries to attend art fairs. Type 2 galleries attended on average 2.67 art fairs per year whereas other types of galleries virtually attended zero per year.

Another quite interesting issue concerning our typology is the different *raisons d'être* which appeared among each type of gallery. The results of Table 2 are related to the typology previously built. First of all, it can be noted that the purposes of galleries of Type 3 and Type 4, i.e. to promote arts, are very different from the other two types. Secondly, Type 1 galleries seek the continuation of another previously existent business, which is a more practical and professional connection to the art world rather than a sentimental one. In contrast, despite still having this business connection to the arts, Type 2 galleries seem to exhibit more emotional and intimate motivations.

Table 2 Answers for the question: What was the objective/reason for the creation of the gallery?

Answers	Frequency				
	Type 1	Type 2	Type 3	Type 4	Total
Continuation of another existent business ^a	5	2	0	0	7
Previous professional experience in the sector	3	0	0	0	3
Personal circle	2	2	0	0	4
Interest in arts	0	3	0	1	4
Fostering arts	0	0	4	2	6
Did not answer	1	1	0	0	2

^aMost of these existent businesses are frame shops; however, there was also an auction house, a photography studio and an “arty” objects store.

Moulin (2007) shows a clear distinction between the contemporary art galleries and the traditional figurative art galleries, which are similar to our conservative galleries. According to her, the latter “exclude the risk associated with innovation. The choice of artists is made in function of the expectations and the acquisition means of the

clientele” (Moulin 2007, p. 24). This adaptive character and subordination to demand is remarkable among our Type 1 galleries. Moulin continues: “Submission to the demand [for the traditional galleries] against fabrication of the demand [for the contemporary art galleries]” (Moulin 2007, p. 24). This last quote shows how promoting an artist’s career is a risky endeavor, a common practice among Type 2 galleries and virtually nonexistent among Type 1 galleries.

5 Thematic Networks

Using the thematic networks methodology, we reached two Global Themes: “the core, principal metaphor that encapsulates the main point in the text.” (Attride-Stirling 2001, p. 393). The two global themes addressed by the art gallerists in our interviews are: (1) “The agents of the art market are subject to incentives and symbolic values, which cannot be translated into prices or pecuniary compensations” and (2) “The functioning of the Belo Horizonte art market is disturbed by market failures and shortcomings caused by the absence of certain cultural habits and demand for artworks, which leads also the gallerists to avoid investments and innovation efforts”.

5.1 The First Thematic Network

The first thematic network was built around the global theme(1) “*The agents of the art market are subject to subjective incentives and values, which are stronger than pecuniary compensations or other traditional markets’ laws*”. In order to understand the first organizing theme (1.1) “*The joy that a gallerist usufructs from his or her job and the previous life experience in the art world, both influence the decision of becoming and remaining as a gallerist*” it is useful to recapitulate the findings of Table 2. We can see that, in spite of the fact that “Incentive to the arts” and “Interest in arts” are indeed significant motivations, a previous experience in the field is very important. Furthermore, all of the six answers in the “Incentive to the arts” motivation belong to Type 3 and Type 4 galleries (i.e. alternative and institutional galleries). Hence, for the conservative and contemporary art galleries (Type 1 and Type 2), the previous life experience, either professional or personal, is their greatest motivation. One of our interviewees stated: “To mount a gallery is not teachable, [it’s learned] only by experience”. Another dealer explained that his gallery came from a frame shop as a “process of natural evolution of the business.” Some artists used to give him paintings to pay for the frames and many customers forgot the artworks with him, so he started to collect and resell some of them.

