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A SHORT BUT DEEP DIVE INTO THE ECONOMICS OF ARTS: ART ENTREPRENEURS IN A PERIPHERAL MARKET

Rafael Macedo Rubião, Universidade Federal de Minas Gerais

Abstract

This article analyzes the organization, functioning, and peculiarities of the local visual arts market of the Brazilian city of Belo Horizonte, which has the third largest metropolitan area of the country. Furthermore, we also explore the perspectives for the young artists entering this market. For this purpose, semi-structured interviews were applied directly to the owners or managers of the city's art galleries. Between August 2014 and January 2015, 26 galleries were visited, out of the 30 identified. Based on observations made in the fieldwork, on the plethora of themes that appeared throughout the interviews, and on the patterns identified in the tables, it was possible to organize the art galleries in four distinct types: (1) retail art galleries, (2) contemporary art galleries, (3) institutional galleries, and (4) alternative galleries. Organizing the main arguments of the interviewees and applying the Thematic Networks methodology, we found that the weakness of the entrepreneurial efforts in the local art market seems to be an outstanding feature jeopardizing innovation. We also found that there are two kinds of art galleries providing solutions to this.

Keywords: art market; art galleries; innovation; cultural economics; creative economics

There are several reasons to consider Belo Horizonte's fine arts market a periphery of the peripheries, especially if compared to Rio de Janeiro's or São Paulo's. Brazil is still a small player in the international art scene, in spite of the growing volume of business observed in the last years (Fialho, 2014; Sá-Earp & Kornis, 2012). The availability of data on 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, research in the fields of sociology and history of art, and cultural economics outlines some general characteristics of the Brazilian art market. For a more complete review of the Brazilian market development see Brandellero (2015). However, these studies were not able to deepen our understanding of the economic and entrepreneurial dimension of the art world. Part of this omission can be associated with artists' and their peers' reluctance to deal with art from a business perspective. Velthuis (2005) and other authors discuss this resistance better, which can, in brief, be associated with the well-known paradox that some agents from the art market face between commerce and "art for art's sake". This conflict arises from the commodification of an object that 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 is what put them in the middle of this limbo.

The first concern that gave origin to this study came from the professors of Federal University of Minas Gerais' (UFMG) Fine Arts School who were worried about their students' lack of awareness about the commercial side of their careers. They looked to us at the Economics School in 2013 to suggest a research project with the objective of answering the very question Gartner posed two years later, in 2015, while suggesting what should be addressed by the new art entrepreneurship field (hereinafter called AE): "*How do artists organize themselves, both in terms of how they generate art, and, in how what is produced, as art, is valued and exchanged?* […] a more nuanced way of asking 'how do artists make money?'" (Gartner, Roberts, & Rabideau, 2015, p. 5). More specifically, those professors were concerned about the *money* part of Gartner's question, that would be, after all, the main factor determining their students' subsistence in the future.

In order to answer that question, we decided to understand first how the local art market functioned, and, as consequence, what were the perspectives for the local young artists to sell their work after graduating. The choice of analyzing local art galleries was straightforward, since they represent the main marketplace for artworks from living artists, connecting supply and demand, a role that allows one to understand the details of how art is exchanged as well as the economics behind the art markets. In order to achieve this objective, we designed a field research based in a semi-structured questionnaire to be applied in the city's whole universe of art galleries. The answers were organized using the "Thematic Networks" methodology (Attride-Stirling, 2001) and analyzed through an interdisciplinary framework, using insights from the fields of cultural economics, sociology of art, and arts entrepreneurship. In this paper we discuss some of the main features we found on the local art galleries market. We also propose insights over some problems observed in Belo Horizonte´s market, especially those related to innovation and uncertainties.

This paper is organized as follows: after this introduction, the second section reviews some of the existent literature about AE and art markets, trying to understand the art gallerist as an entrepreneur, and covering issues such as information asymmetry, uncertainties and art as a commodity. The third section explains the methodological approaches used. The fourth section presents and discusses the results, and, finally, in the fifth, we present some conclusions.

Art Markets and Entrepreneurship: A Brief Review

Some Attempts to Open the "Black-Box"

The art market was already an object of inquiry at the beginning of the twentieth century. The renowned British critic and artist Roger Fry, a member of the Bloomsbury group, was one of the first to showcase his concerns about the art market's complexities. According to Goodwin (1999), Fry was very concerned about the "market failures" arising from both demand's and supply's wide heterogeneity, as well as the lack of information and standardized means for evaluating artistic goods. In his writings, he demonstrated a constant dismay regarding the lack of preparation for the art world's agents to deal with this opaque market, as well as with the widespread corruption that persisted among the leading practitioners. Furthermore, Fry also had a perception similar to the one that gave origin to this paper, since he thought that "artists, almost by definition were lost in the world of business" (Goodwin, 1999, p.30). Despite these very intriguing features of art markets, "few studies, however, focus on galleries" (Benhamou et al., 2002, p. 266).

Many scholars have done studies of art pricing using auction data and hedonic regressions (Mei & Moses, 2002; Anderson, 1974; Chanel et al, 1996; Agnello and Pierce, 1996); others analyzed the returns on art as an investment and compared it with other assets (Baumol, 1986; Frey & Pommerehne, 1989; Buelens & Ginsburgh, 1993). In addition, there have also been studies of the structure of art markets from a broader point of view, while exploring the intricate interconnections among its actors: dealers, artists, critics, curators, collectors, etc. (Moulin, 1992; Jyrämä, 2002). However, even though "the literature devoted to the contemporary art market underlines the central role of galleries in the promotion and commercialization of works", it "does not provide a firm analysis of their economic profile" (Benhamou et al. 2002, p. 265).

