

# *How Do Arts Exist Inside and Outside of the Market and Institutes?*

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**Abstract:** This document explores the existence of art within and outside of the market and institutions. It provides a historical overview of the art market, highlighting the emergence of commercial art galleries and the current \$60 billion art industry. The impact of digital art and Non-Fungible Tokens (NFTs) on the art market is discussed, including their growing popularity and challenges. The role of art outside the market is emphasized, focusing on its potential for social change and activism. The document concludes by questioning the value of art and the interplay between art and commerce. It highlights the fluidity between art within and beyond the market, showcasing artists like Banksy who challenge the traditional art market and use their art for political activism. The document also delves into the influence of online platforms and digital arts on the art market, including the rise of NFTs and their impact on valuation. Overall, the document provides a comprehensive exploration of the multifaceted nature of art and its relationship with the market and institutions.

**Keywords:** Chinese market, art market, Non-Fungible Tokens (NFTs), Artistic value

## 1. Introduction

The creation of art is correlated with the appearance of Homo sapiens. During the period when human beings originated from several lineages of primates, a significant transformation occurred, which could be described as a "swerve". Humans exhibited distinct characteristics that set them apart from other primates and animals. The brain's inherent variations influenced the trajectory of species' evolutionary development. One notable distinction pertained not only to the ability to generate ideas, but also to the inclination to express those ideas through communication. The concept of art predates its formal designation. For countless millennia, humanity has engaged in the creation of art and acknowledged the significance of artistic encounters, even prior to the conceptualization and identification of this creative practise.

Then the oldest recorded occurrence of an art transaction happened approximately 2,500 years ago in ancient Greece. The recognition of art's special status and the establishment of regulations governing its circulation have occurred over the course of several additional centuries [1]. The emergence of commercial art galleries in the twentieth century marked a significant development within the art market. These galleries proliferated rapidly, so contributing to the establishment of the worldwide art market that exists now.

Art in present day is often considered as a medium of communication, enabling artists to effectively communicate concepts and feelings, The development of art occurs through an interactive exchange between the artist and the audience. While it is rooted in its cultural milieu, it takes on a distinct identity and impacts the cultivation of aesthetic preferences [2], The subject matter encompasses a wide range of artistic mediums, including painting, sculpture, decorative arts, photography, and installation [3]. Art encompasses a diverse array of manifestations which serve as evidence of artists' imaginative capacity, creative resourcefulness, and multifarious modes of expression across diverse backgrounds. In the contemporary art market, artists are no longer perceived as isolated individuals. Instead, they actively engage in collaboration and foster connections, both among themselves and directly with their audience [4].

As the artist flourishes on the market, the concept of "art as investment" during the 1960s gained traction and subsequently evolved into the current \$60 billion art industry. The value in art is a topic that continues to be a subject of ongoing discourse within the art market, characterised by its subjective nature and lack of empirical consensus. Gaining a comprehensive understanding of this fundamental notion inside the art industry is crucial. As Franziska Nori, project director of the Centre for Contemporary Culture Strozziina said: "In a society of consumption and ephemera, the value of a product must be constructed" [5].

## 2. Objectives

Other than to research about the art market and analysis the organisational frameworks, responsibilities and operations of art galleries, museums and other establishments that facilitate the marketing and commercialisation of artworks. One of the focus of this research is to gain a comprehensive understanding of the ways in which the new trend of digital art and NFTs play a pivotal role in shaping the art market and exerting influence over artistic production and consumption. As McNulty mentioned in his book, that it should be noted from the outset that the larger art world, which the market is just one component of it, is a complex system comprised of distinct, but highly inter-dependent participant groups [6].

By delving deep into these intricate and multifaceted aspects, this essay seeks to explore and unravel the existence of art both inside and outside the market and institutions, emphasizing the vast and diverse range of expressions and manifestations of art and expanding the understanding of its value beyond dollar signs. Through a meticulous examination of these complex dynamics, this research aims to shed light on the nuanced interplay between art, institutions, and the broader socio-cultural context within which they exist. To investigate the existence of art both inside and outside the market and institutions is to underscore the diverse and intricate nature of art, so expanding the understanding of its value beyond mere commercial exchanges and existing establishments.