Table 3 First thematic network

<i>Basic themes</i>	<i>Organizing themes</i>	<i>Global theme</i>
<p>1.1.1 To become an art gallerist, one's life experiences are more important than a formal education in arts</p> <p>1.1.2 To open an art gallery is a decision tied to one's taste</p> <p>1.1.3 For someone to open a gallery, it is a quasi-necessary condition to have personal connections or to have had a previous experience in the art world</p> <p>1.1.4 An art gallery is a business of high personal satisfaction and that is the greatest incentive for gallerists</p>	<p>1.1 The joy that a gallerist usufructs from his or her job and the previous life experience in the art world, both influence the decision of becoming and of remaining as a gallerist</p>	
<p>1.2.1 The gallery attracts clients through intimate and personalized relationships with them</p> <p>1.2.2 There is no "contract" for exclusivity agreements, it is based on trust</p> <p>1.2.3 Gallerists feel misunderstood by the artists</p> <p>1.2.4 There are conflicts over exclusivity agreements, "backstage sales" from studios, and prices</p>	<p>1.2 Confidence is crucial for the relationships between the art market agents</p>	<p>1. The agents of the art market are exposed to subjective incentives and values, which are stronger than pecuniary compensations or other traditional market laws</p>
<p>1.3.1 Investments in well-established artworks (to increase the stock) and artists (to increase representation) besides aiming at sales are also means of acquiring reputation</p> <p>1.3.1 Investments in well-established artworks (to increase the stock) and artists (to increase representation) besides aiming at sales are also means of acquiring reputation</p> <p>1.3.2 The main investments made by galleries are to increase their stock, attendance at art fairs, and their space thereof</p> <p>1.3.3 Art fairs are investments made to increase not only sales but also visibility and reputation</p> <p>1.3.4 The gallery invests in its reputation to attract clients</p> <p>1.3.5 Artists that have their works sold in many places hinder their reputation</p>	<p>1.3 Reputation, as a "symbolic capital", is an important factor of the art market</p>	
<p>1.4.1 Exhibitions correlate with peaks on the sales and are crucial events on the gallerists' calendar</p> <p>1.4.2 The internet is deemed an inadequate mean to communicate art because there is no physical contact with the artwork, which is seen as necessary to "feel" the oeuvre</p> <p>1.4.3 There is no price competition. The gallerists compete to have exclusivity agreements with the best artists and to enhance the appreciation of their teams of artists</p> <p>1.4.4 Inhotim^a has had positive impacts and is responsible for better perspectives for the local market</p> <p>1.4.5 Price reduction can be troublesome</p> <p>1.4.6 A dealer must inform the clients to make them understand the value of an artwork, which encourages consumption</p>	<p>1.4 Factors associated to demand are more subjective and less addressed by Walrasian laws</p>	

^aInhotim is an outdoor contemporary art museum – the world's largest – and is located within a botanic garden nearby Belo Horizonte.

To become a dealer, there is no need to have a diploma or special licenses (Velthuis 2011a; Shubik 2003), and “the appellation of art dealer tends to be self-selected” (Shubik 2003, p. 194). One of our interviewees told us his story. Before opening his gallery, he used to be an amateur dealer and an art enthusiast during his leisure time, organizing exhibitions of his artwork, eventually selling art, and maintaining close ties to artists, while working for a large company. Only after retirement he decided to open his own art gallery. Like him, many other gallerists have not graduated in arts or related subjects. In Table 4, we can actually see that the proportion of interviewees who graduated in arts or related subjects is the same of those who graduated in Business, Economics or Law:

Table 4 What is the formal education ^a of the owner or manager of the gallery? ^b

Answers	Frequency
Arts ^c	6
Business/Economics/Law	6
None	4
Both Arts and Business/Economics/Law	3
Other	3
Did not answer	4

^aWe meant by “formal education” all graduations and post-graduations in universities.

^bThe question was actually “What is the artistic education [...]” but once the dealers spoke about their education in general, we changed the title of the table for better understanding.

^cAlso to simplify, by “formal education in arts” we mean also all correlate subjects (e.g. art history, art critic, art education).

Thus, it would seem that a “quasi-necessary” condition to become a dealer is to have a previous life experience or personal connection in the art world but not necessarily to graduate in arts. Among our interviewees, almost all of them have at least one of the following links with the art world: close people (friends, relatives, and partners), have collected art before or have had previous professional experience in the field (framer, critic, artist or gallery employee). In his research, which interviewed gallerists and other agents of the art world of Santa Fe, Albuquerque and Taos, New Mexico, US, Shubik and Shubik (1992) encountered results that show an impressive similarity to ours.

The next issue concerning the organizing theme (1.1) is the pleasure that gallerists draw from their jobs, which motivates them to become a gallerist and to remain in the profession. Unlike an entrepreneur that seeks the industry that maximizes profit, a gallerist satisfies gains utility from other means than just monetary rewards. According to Velthuis, “even when their enterprise fails to make money by them, a partner’s income, pre-existing wealth or side jobs may allow art dealers to continue their business longer than would be the case with loss-leading firms in other markets” (Velthuis 2011a, p. 28). He also points out that some dealers treat their job more as a hobby or a “social pastime than as a rational means of making a living”. Plattner (1996), in addition, raises the question of whether the dealers must be a priori wealthy in order to sustain their art gallery business. Although some gallerists need to earn

money for subsistence, the point is that the accumulation of capital may not be the main driving force in this business. Instead, some of them rather refer to their occupation as a “passion” driven by their taste for art. Many of our respondents reported to see the sale of an artwork as a celebration, stating that they do not treat their activity as a job obligation but rather as a form of leisure. The joy that gallerists feel from selling art is, according to them, derived from the amusing contact with artists and from the honor and recognition that come along with being an “insider” of the art world. [Table 5](#) exemplifies and reinforces the point that the financial return is of lesser importance for many art dealers.