After the groundbreaking research of Raymonde Moulin (1967), which made an important distinction among galleries' business models – between those bringing innovation to the market and those acting on the secondary market, or the resale of artworks – some other contemporaneous studies debated this same issue, deepening the understanding of the different roles and business models of art galleries, for example: classic vs. contemporary art; high end of the market vs. low end of the market; traditional art circuit vs. avant-garde art circuit (Moulin, 1967; Bystryn, 1978; Fitz Gibbons, 1987, Moureau & Sagot-Duvauroux 2002). Peterson (1997) also made an important case study of Parisian art galleries, proposing a different and interesting classification of art dealers based on their propensity to take different amounts of risk.

Besides those, a few other empirical studies of art galleries provide an in-depth analysis of this kind of business (e,g, Shubik & Shubik, 1992; Velthuis, 2005; Plattner, 1996; Jirämä, 2002) For instance, Plattner (1996) analyzed the art market of St. Louis from a sociological perspective, exploring deeply the conflicts and connections of the local dealers. Jirämä (2002), studied the art market of four different countries (France, England, Sweden and Finland), and identified features that differentiates the maturity of these markets, such as the level of specialization of art dealers and the importance of the state and institutions in discovering new artists. Velthuis (2005), besides doing a statistical analysis of pricing behavior, also explored the long-term and intimate relationships that exists between dealers and artists.

Notwithstanding the existing literature on art markets and art dealers, Benhamou et al. (2002) named their paper "Opening the Black Box of the White Cube" – making reference to the "White Cube" format of contemporary art galleries and to the scarcity of internal data from these businesses. The authors managed to gather unprecedented data unveiling art galleries' economic performance, aesthetic preferences, lifespans, and relationships with collectors and other agents. Besides making specific conclusions over the conjuncture of the French art market, the authors also observed the economic fragility of this kind of business, especially due to galleries' small sizes, the limited number of buyers, the vulnerability to economic fluctuations, and the high-risk nature of the informal agreements they set up with artists (Benhamou et al. 2002).

From Roger Fry's writings until today, the academic works about art dealers and the fine arts market have focused on five main points: (1) the heterogeneity of artworks as commodities; (2) the information asymmetries of value appraisals; (3) the recurrence of intimate relationships among its agents; (4) the different roles of art galleries and institutions; and (5) the dichotomy among innovation-oriented/discoverer and traditional/imitative dealers. In the following sections we explore more deeply the theory behind these five recurrent issues.

Art as a Mysterious Commodity

The analysis of art markets begins with understanding what type of object is negotiated therein. Artworks are different from ordinary consumption goods and their peculiarities determine the distinctive characteristics of such markets. The first reason for this is that they are mostly produced by individual artists, each artist being a totally different unit of production, leading art to be an extreme case of a non-homogeneous good (Throsby, 2001). For instance, Bianchi (2015) emphasizes art's "infinite variability" property, using the expression coined by Caves (2000). An artwork can take many dimensions besides authorship (e.g. support, format, lines, colors, styles, themes, etc.). Because of this, 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 judgment of an artwork's value is, on one hand, associated with the benefits of individual's consumption and enjoyment, 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 for 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 quality can be even greater than typical experience goods, making them more similar to confidence goods (Prinz, Piening, & Ehrmann, 2014). 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, 2011a). According to Bourdieu, the value of an artwork ends up being socially constructed, leading to a market based on the production of beliefs (as cited in Velthuis, 2011a). Experts are individuals who have the capacity to endorse the creation of artistic value due to their accumulated experience and reputation throughout their careers as critics, dealers, curators, scholars, consultants, and artists, among others.

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 based on the unpredictability of artists' success. In the classic art market however, the mystery surrounds the authenticity of the artworks or the past artistic movements and artists that can come back into fashion, thus affecting current prices (Moulin, 2007). It is interesting to see how Prinz et al. emphasize the former, stating, "investing 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" (2014, p. 158). 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 strike of an auctioneer's hammer.

Art Dealers: Filling an Information Gap

Bianchi (2015) considers the lack of transparency in the art world 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, Velthuis (2011a) cites 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" (as cited in Velthuis, 2011a, p. 37). Thus, "for diverse works of art (…) buyers need a great deal of information in order to make a satisfactory purchase" (Towse, 2014, p. 77). Prinz et al (2014), considering the art market to be innovation-intensive and to have a high degree of quality uncertainty, state that "new artists entering the market are unknown, and the products they manufacture require a lot of explanation and evaluation… It is the task of galleries to close the gap between artists and collectors/investors" (Prinz et al., 2014, p. 2). Their concept is drawn 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 (2011b), 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 the gatekeepers and "informational-gap-filler" functions of art dealers, Velthuis (2005) 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 matchmaking 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).

Art Entrepreneurship

Based on art's uniqueness (Thorsby, 2001) and infinite variability (Caves, 2000) properties, and on the Schumpeterian concept of new forms of organizing production, new goods, the opening of new markets, and so on (Schumpeter, 1934) – art seems to be an extreme case of an innovative good, especially in the case of contemporary art and new artists. In his classical work about economic development, Schumpeter (1934) points out the innovative businessperson, or the entrepreneur, as the agent that take the risks to bring *innovations* to the market. Following Essig (in Taylor, Bonin-Rodriguez, & Essig, 2015, p. 7) "Entrepreneurship then – in the form of new venture creation – is the tool, the means, by which the art and the audience connect." Hence, individuals that create new ventures (in this case, art galleries) to sell art can indeed be considered art entrepreneurs. In order to include an entrepreneurship perspective in our analysis, we offer the following remarks.