## 3. Findings and Discussion

### 3.1. Arts in the Chinese Market

Within the contemporary art market, commercial art galleries, museums, and auction houses assume a crucial role as principal platforms for the exhibition and transaction of artworks to collectors, buyers, and enthusiasts of art. During the span of three decades, the art market in China saw a remarkable development.

In 2021 China's art auction market became the largest in the world based on transaction value according to the Art Market Report 2022 [7]. Currently, China's Hong Kong has emerged as a highly desirable destination for the world's leading auction houses: Christie's, Sotheby's, and Phillips accounted respectively for 8%, 12%, and 13% of the global fine art auction turnover [8]. Christie's Hong Kong serves as a vital intermediary between the Chinese art market with the global art

community. The establishment of this international auction house facilitates the participation of artists, collectors, and investors from mainland China in the global art market.

In 2022, the global art market experienced a 3% growth, reaching a total value of US \$67.8 billion. Notably, China, which had previously relaxed stringent rules but faced significant Covid-19 infections, witnessed a decline in its market share from 20% to 17% [9]. Throughout the course of the year, the prevailing circumstances demonstrated a greater level of difficulty than first expected. These challenges encompassed political and economic instability, the escalating conflict in Ukraine, a notable surge in inflation rates, complications in the supply chain, and the imminent threat of recessions in crucial markets.

The ongoing development of the art market remains a work in progress, as it undergoes a notable transition into the field of virtuality in contemporary times. The COVID-19 pandemic has prompted a significant increase in the utilisation of China's internet platforms, such as Digital art and Non-Fungible Tokens (NFTs) have been emerging as major art market trends. The prevalence of digital, film, and video art experienced a notable surge, rising from a mere 1% of dealer sales in 2021 to 5% in the preceding year [10]. The aforementioned tendencies have caused major changes to conventional concepts of art ownership and provenance, thus creating new possibilities for both artists and collectors and impacting the art market and its corresponding industry up till the present time.

In light of the burgeoning field of digital arts and the advent of non-fungible tokens (NFTs), a pertinent question emerges: to what extent can the economic value of the Arts be fabricated or, perhaps, artificial?

### 3.2. How do online platforms/digital arts influence the art market?

In 2021, an NFT of Beeple's work sold for \$69 million at Christie's. The sale positions him "among the top three most valuable living artists," [11]. This sale marked an important milestone indicating the growing recognition and intrinsic worth of digital art in the art market, the lockdowns and the explosion of COVID-19 prompted auction houses and dealers to enhance their digital departments. The surge in popularity of crypto art and NFTs throughout the year 2021 has significantly contributed to the growth of the online art market. [12]. The art market is currently going through a period of transformation, which is attributed to the emergence of new trends and enhancements in technology. However, the valuation of NFTs can exhibit significant volatility and is susceptible to the impact of speculative activities and exaggerated enthusiasm.

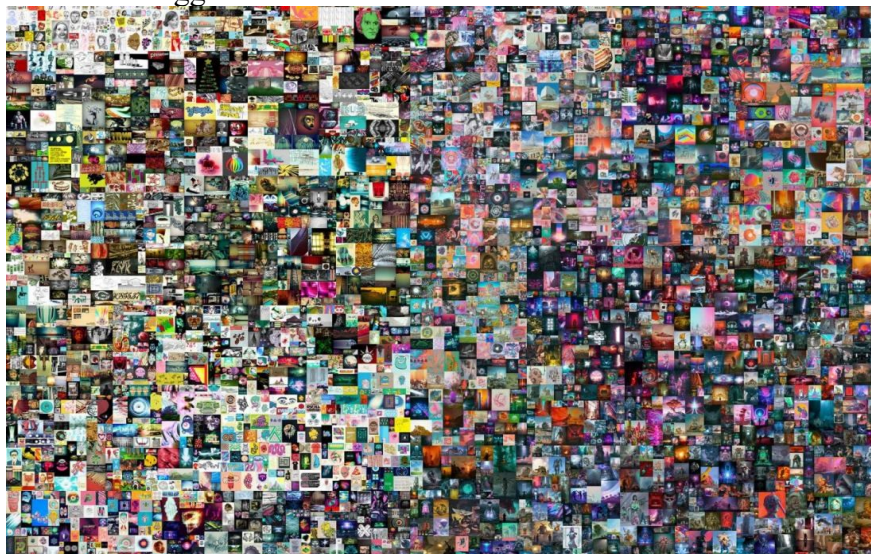


Figure 1: Beeple's collage, *Everydays: The First 5000 Days*, sold at Christie's. Image: Beeple. [13]