Table 5 What is greatest return [in running an art gallery]?

Answers	Frequency ^a
Pleasure	10
Financial	5
Other ^b	7
Did not answer	8

^aIn this question, some gallerist mentioned more than one kind of return, so the sum of the second column is higher than 26 - which is total of interviewed galleries.

^bWithin “Others” there are answers such as “a good and reliable team of employees”; “status”; “good clientele”; “media attention”; “promotion of new ideas” and so on.

This situation can be seen as similar to the incentives dealers and artists have to keep working. Some cultural economists have argued over the reasons of the excess of supply of artistic labor, trying to explain why artists pursue such risky, unstable and tough careers. For instance, [Menger \(2006\)](#) shows some of the hypotheses raised¹¹, but he defends the idea that some jobs may offer non-monetary rewards in addition to the monetary ones. What we propose is that this “pleasure payback” applies not only for artists but also for art galleries – and maybe other art world agents.

The next organizing theme (1.2) “*Confidence is crucial for the relationships between the art market agents*” brings the importance of trust among artists, clients, and dealers, an issue discussed by [Velthuis \(2005\)](#), [Bianchi \(2015\)](#) and [Santagata \(1995\)](#). It covers matters such as the exclusivity agreements, distrust conflicts¹², intimate relationship, artworks authenticity, etc. [Bianchi \(2015\)](#) explores deeply the issue of confidence, disentangling it from the concept of risk-taking. According to her, artworks are intensive in trust. The risk of a certain decision (e.g. buying an expensive painting or investing a large amount of capital in an artist’s career) does not depend solely on chance but also on the trustworthiness of the other transacting party ([Bianchi 2015](#)). It is possible that an art dealer is selling an artwork that may be counterfeit or that may be overvalued. Since the art world is characterized by a high level of information asymmetry, the abusive use of privileged information is an omnipresent hazard for uninformed agents. In our interviews, it was very common to hear gallerists talking about the necessity of trust between each other and with the artists that they

¹¹ Some of them will be later mentioned in this paper ([Page 17](#)), though superficially.

¹² Distrust conflicts are recalled afterwards within the second thematic network.

represent. They have often complained about the artists' reluctance in trusting the gallery in respect to four issues: (1) the real price the gallery was selling the artworks, which could be higher than the reported price used to calculate the artist's 50% share of the value; (2) the disrespect of the exclusivity agreement; and (3) the artists' view of galleries as "necessary enemies" rather than as important partners that value on promote their artwork.

Intimate and long-term relationships among art world actors are also a confidence-related matter. The already mentioned social networks are very important in the art market. Extensively discussed in [Granet and Lamour \(2010\)](#), these networks circumscribe elite groups, which have status and power within the art world. [Granet and Lamour \(2010\)](#) make reference exclusively to the small "world elite" that englobes the richest personalities in the world and the responsibility of major events and institutions such as the Basel Art Fair and the Museum of Modern Art of New York. However, on a smaller scale, there are many minor "local art worlds", which have their own local elites and social networks.

Some of our interviewees talk about their strategies for creating intimate relationships with customers: "[To promote the gallery it is important] the participation in art fairs, making exhibitions and building intimate relationships [...] contacting [clients] and inviting them to bring people."; "The sale is personalized, according to the tastes. The relation with the client is close."; "We have no clients, but friends [...] We are going to build a space to receive our friends so that we can meet again and so that they can bring their own friends to know the gallery and get closer to art. It's a strategy." Also, we should recall, from [Section 2.2, Velthuis' \(2005\)](#) idea of the "father relationship" between dealers and artists. During our interviews, the gallerists referred to the artists who they work with as a team that carries on the enterprise together. This brings the idea of both artists and dealers having common interests. The former trust his or her professional life in the latter, who will surely give support for the former's artistic career.