Entrepreneurship, understood as the creation of new organizations (Gartner, 1988 as cited by White, 2017), should be analyzed within their context's idiosyncrasies (Deeds, 2014). The specificities of the art environment must, then, serve as the base to study art gallerists as art entrepreneurs. The first specificity is the existence of non-profit organizations and the common "art for art's sake" motives driving art entrepreneurs. "It is unlikely that anyone undertakes a new venture in the arts, especially the nonprofit arts, to maximize their financial gain (Taylor et al., 2015, p. 6)" but rather to facilitate art availability to the audience. As cited by Taylor et al. (2015), individuals working in the core of the art world may experience a self-fulfillment that motivates them more than financial gains (Preece, 2011), what is also in accordance with some cultural economists' theorizations. Menger (2006), for example, discusses the typical financial difficulties experienced by artists and how they compensate that through self-fulfillment.

Another specificity is pointed out by Jason White (2017, p. 11): "there is evidence that core workers [in the art field, including art administrators] have engaged in various forms of entrepreneurship […] in an effort to overcome common challenges and opportunity barriers", which again exhibits the environmental contextualization of art entrepreneurship. These first theorizations presuppose AE as a behavior that is (1) reactive to a market with unfavorable conditions and (2) unleashed by an inner driving force of self-fulfillment. Taylor et al. (2015, p. 7) differentiate arts entrepreneurship from "the 'discipline' of entrepreneurship [as] opportunity recognition and, in the arts, opportunity creation […] to generate revenue, to create new businesses that support the arts […]". And this is quite different from finding opportunities for making profits out of Schumpeterian rents (Mazzucato & Penna, 2015). This kind of rent can be defined as the "monopoly" rents that first-movers enjoy when launching innovations in the market. Hence, art as a creative and innovative good seems to be an end in itself for art entrepreneurs, which could be associated to its characteristics as "merit goods" (Musgrave, 1956). A "merit good" is a concept in the field of public-sector economics that makes reference to goods that society or individuals should have access to based on need, rather than on their capacity to afford. It means that there is a normative premise behind this concept, that people deserve a merit good simply because they are people. Healthcare, food, housing and education are often considered merit goods, and culture, or the arts, may fit in this concept as well.

Regardless of the motives guiding art gallerists, the innovation-intensive artworks (i.e. new/young artists and contemporary art) depend upon their entrepreneurial endeavors to enter the market, or to have its market created, following Moulin's (1992, 2007) words. And, in turn, their endeavors will depend directly on their motives, their context (i.e. the local market environment) and their entrepreneurial behavior. Entrepreneurship literature provides some approaches in order to determine which *traits* or *behaviors* characterize an entrepreneur, and, for example, risk-taking propensity is one of the most discussed. Haan (2010) states that entrepreneurs put they whole career at stake and share various forms of risks, for example (1) financial risks – risk of losing capital; (2) management risks – risk of poor management that can harm their enterprises; and (3) personal risks – risk of harming their personal life, what includes their career, family and standard of living. Local art entrepreneurs' propensity to take risks may then affect directly the local market openness to innovations.

According to Gartner (1990, as cited by Taylor et al., 2015), the understanding of Entrepreneurship must analyze, in conjunction, the person (an entrepreneur, that can be the artist himself, the *marchand* or the art gallerist), the innovative process (the creation of the artwork, the organization of the art gallery or a new way of connecting supply and demand) and the process' result (the artwork or the introduction of the artwork in the market). Thus, it is the comprehension of these three dimensions *altogether* that defines AE: "There is potential in the perspective that arts entrepreneurship cannot be defined by the traveler, nor the road, nor the destination, but rather by the journey that combines all three" (Taylor et al., 2015, p. 4). Hence, we believe that a full comprehension of the individual art gallerists, "their road and their destination", through their motives (if it's for the "sake of art", financial return, or else), risk-taking propensity, market strategies, education, historic, and business models, may then shed some light over the innovation propensity of the local market, and as consequence, the prospects for young artists thereof.

Method

Interviewing Art Gallerists

In order to reach our objectives, we intended to carry out semi-structured interviews with the whole universe of art galleries found in the city. The quantity of art galleries in Belo Horizonte and their availability to be interviewed have limited the number of interviews. We defined the questions in order to capture information about (1) the internal characteristics of the gallery, (2) the general characteristics of the art market, and (3) the personal perceptions of the local market.

The first list of potential interviewees was taken from the tourism section of the City Hall's official website, which proved to be incomplete and out of date (some galleries were missing and others no longer existed or had changed their names). Through 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 galleries and out of those, 26 were visited. We considered every business or institution that called itself an art gallery, except the museum types. 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 *Talking Prices*, Velthuis (2005) highlights the difficulties in dealing with 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 ones who felt this way about this kind of interview. The dealers' reluctance and resistance to talk deliberately about their businesses, especially regarding quantitative figures, biased some of the data and made it impossible to gather some quantitative data and to trust some of their answers. Each interview had 42 questions and lasted approximately 90 minutes, which provided us sufficient information to make three different but similar approaches to work with the data.