In 2022, the global art market generated nearly 68 billion U.S. dollars, surpassing the figures reported prior to the coronavirus (COVID-19) pandemic and reaching the second-highest value in the last 15 years [14]. The proliferation of digital technologies within the art market has presented artists and collectors with exciting possibilities. Although Chinese regulators offer no clear opposition to the concept of NFTs, their enthusiasm for the financial utilisation of NFTs seems to be limited. However, despite its strong association with cryptocurrency in Western markets, Alibaba and Tencent, two prominent technological corporations in China, are making significant investments in the market for NFTs. This shows that Chinese public interest in the NFT market is growing - so long as NFT technology does not facilitate cryptocurrency transactions [15].

Yet, there has been pushback to the increasing use of NFTs. Numerous creative pieces are being traded within auctions pushed by hype. There have been claims of purported theft and subsequent auctioning of artworks by artists, purportedly passing them off as genuine [16]. For instance, in Chinese market, Alibaba promptly implemented a prohibition on the selling of non-fungible tokens (NFTs) on its secondary market platform, Xianyu, after discovering an instance where an NFT product was being resold at a significantly inflated value compared to its initial pricing in June 2021 [17]. The digital characteristics of NFTs and the possibility of unauthorised duplications give rise to concerns regarding the authenticity and distinctiveness of digital artistic creations. Collaborative efforts between market organisations, platforms, and artists are being undertaken to build a set of regulations and protocols aimed at enhancing transparency and authenticity within the fields of digital art and online platforms.

Although many NFT transactions may appear to be inflated or fabricated, that this does not inherently imply that it lacks legitimacy or significance. It reflects that the inherent subjectivity and socially constructed essence of value, alongside the intricate processes that govern the art market. Their value ultimately hinges on the willingness of individuals to invest in them just like Beeple's NFT work sold for \$69 million. Moreover, NFTs and digital art present novel avenues for artists to commercialise their creations and expand their reach to a broader demographic, hence augmenting their economic worth.

The art market is a multifaceted ecosystem that is subject to the influence of numerous factors and effectively navigates and prospers within a constantly evolving art market. With online platforms playing a pivotal role in this process, the contemporary art market is undergoing significant transformations due to prevailing developments such as digitalization and the emergence of NFTs. The advent of these artistic movements presents novel opportunities for artists and collectors. The long-term implications of digital art and NFTs on the economic valuation of art are now in a state of flux, and the trajectory of market development in this regard has yet to be fully understood.

### **3.3. Arts outside the Market**

The boundaries demarcating the interior and exterior of the market often exhibit ambiguity, with potential for convergence and interaction among the market and institutions. Alongside the dominant order of exhibitions, museums, galleries, and art fairs, new art-directed networks, project spaces, and working arrangements have arisen with their own patterns of inclusion, professionalization, and recognition [18]. Artistic productions are not invariably conceived with the explicit intention of sale or commodification, as evidenced by community-based art, art for social change, and public art initiatives. Without neglecting the artwork in its material and aesthetic dimensions, extending our gaze beyond the confines of the art market may enable us to underscore the significance of art objects within a broader spectrum of social and discursive contexts.

Numerous artists and artistic endeavours prioritize the examination of social issues, the promotion of activism, and the instigation of substantive dialogues. Art holds the potential to function as a

powerful tool for fostering awareness, interrogating entrenched norms, and advocating for positive societal transformation.

### 3.4. Value of Art Outside the Market

Debates persist concerning the exact constitution of art's value. Does it encompass meanings, responses, or public sentiment? Does art inherently possess the capability to instigate transformation within the world, independent of its economic significance? A prevailing argument among scholars posits that, while the market may attribute a monetary value to art, its inherent worth lies in its ability to evoke emotional responses, stimulate inspiration, and articulate societal commentary and critique.