Besides trustworthiness, the reputation is also crucial for the relationships within the art market, as we can see on the organizing theme (1.3). As we noted before, specialized knowledge about arts endorsed by reputation is a key "symbolic capital" of the intermediaries (i.e. dealers, marchands, galleries, etc.) and experts (critics, curators, consultants, scholars, etc.) of the art market. Since they deal with very subjective qualities, i.e. values and judgments, it is hard to attest one's qualification to perform these professions. Thus, it is necessary to build a reputation throughout time to establish trust in an expert's judgments. As one dealer states: "[To attract clients it is important to have] word of mouth about quality, name, and recognition. A good service and its results are long-term, rational, slow, but assured investments." Whilst some of the dealers directly referred to the importance of having a good reputation, others indirectly assumed to invest in reputation by attending important art fairs, organizing good exhibitions, hiring esteemed critics, and so on.

Finally, the organizing theme (1.4) states that demand is associated to many subjective elements that are not scarcity problems according to mainstream economics. First, to reduce prices is negative and to do that could hinder an artist's reputation and

“burn”¹³ him in the market. Second, it was remarkable the importance given by the dealers to the opening of Inhotim (see Footnote from Table 3). Many gallerists see it as a path to create a taste for art to the people of Belo Horizonte and to help people understand and give to the contemporary art scene its deserved value. As we can see in Table 6, most gallerists observed an increase of the public for the arts in the last years, and we noted that many of them associated this increase with the advent of Inhotim.

Table 6 Do you agree that the public for the arts have increased? ^a

<i>Answers</i>	<i>Frequency</i>
Agree	17
Do not agree	2
Do not know	1
Did not answer	6

^aIt was showed to the interviewees the results of Fialho (2014) - which indicates such increase in São Paulo and Rio de Janeiro.

Third, a recurrent issue mentioned among the respondents was the importance to show the value of an artwork to customers, which involves describing the career of its creator, the material, the historical and artistic context, etc. We have already discussed the role of dealers as intermediaries that reduce uncertainty and information asymmetry, closing an informational gap between collectors and artists. Informing customers about the value of an artwork is also part of the enterprise of creating a market for an artist or, in Moulin’s (2007) words, to fabricate the demand. Fourth, we should mention the central role of exhibitions on the gallerists’ calendars. The exhibitions are fundamental to promote artists and to build their reputation. This allows them to put these artists in the spotlight of these “spectacles” and to turn their oeuvres into objects of admiration and desire (most dealers reported the occurrence of sales’ peaks during exhibitions). Lastly, if asked about internet trends and the possibility of selling art in the internet, it was interesting to observe how dealers warned about the necessity of physical contact with the artwork. They claim that it is necessary to feel the subjective value and to capture all the complexity of an artwork. Even if they were favorable to the advent of internet in the art world, dealers showed some concerns over this unsolvable “need for physical contact”.

5.2 The Second Thematic Network

The global theme (2) poses that *“the functioning of the Belo Horizonte art market is disturbed by market failures and shortcomings, and, probably, absence of cultural habits and demand for artworks leads the gallerists to avoid investments and innovation efforts”*. Within this global theme, the first organizing theme (2.1) states that *“in Belo Horizonte, demand for artworks and cultural habits are lacking”*.

¹³Many interviewed gallerist used the word in Portuguese “queimar” (which the direct translation to English is “to burn”) to refer to the effect of an action which marks negatively an artist’s reputation.

Table 7 Second thematic network

<i>Basic themes</i>	<i>Organizing themes</i>	<i>Global theme</i>
2.1.1 Belo Horizonte has a small market that brings difficulties to the galleries 2.1.2 The revenues, profits and sales are low 2.1.3 The demand is weak in BH, having few collectors and lacking the habit of frequenting galleries and consuming art 2.1.4 The number of visits tend to be low and are made just by people from the field 2.1.5 The gallerists may accept any deal due to the low demand and to the high bargain power of the demand-side	2.1 In Belo Horizonte the demand of art is weak and the cultural habits are lacking, what bring difficulties to the art galleries	2. The functioning of the Belo Horizonte art market is disturbed by market failures and shortcomings, and, probably, absence of cultural habits and demand for artworks leads the gallerists to avoid investments and innovation efforts
2.2.1 The consignment is way of avoid the risks posed by the rise of the costs and uncertainties. 2.2.2 It is common to diversify the galleries' activities 2.2.3 The gallerists prefer the more probable return of a well-established artist than risking themselves with new artists 2.2.4 The dealers claim that an artist would not start his or her career through an art gallery, but rather gaining visibility before institutionally (e.g. through museums, art salons, contests, prizes, etc.)	2.2. The galleries try to avoid risks, leading them to reduce investments and their innovation efforts	
2.3.1 The Belo Horizonte's market is less professional, what gives rise to conflicts 2.3.2 The dealers recognizes the difficulties passed by the beginner artists 2.3.3 "Brokering" ^a an artist can be seen as a favor rather than an investment 2.3.4. To act like a "contemporary art gallery" entails higher costs 2.3.5 Exclusivity is practice of more developed markets, such as São Paulo's 2.3.6 Exclusivity and brokering should go hands in hands, but sometimes they do not	2.3. There are certain failures and shortcomings on the Belo Horizonte art market	