First, after discarding nonsensical or illogical answers we constructed tables of descriptive statistics. Second, we created typologies for the galleries based on what we observed in the fieldwork and in the data gathered; we identified four types of galleries among the interviewees. Finally, in order to analyze the large amount of textual data we had at hand, we applied the qualitative method of *thematic networks*. Drawn from Attride-Stirling (2001), this method allows identification of the main themes addressed in the interviews and connections between them in order to recognize the issues covered by the gallerists in an abstract and grouped way.

Thematic Networks

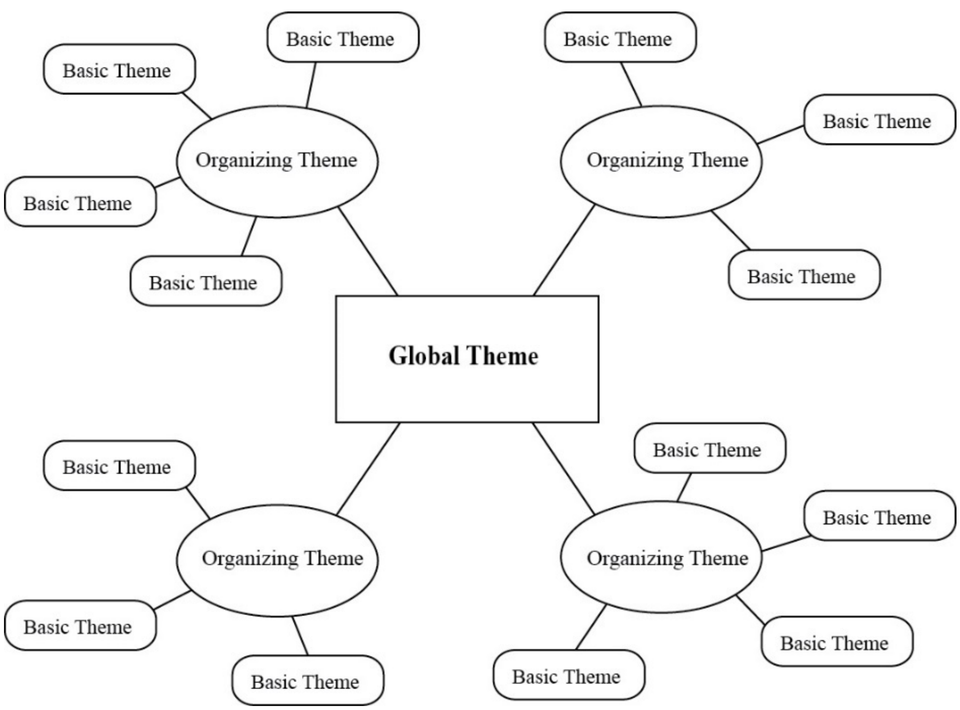
"The procedure of thematic networks does not aim or pretend to discover the beginning of arguments or the end of rationalizations; it simply provides a technique for breaking up text and finding within it explicit rationalizations and their implicit signification" (Attride-Stirling, 2001, p. 388). This 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 into a coding framework. This *something* may be a similar issue, a common keyword or a related explicit or implicit meaning. Our coding framework consisted of 40 codes, which are listed in Table 1, and was applied directly over a textual data of about 15,000 words.

Table 1. Coding Framework

1. Property types features	21. Pricing
2. Administration	22. Artwork's assessment
3. Economic costs	23. Transaction's process
4. Team	24. Difficulties
5. Investments (on the gallery)	25. Indulgences
6. Collection	26. Customer profile
7. Marketing	27. Competition
8. Gallery's activities	28. Seasonality
9. Internet Sales	29. Conflicts
10. Cultural Incentive Laws	30. Art as an investment
11. Gallery's origin	31. Local market features
12. Gallery specialty/focus	32. Future expectations
13. Picking up artists/artworks	33. Art market features
14. Owner/Manager training	34. Artists' submissions
15. Number of artists	35. Insertion of the artist in the market
16. Contracts	36. Sales flow
17. Exclusivity	37. Profit
18. Unsold works	38. Visits
19. Rental of artworks	39. Artists' profile
20. Commission	40. Current gallery situation

The second step is 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 synthetizing them into 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 in figures 3 and 4. In the final step, the thematic networks are built, clustering the basic themes subsequently into more general and encompassing themes, done twice. To do so, it is necessary to group the basic themes by similarity, which is also an interpretative act. The reference points or common issues around which we organize the basic themes must guide the abstraction of the organizing themes*,* which must synthetize the main issues treated by the basic themes. Having on hand such thematic clusters allowed us to deduce "global themes", which are "the core, principal metaphor that encapsulates the main point in the text" (Attride-Stirling, 2001, p. 393). See Figure 1 as an example. This is done through the same process that gave origin

Figure 1: Structure of a Thematic Network from Attride-Stirling (2001, p. 388)



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). These three levels of theme clustering should be understood in a web or network format, in a way that the hierarchies are clear and the different branches and clusters are well separated and organized.