Consequently, an inquiry emerges: if the primary objective of artists is to achieve a societal dimension or instigate social change, does this necessitate that art should exist in its most authentic form, free from the dollar sign? Alternatively, is it feasible for commercial interest or economic value to be intertwined in this process without undermining the fundamental purpose of artistic creation?

#### 3.4.1. Case Study: Banksy: A Activism Beyond Monetary Considerations

During a live auction in 2018, a framed rendition of the artwork titled "Girl with a Balloon" of Banksy underwent partial shredding as a result of the activation of a concealed shredding mechanism within the frame. The unforeseen act of destruction introduced an additional element of fascination and dispute to the artwork, stimulating debates regarding the significance of art, the function of the art market, and the influence of Banksy's disruptive methodology, and he was quoting artist Picasso in an Instagram post: "the urge to destroy is also a creative urge." [19]



Figure 2: Banksy's Infamous Shredded Painting. [20]

Although the exact rationale for the act of destroying the painting remains exclusively inside the mind of Banksy, by destroying the artwork mere moments after it was sold for a substantial sum of money, the mainstream interpretation suggests that Banksy is critically examining the exaggerated valuation of art and the pervasive impact of monetary considerations in the art market. Yet does the outcome align with Banksy's initial expectations? The initial artistic creation, known as "Girl with the Red Balloon," has been formally recognised as a new artwork and subsequently renamed as "Love

is in the Bin." It ultimately sold for £18.5 million (\$25.3 million), more than tripling its presale high estimate of £6 million (\$8.1 million), and setting a new auction record for a Banksy[21]. It is rather ironic that Banksy, who is so willing to mock traditional art and artistic values, has been progressively accepted by the art market, even Banksy is not immune to the commodification of art by the market. His spray-painted graffiti on the walls will ultimately be auctioned off. The irony, he added, that his anti-establishment art commands huge prices isn't lost on him. "I love the way capitalism finds a place—even for its enemies." [22].

Despite the irony presented, the shredding of the painting challenged the traditional notions of art ownership, value, and the art market itself. It sparked discussions about the commodification of art, the role of auctions, and the influence of money in the art world. The incident raised questions about the authenticity and permanence of art, prompting a reevaluation of the relationship between art and commerce.

The value of the work after self-destruction exceeds the value of the work before self-destruction. This piece of art is now part of history, thus it is no longer an ordinary piece of art, but rather a piece of art that serves as historical evidence. As the collector announced in a statement, she says she was at first "shocked" when the work was shredded, "but gradually realised that I would end up with my own piece of art history"[23], the value of art resides in the fact that not only the original work is capable of infecting people, but its destruction can also provoke profound thought.

#### 4. Conclusion

The fundamental purpose of artistic creation and production is to satisfy the expanding spiritual and cultural requirements of people and to foster overall development. Contemporary art forms are developing both inside and outside of the market, and the diversity of human cultural needs determines that the cultural market, under the motivation of profit-seeking, will bear the brunt of satisfying the popular demand for entertainment, so that more artist will produce more artworks with economic benefits. With the continued presence of established institutions like auction houses and commercial galleries, it is evident that the art market has attained the pinnacle of its development, and Non-Fungible Tokens (NFTs) and digital art have emerged as significant art market trends.

In this case, the art market may exert pressure on genuinely unique pieces of art. Thus, to challenge the traditional art market, artists such as Banksy emerged as significant players in the art industry. The influence of Banksy beyond the confines of the art market. His thought-provoking and visually captivating artworks persistently resonate with individuals globally, inciting them to engage in critical thinking, introspection, and proactive measures.

The demarcation delineating art within and beyond the confines of the art market exhibits a degree of fluidity, permitting artists to oscillate between these realms throughout their professional journeys. Both domains contribute significantly to the dynamic and multifarious landscape of the art world. While art may not possess the capacity to rectify all societal maladies, it can serve as an impetus for progressive transformation. Art holds the potential to foster a more inclusive, authentic, and transformative society by interrogating established norms, heightening awareness, cultivating empathy, and provoking action.

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