^aIn this paper, "brokering" an artist means to invest on him or her, by supporting the artistic development and creating a demand for the artworks.

Gallerists often complained about having difficulties in making business, what would be due to an alleged structural backwardness of the local art market. In our interviews, it was very common to find claims about the low level of visits and the difficulties in selling art and surviving from it. Table 8 summarizes the answers of a question closely related to this issue. It is also noteworthy that the dealers were inclined to make comparisons with São Paulo, and sometimes Rio de Janeiro, as way of showing the relative backwardness of the Belo Horizonte market. There were also complaints about the provinciality of some of the local collectors, which would lead them to seek to status by making purchases outside (e.g. in São Paulo), even paying more for the same artwork. Plattner (1996) perceived the same in his remarkable study of St. Louis art market, also considered as a periphery of the US art market, especially if compared to New York. According to him, this hierarchy bothers the agents of the

“down home” small market, once they are condemned to be “forever ‘not in New York’” (Plattner 1996, p. 77).

Going back to the financial problems, the most common explanation given by some gallerist to justify the bad situation of Belo Horizonte’s market is certainly the weak demand. Dealers blamed more often the ‘culture’ and the provincialism of the local people, and sometimes absence of knowledge or shyness prevents them to get into an art gallery. Other gallerists also declared that buying art just for decorative or status motifs – or just not enjoying art at all – are also local harmful manners. All these features would lead to the scarcity of collectors in comparisons with other cities in and outside Brazil.

Table 8 What is the greatest difficulty in running an art gallery?

<i>Answers</i>	<i>Frequency</i>
Low sales or financial problems	7
Getting good art or good artists	3
Taxes	3
Having a good team of employees	2
Others	3
Did not answer	3

According to Velthuis (2011a), “[s]ince dealers often need to establish new markets for artists who lack a solid reputation or whose reputation has deteriorated, they may start to make sales only after a long period of time” (Velthuis 2011a, p. 28). However, we should mention that some galleries do not face such problems and are indeed more optimistic. In spite of it, most of them recognize the existence of demand scarcity.

As we can see in Table 6, which is within the organizing theme (1.4) discussion, despite the constant complaints over the weak demand and the low sales level from the part of some gallerists, the absolute majority of them (17/26) declared to have observed an increase in the public for the arts. As we can see in Table 9, the number of gallerists which had observed improvements on the local market in the last years is almost the same of the unsatisfied ones. In addition, it is worth noting that many Type 2 galleries have recently invested (or have plans to invest) in the expansion of the gallery’s physical space. Accordingly, it seems that these Type 2 galleries are the ones facing less demand problems, since they are making investments to improve their businesses. This can be associated to the positive results for contemporary art galleries reported by Fialho (2014), since the Type 2 galleries are part of this group.

Table 9 What scenario have you recently observed for the Belo Horizonte art market?

<i>Answers</i>	<i>Frequency</i>
It is getting better/Observed growth	8
Weak or absent growth	7
Observed growth, but less than in São Paulo	3
Did not answered	8

In light of [Table 6](#) and [Table 9](#), the issues treated on this organizing theme (2.1) must be seen carefully, once the problems observed in the local market are followed by the observation of recent improvements too. The significant expansion of the market observed in [Fialho \(2014\)](#) seems to have not reverberated in Belo Horizonte, except for a few gallerists' reports. However, despite all the difficulties, the local market development seems to be ongoing, rather than static. The increase of people interested in arts has not increased the level of the sales yet, but will probably have long-term effects. According to our interviewees, museums like Inhotim break people's usual "strangeness" when facing contemporary art, and are indeed important to close the ties between the public and the arts.