Analysis of Results

The Typology

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 of art galleries based upon these criteria, although there may be overlaps between some of their characteristics. Despite the fact that the galleries have shown the features of their own types in different degrees, we have classified each gallery in only one type. According to Velthuis (2011b), the various general classifications of galleries proposed in the literature are similar and many of them served as an inspiration for our typology. The art galleries are subdivided into 2 major groups: A and B. Group A comprises only commercial galleries, which are subdivided into three types (A1, A2 and A3). Group B are the non-commercial galleries – or "institutional" – and it is comprised of only one type (B). Thus, our analysis will be based in four types (A1, A2, A3 and B), as following:

Type A1 - Retail 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, p. 78). This 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 (Moulin, 2007; Benhamou, 2001; Towse, 2014; Shubik, 2003; Velthuis, 2011b). Essentially, this type of gallery does not have a well-defined style and they instead look for different means to survive in Belo Horizonte's art market. They make few investments, diversify their activities, avoid taking risks, and prefer artists and artworks that are more traditional and well-established in the market, therefore avoiding the uncertainties of contemporary art. When referring to eclectic Brazilian galleries (from the 1950s) with no focus in any artistic style or movement, Bulhões Garcia states: "The lack of market segmentation was seen as an indicator of low risk-taking and high conservatism" (as cited in Brandellero 2015, p. 221). This suggests that our Type A1 galleries are a kind of lost-in-time gallery, 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 exclusive 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.

Type A2 - Contemporary art galleries. Unlike the Type A1 galleries, which seek to adapt to the local market, the Type A2 galleries try to adjust themselves to the international standards of contemporary art galleries as much as possible. There are well-known international patterns of contemporary art galleries, which are the practices of the already mentioned currently dominant system of galleries (Benhamou, 2001). Type A2 galleries may incur important costs to be able to fit in the international profile. Thus, while Type A1 galleries have a heterogeneous, adapted, non-intentional and unplanned profile, this second type contains galleries with an intentional, homogeneous and well-defined profile. These are the galleries that: (1) have a focus, especially in contemporary art or in one of their niches: (2) are focused on the primary market: (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 A2 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 already mentioned limitations of the local market); and (6) have an architecture close to the "white-cube" style.

Type A3 – Alternative art galleries. Few galleries of this type have been noted in Belo Horizonte. They are the "Art Entrepreneurs of the local market", being innovative and offering disruptive proposals, which make them very different from all the other types. Type A3 galleries: (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 online platforms, and sell broader art projects with their team of artists such as events, workshops, and urban interventions. These kinds of projects and services are innovative and disruptive ways for capturing value in the art market, signaling that some art entrepreneurs are finding new ways to sustain innovation.

Type B – Institutional art galleries. These galleries take on the "discoverer" role and hence are less risk-averse than galleries Type A1 and A2. Although not being as disruptive as Type A3, Type B galleries take the responsibility to introduce young or unknown artists and in turn foster innovation on the art market, a function that is lacking in Belo Horizonte and that will be further discussed in the second thematic network. 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 experts' judgments; (4) enhance new local artists' careers and hence also regional contemporary art; (5) are administered by the employees of the institutions of which they are part; (6) foster culture, their direct purpose, by helping artists who have difficulty gaining visibility; and (7) are noticed by other gallerists, especially Type A2, as the major means of artists' insertion into the professional market besides art salons, contests, and prizes. Since they try to create new opportunities for local art, they can be considered nonprofit "Institutional Art Entrepreneurs", as denoted in White (2017).

Comparisons and observations. Besides the characteristics of each type of gallery mentioned above, some observations and comparisons among them are necessary. Type A1 galleries represent 42% of all galleries, Type A2 galleries 31%, Type A3 galleries 12%; and Type B galleries 15%. Furthermore, Type A2 galleries have the most projects submitted for government funds (special tax incentives). Some Type A2 gallerists refer to the Type A1 gallerists in a pejorative way, calling them mere "painting's shops", and the same Type A2 interviewees indicated that the Type B institutional galleries are one of the best ways for a new artist to enter the market and begin his or her career. Type A1 gallerists did not make such comparisons but rather pointed out some generic qualities as the determinants for artists to be part of the market such as luck, talent, and marketing.

Table 2. Average annual number of exhibitions per gallery type

Type	*Frequency*
Retail galleries (Type A1)	2.2
Contemporary art galleries (Type A2)	4.3
Alternative galleries (Type A3)	8.7
Institutional galleries (Type B)	6.5

We built 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 2, which contains the yearly exhibitions index, the typology seems to fit well. Indeed, as can be seen, Type A1 retail galleries are much less willing to spend money on exhibitions than the other types. Type B and A3 produce more exhibitions, which reflects their idea 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 A2 contemporary art galleries promote a significant number of exhibitions.

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. Participation in art fairs also symbolizes the insertion of the gallery in the international contemporary art circuit. Doing so follows one of the "best practices" of contemporary art galleries of the international elite, which corresponds to the profile that Type A2 galleries seek to fit. Thus, we created, for each type of gallery, an index calculated as the average attendance of a gallery at art fairs per year. This index shows, as expected, the tendency of Type A2 galleries to frequent more art fairs. Type A2 galleries attended on average 2.67 art fairs per year whereas other types of galleries attended virtually zero per year.

Another interesting issue concerning our typology is the different "reasons of creation" (why the gallery was created), which surfaced from each type of gallery. The results of Table 3 align with the typology. First, it can be noted that the purposes of galleries of Type B and A3, i.e. to promote arts, are very different from the other two types. Second, Type A1 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 A2 galleries seem to exhibit more emotional and intimate motivations.

Table 3. What was the objective/reason for the creation of the gallery?