Another problem related by gallerists is the bargain. Without taking into account problems of reducing prices (what could hurt the status of an artwork and cause a symbolic devaluation), some dealers' complaints about the reluctance of buyers in spending large amounts of money in art, in comparison with other luxury goods – such as fancy clothes. On the other hand, some galleries assume that they would do anything to facilitate the sales and that they must be adapted to the clients. One can see it as a glance of the desperation for the disposal of the products and as an unbalanced power of bargain in favor of the demand. From another point of view, this is rather a peculiarity of a gift economy – which is detached from conventional market logics – where the agents exchange pleasantries and build long-term relationships based on trust and friendship ([Velthuis 2005](#)).

The organizing theme (2.2), which states that "*the gallerists tend to avoid risks and thus preclude innovation efforts and investments*", is an important evidence for Belo Horizonte art market. From the point of view of the innovation, the galleries act as its promoters, since one of their roles is the discovering of new artists and the creation of a market for them. Many authors discuss this issue, pointing the practices of avant-garde dealers and showing the differences between innovative/explorer gallerists and the other ones, who work with more commercial and established artists (see [Santagata 1995](#)). As a way of demonstrating the difficulties faced by innovators when dealing with Belo Horizonte "provincial" customers, a dealer told us that "There is a myth about Belo Horizonte's market that says that it is the toughest market of Brazil [for all kind of products, not only art] , so that the enterprises first test their new products here."

Within the organizing theme 2.2 there are eight basic themes that deal, in brief, with subjects as consignment, reluctance to accept the candidatures of beginner artists, low levels of investments in the exclusivity/brokering relations, and a low level of competition

About the consignment, it is consensual in the literature the predominance of this practice among dealers. It is a way for reducing risk by eschewing capital commitment and transferring the risks of not selling to the artists. Dealers usually have their own collections of more or less established artists, which they can use as an inventory for future sales. However, to buy young artists' artworks also can be seen as investment. If an art gallery intends to promote an artist career, the success of this endeavor is ultimately the appreciation of this artist's works. Thus, the dealer can buy the early production of an artist at lower prices. Then, after the whole process of creating a stable demand for the artist, the dealer can sell the production at higher prices and

hence make profits. This practice – common among ‘explorer galleries’ (Santagata 1995) – is also a way of supporting the young artists on the early years of their careers. As we can see in Table 10, most Belo Horizonte’s galleries do not take the risks of such investments.

Table 10 Do you consign or do you buy the artists’ works?

<i>Answers</i>	<i>Frequency</i>
Consignment	13
Consignment and purchasing	5
Purchasing	2
Others	3
Did not answer	3

Another notable risk-evading practice that characterizes Belo Horizonte’s art market is the diversification of activities that we found in some galleries – especially those in Type 1 and Type 4, the ones we called “conservative galleries” and “alternative galleries”. One dealer that also operates as a frame shop put it: “It’s tough to run a gallery in Belo Horizonte; one should not depend on it as his [or her] only one business.”

It is usual for artists to diversify their working time in order to reduce their risks – which are inherent to their profession – principally as teachers or other part-time jobs, as we can see in Menger (2006), who treats artists as Bayesian Actors. Menger (2006) uses the term “Bayesian Actor” in the sense that artists face a high degree of uncertainty and information asymmetries and, instead of being rational fools (Sen 1997), risk lovers or just working for love (Freidson 1990), they would rather act rationally with the information available and conscious of the risks involved. In short, artists may diversify their working time in order to equalize the necessity of income with their desire of making art (it refers to the ‘equalizing differences’ thesis from Rosen, 1986). Thus, it is indeed interesting to see that this applies not only for the artists, but also for some art galleries in Belo Horizonte (especially Type 1 galleries). The side-activities that appeared in our interviews are diverse, with some gallerist working as artists, auctioneers, framers, bar-owners, and selling other products besides art, ranging from souvenirs to antiquities. Other gallerists have already retired from their previous profession, such as businessman, framers, critics, and many others.

Art galleries’ innovation efforts can be undermined by the necessity of diminishing risks because, like many other industries, it requires a risky capital investment. Due to the already mentioned deficiencies of the local market, what reinforces the needs for diminishing risks; it seems to be too difficult for the local galleries to focus on innovation. An evidence of this is how the local galleries deal with artists whose reputations are still not solid. Few gallerists assumed to be opened or to prefer emerging artists – and virtually none of Type 1 (conservative galleries), which is the largest one. The reluctance to prospect new artists leads the gatekeeping activity of the galleries (Bystryn 1978) to be much more restrictive in Belo Horizonte.

What the title of the organizing theme (2.3) suggests is that in comparison with the standard patterns of the international art market or even São Paulo's art market, Belo Horizonte's is still "incomplete" or in its early or mid-development. Thus, each of the basic themes in this section is covering one of the "missing elements". Notice that the very existence of art galleries – in the sense that promotes artists, informs customers, dictates trends, that is, in the [Type 2](#) (contemporary art galleries) style, which deviates roughly from a mere "place that sells paintings" – is a feature of this international art market model. Although we are not suggesting that this is an artificial model or that there may be alternatives to it, it is important to have in mind that this kind of market was exported to Brazil by international agents, who virtually created an art market (and its institutions) in the country, mirroring the experiences abroad (see [Brandellero, 2015](#)).

Indeed conflicts and misunderstandings between agents are not an exception in the art world, since many authors have already discussed problems of moral hazard and the necessity for confidence in art market relationships. However, we noted that the conflicts are also related to some specific problems of art markets such as Belo Horizonte's. If agents face a higher pressure on their budgets due to the "structural" fragility of the market, it is possible to be too demanding to follow perfectly the "best practices", once they are costly and requires a certain degree of risk-taking. "Art fairs are expensive, visibility is expensive", in the words of a dealer. Again, we have observed comparisons with São Paulo, in the sense that the interviewees consider São Paulo the professional marketplace and Belo Horizonte the amateur one. Sometimes, although not making a direct comparison, they speak as if these conflicts were a particular problem of Minas Gerais and Belo Horizonte. Our data indicated that financial problems and the need for cash flows make the relationships less "professional" and make the agreements more subject to moral hazards, from the part of both artists and gallerists.

The conflicts with customers are considered natural, and related to the dissatisfaction, from the part of gallerists, with some buyer's habits and resistance to understand the value of an artwork - see organizing theme (2.1). However, they can be more problematical if a collector goes to an artist's studio in order to contour the commission and spend less money as one dealer poses: "[There are conflicts] such as if a client sees an artwork in the gallery and then goes to the studio to buy it, there is not respect for the representativeness" (for a discussion about this moral hazard from the part of the collectors, see [Plattner, 1996](#)).

Going back to conflicts with artists, many dealers complain about the artists' non-recognition of the high expenses that they have to carry in order to promote their career, such as art fairs, exhibitions, critics, invites, vernissages, etc. If an artist does not understand the role of a dealer and its presumed importance, it creates a discomfort in the relationship between them. "Many artists tend to see the gallery as a 'necessary enemy' because of the commission [charged]. But the experienced artists know about the costs. The young artists won't see this [...]" We have also seen that some gallerists blame the local artists for these problems, alleging a lack of professionalism, since some of them compete with the galleries by selling directly through their studios.

Concluding, the exclusivity agreements required and the substantial investments expected from it (i.e. brokering the artist) are probably associated with the observed

conflicts and “market failures”. Indeed, it is not possible to suggest that these problems are a particularity of Belo Horizonte’s market or of equivalent peripheral markets, once the literature often mention the same problems for central markets. That is, these conflicts seem to be inherent to trust relationships, which are common in every art market. However, the situation of the agents acting in Belo Horizonte seems to be more problematic than for those in São Paulo, where a better environment may be associated with a more active demand, which brings more liquidity to the market.

6 Conclusion

The first fact that we have to face is that we are dealing with a case study of a specific entity (the art market) of a certain place (Belo Horizonte). This means that we need to avoid proposing the usual conclusions that cross-section analysis provides. According to John Gerring, in his remarkable comparison between case studies and cross-section analysis (Gerring 2007), instead of testing hypotheses, a case study is better for generating new hypotheses. In addition, instead of having an external generalization power, the case study strength is an internal deepness (Gerring 2007). It means that we are not testing universal cause-and-effect laws with a certain confidence level, but rather generating new insights over the deep causal mechanisms that act within a specific art market. In other words, we are trying to see how things work from a close perspective. This is quite different from seeing from a distant perspective which cause-and-effect phenomena are broadly happening. One thing is to show that something is happening everywhere, another thing is to show how and why this is happening here and now. We have chosen the last option.