Answers	*Frequency*				
	Type A1	*Type A2*	*Type A3*	*Type B*	*Total*
Continuation of another existent business*	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	1	0	4
Fostering arts	0	0	2	4	6
Did not answer	1	1	0	0	2

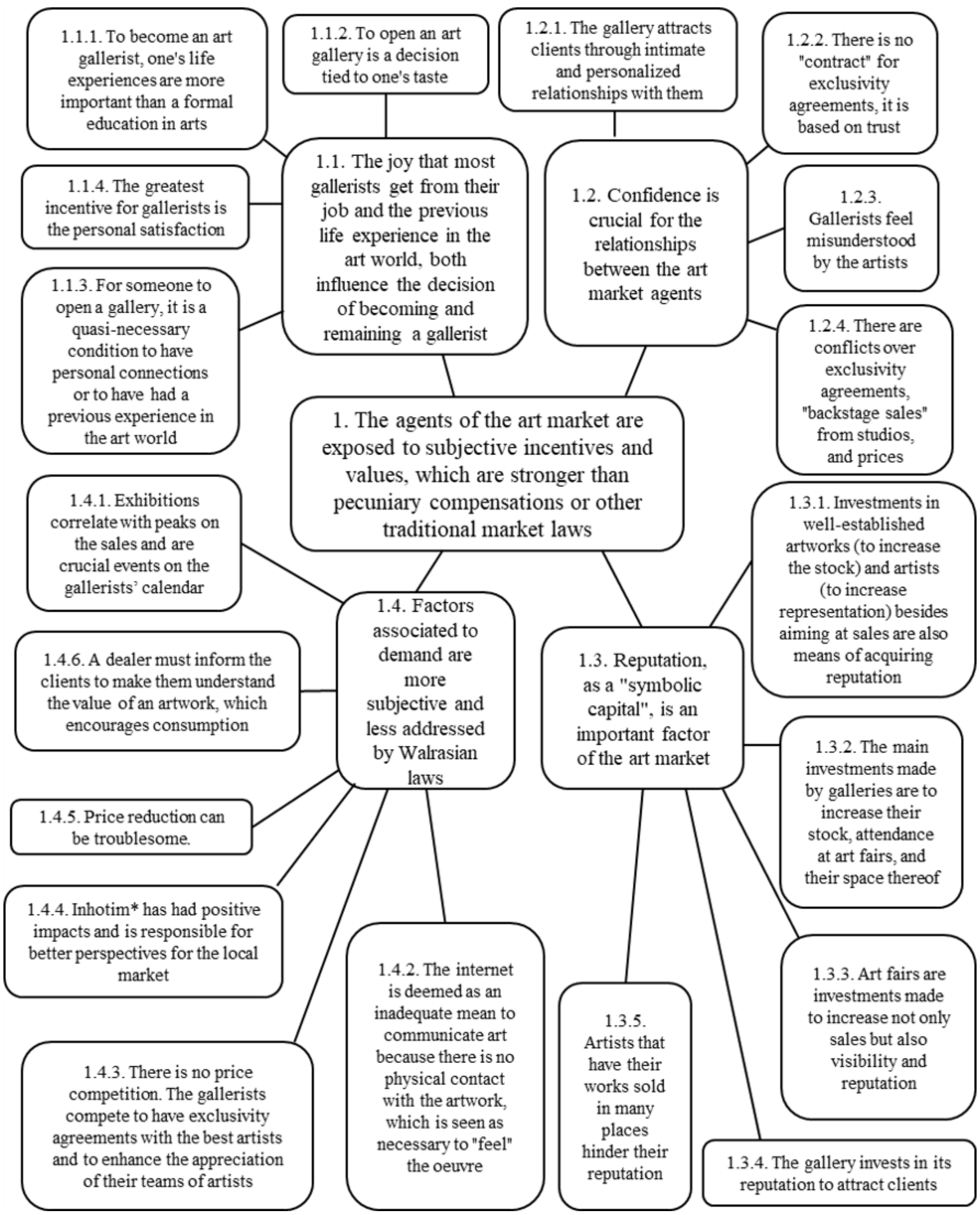
Moulin shows a clear distinction between contemporary art galleries and the traditional figurative art galleries, which are similar to our retail galleries. According to her, the latter "exclude the risk associated with innovation. The choice of artists is made in function of the expectations and the acquisition means of the clientele" (2007, p. 24). This adaptive character and subordination to demand is remarkable among our Type A1 galleries.

Thematic Networks

Using the thematic networks methodology, we determined two "global themes", each of which is a "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 lead also the gallerists to avoid making investments and innovation efforts.” Figures 2 and 3 should be read according to the scheme in Figure 1, in which the *basic themes* are clustered around the *organizing themes*, which are, in their turn, clustered around one *global theme*.

The first thematic network (Figure 2). The first thematic network was built around the *Global Theme 1* and it covers general theoretical subjects that can be related to every art market. It means that they are, theoretically, not exclusive of Belo Horizonte.

Figure 2: The first thematic network



In order to understand the first *Organizing Theme 1.1*, it is useful to recapitulate the findings of Table 2. We can see that a previous related business, a previous experience in the field or previous contacts with insiders are the most important reasons for creation of the gallery. These are each a kind of previous "proximity" to art, that is, a previous personal link. Further, all of the six answers in the "Interest in the arts" motivation belong to Type A3 and B galleries (i.e. alternative and institutional galleries).