The thematic networks showed us that Belo Horizonte’s art market and art galleries present some interesting characteristics and attitudes. Many of these features are already covered by the literature – what turns out to be evidence for some existing theories. In contrast to evidence based on statistical significance, our paper offers to the literature a close example of how some of these theories happen in practice and how the agents deal with them in real life. For example, we showed what gallerists think about their own activity and how they claim to derive pleasure from it – rather than pecuniary compensations. What we called the “pleasure payback” can be easily associated to some theories about artists’ incentives for keep working. This “pleasure payback” is seen by some cultural economists as an evidence of how artists – and as we suggest also of how art dealers – derive utility from their jobs. This idea turns out to be very important for economists to explain how the art market survives despite all the reported uncertainties, turbulences and risks. We also confirmed the existence of important social networks and long-term relationships among Belo Horizonte art market’s agents. Together with confidence and reputation, these remarkable features of the art market are consequences of the nature of artworks as tradable goods. As we have seen in the second section, the nature of the artwork creates a market after its own image: uncertainty, risk, innovation, subjective appraisals, confidence, symbolic values, and so on, are all crucial elements that mold agents’ attitudes. Further research to reinforce and to help understand these specific mechanisms operating in art markets is welcome and suggested.

In addition to the thematic networks, it was also possible to design a typology for the local art galleries. Most importantly, when analyzed together, the results of these two methodologies showed us what probably our most important insight is. Innovation can be undermined by the necessity of diminishing risks because, like many other industries, art requires a risky and costly capital investment. Due to the alleged structural backwardness of the local market (especially demand) – what reinforces the needs for diminishing risks – it seems to be too difficult for the local galleries to focus on innovation. An evidence of this is how the local galleries deal with artists whose reputations are still not solid. Very few gallerists assumed to be opened or to prefer emerging artists – and virtually none of the [Type 1](#) (conservative galleries), which is the largest group. In addition, the dealers usually pointed out other means for artists to enter the market for the first time. Before being chosen by an art gallery, it was recommended for the artists to already have an institutionally-based reputation – especially through exhibitions on [Type 3](#) galleries, earning prizes and exposing in art salons. Accordingly, the explorer role of avant-garde galleries seems to be lacking and delegated to these institutions. The reluctance to prospect new artists leads the gatekeeping ([Bystryn 1978](#)) activity of the galleries to be much more restrictive in Belo Horizonte (in the sense that the gatekeeper is rigorous, and lets just a few artists to enter the market).

The constant innovative status is one of the more relevant characteristics of an artistic good and, because of that, the alleged weakness of the innovation efforts in the Belo Horizonte art market may be its more troubling failure. The evidence collected added to the role of innovation in art and suggested that this is one of the most important points of this paper. Although some of the “contemporary art galleries” (i.e. [Type 2](#)) also promotes innovation, it is the galleries from [Type 3](#), which take most of the responsibility of discovering new talents. Since [Type 3](#) galleries are non-profit driven, they are more out than in the market. They rather act as cultural development agents, as in Belo Horizonte it was necessary to an outsider to fill up the “explorer” gap left out by most of the commercial galleries. However, this gap was not created intentionally but was rather a necessary condition for the survival of the businesses. As we showed, given the local market conditions, some galleries cannot afford to venture themselves in such costly innovation investments.

Although Belo Horizonte’s art market has many contemporary art galleries and even the innovative [Type 3](#) and [Type 4](#) galleries, the innovation level seems to be low, and the local market is still considered incipient and provincial. Even the institutional galleries – which focus on new artists and select them through a kind of contest – admit the invitation of recognized artists to attract visitors and promote the beginners: “[we use] the invitation of famous or experienced artists as a leverage instrument.” Certainly, however, the fact that most of the commercial art galleries mentioned the institutional ones as the major means of inserting artists in the market shows that there are agents whose role is to supplement a function that the market cannot cover alone – more specifically the function of promoting and intermediating the contact between new artists and the public.

Both networks are hypotheses over how reality may work and differ from theory. We consider that one of the most important features of artwork is its constant innovative status, and we have showed how innovation can be harmed by the specificities of

a local market. We can see that this same market is providing some seminal but interesting solutions (Type 3 and Type 4 galleries) which, however, need more support. As Brandellero (2015) Brandellero stated, “[p]ublic funds for the arts remain very limited” in Brazil. Thus, we must emphasize the importance of public funding for the arts, especially for those most vulnerable artists – the young and the unknown. It is necessary for further research to (1) discover if and how the failure we exposed in this paper appears in other art markets and to (2) address the viable opportunities for correcting it. We also found that institutions like Inhotim are crucial for the development of taste and for enhancing people’s contact with the arts, and this kind of initiatives must be reinforced.

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