To become a dealer, there is no need to have a diploma or special licenses (Velthuis, 2011b; Shubik, 2003), and "the appellation of art dealer tends to be self-selected" (Shubik, 2003, p. 194). In Table 4, we can actually see that the proportion of interviewees who graduated in arts is the same as those who graduated in business and economics. Thus, it seems that the "quasi-necessary" condition to become an art entrepreneur of Type A1 and A2 is to have a previous life experience or personal connection to the art world, but not necessarily to graduate in an arts field. Among our interviewees, almost all of them have at least one of the following links with the art world: close relationships (friends, relatives, or partners); have collected art before; or have had previous professional experience in the field (framer, critic, artist or gallery employee). Furthermore, similarity to the results found by Shubik & Shubik (1992) reinforce ours.

Table 4. In which fields did the gallery owners/administrators obtain their university degree?

Answers	*Frequency*
Arts	6
Business/Economics	6
None. Just experience in the field	4
Arts and Business/Economics	3
Other	3
Did not answer	4

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 an industry that maximizes profit, a gallerist gains utility from other means than just monetary rewards. As Velthuis stated, "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, 2011b, 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" (2011b, p. 28). Additionally, Plattner (1996) questions 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 would rather refer to their occupation as a "passion" driven by their taste for art. Many of our respondents reportedly 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 4 exemplifies and reinforces the point that the financial return is of lesser importance for some art dealers, which is in accord with the extant literature on art entrepreneurship.

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

Answers	*Frequency*
Pleasure	10
Financial returns	5
Other *	7
Did not answer	8

* Within "Other" there were answers such as "a good and reliable team of employees"; "status"; "good clientele"; "media attention"; "promotion of new ideas" and so on.

Some cultural economists argue over the reasons for the excess supply of artistic labor, trying to explain why artists pursue such risky, unstable and, tough careers. Menger (2006) 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 to artists but also to art gallerists.

The next *Organizing Theme 1.2*, in short, brings to the fore 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 conflicts, intimate relationships, and artworks' authenticity. Since a high level of information asymmetry characterizes the art world, 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 among one another and with the artists they represent. They have often complained about the artists' reluctance to trust the gallery with respect to three issues: (1) the real price at which 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 the galleries as "necessary enemies" rather than as important partners that create value on promoting their artwork. Furthermore, some of our interviewees had straightforward strategies for creating intimate relationships with customers. They said, "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." 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 conversation and build long-term relationships based on trust and friendship (Velthuis, 2005).

Besides trustworthiness, reputation is also crucial for the relationships within the art market, as we can see in the *Organizing Theme 1.3*. Specialized knowledge about art, endorsed by reputation, is a key "symbolic capital" for the art market entrepreneurs and experts. Since they deal with very subjective qualities, i.e. values and judgments, it is hard to prove one's qualifications to perform in these professions. Thus, it is necessary to build a reputation over 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 as defined by mainstream economics. First, reducing prices is negative and doing that could hinder an artist's reputation and "burn" him in the market. (Many gallerists interviewed used the Portuguese word *queimar* (meaning "to burn") to refer to the effect of an action that marks negatively on artists' reputation.) Second, the importance to the opening of Inhotim, an outdoor art museum near Belo Horizonte, to create a taste for contemporary art on the local people was remarked upon by dealers. As we can see in Table 6, many gallerists reported an increase on the publics' interest, and they often related it to the opening of Inhotim. Third, a recurrent issue mentioned among the respondents was the importance of creating and showing the value of an artwork for the customers, which involves describing the career of its creator, the material, the historical and artistic context. In Moulin's (2007) words, their role is to fabricate the demand. Lastly, when asked about selling on the internet, most dealers were welcoming of the advent of internet in the art world. However, they all showed some concerns over this unsolvable "need for physical contact," which is, according to them, necessary to assess the subjective value and capture the complexity of an artwork.

Table 6. Do you agree that the publics' interest for the arts have increased? *

Answers	*Frequency*
Agree	17
Disagree	2
Do not know	1
Did not answer	6

*The results of the Latitude (2014) report, which indicate such increase in São Paulo and Rio de Janeiro, were shown to the interviewees.

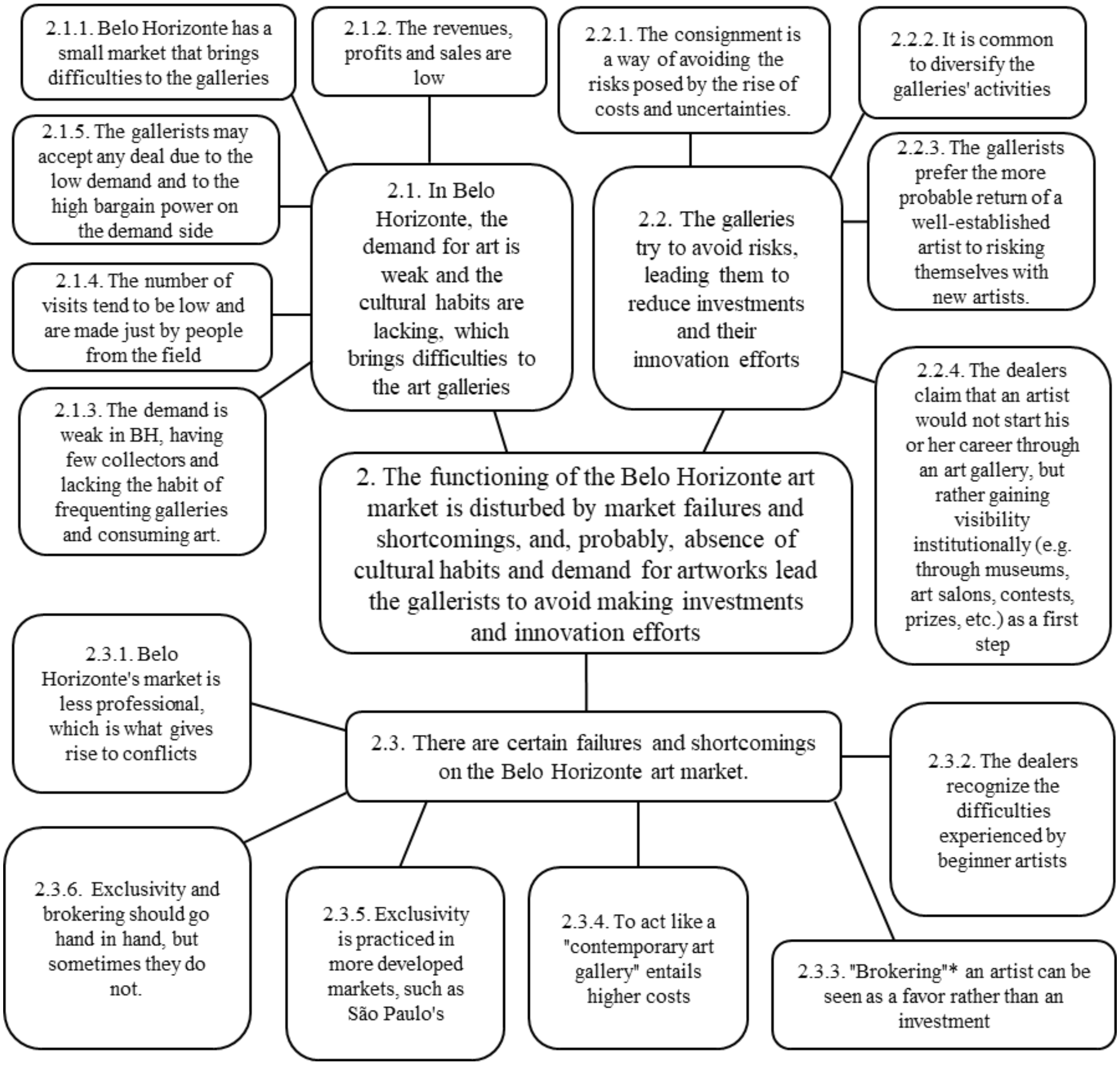
The second thematic network (Figure 3). The second thematic network, *Global Theme 2*, consolidates some problems of the local art market and tries to explain them through the entrepreneurs' reasoning. The following arguments concern a specific local market. However, it is indeed expected that they shed some light over general problems that exist in other art markets as well.

The local art entrepreneurs very often complain about having difficulties in generating business, prospect visits, and selling artworks. This could be due to an alleged structural backwardness of the local art market. In our interviews, it was very common to find such claims; Table 6 summarizes their answers. It is also noteworthy that the dealers were inclined to make comparisons with São Paulo, and sometimes Rio de Janeiro, as a way of showing the relative backwardness of the local market. Plattner (1996) perceived the same issue in his remarkable study of the St. Louis (US) art market. According to him, this hierarchy bothers the agents of the "down home" small market, since they are condemned to be "[…] forever 'not in New York'" (Plattner, 1996, p. 77)

Regarding the financial challenges galleries face, the most common explanation provided by gallerists is the weak demand in Belo Horizonte. Dealers often blamed the 'culture' and the provincialism of the local people; or, sometimes absence of knowledge or shyness prevent them from visiting an art gallery. There were also complaints about the provinciality of some of the local collectors, which would lead them to seek status by making purchases outside of Belo Horizonte (e.g. in São Paulo), even paying more for the same artwork. Other gallerists also declared that buying art just for decorative or status motives – or just not enjoying art at all – are also harmful local customs. Some gallery entrepreneurs complain about the excess of bargaining, or, in other words, the reluctance of buyers to spend large amounts of money in art, in comparison with other luxury goods – such as fancy clothes.

All these customs lead to the scarcity of serious collectors in comparison with other cities in and outside Brazil.

Figure 3. The Second Thematic Network.



Organizing Theme 2.2 states, "the gallerists tend to avoid risks and thus preclude innovation efforts and investments," is an important characteristic of Belo Horizonte's art market. From the point of view of 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 (Moulin, 2002; Santagata, 1995). Within this *organizing theme* there are 4 *basic themes* that deal, in brief, with the following subjects: consignment; reluctance to accept the candidatures of emerging or unknown artists; and low levels of investments in the exclusivity/brokering relations.

Table 7. What is the greatest difficulty in running an art gallery?

Answers	*Frequency*
Low sales or financial problems	7
Getting good art or artists	3
Taxes	3
Having a good team of employees	2
Other	3
Did not answer	3

Consignment, the predominant practice among art gallery entrepreneurs, is a way to reduce 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, buying young artists' artworks can also be seen as an investment. If an art gallery intends to promote an artist's 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 products at higher prices and hence, make profits. This practice – common among "explorer galleries" (Santagata, 1995) – is also a way of supporting the young artists in the early years of their careers. As we can see in Table 8, most of Belo Horizonte's galleries do not take the risk of such investments.

Table 8. Do you consign or do you buy the artists' works?

Answers	*Frequency*
Consignment	13
Consignment and purchase	5
Purchase	2
Other	3
Did not answer	3

Art galleries' innovation efforts can be undermined by the necessity of diminishing risks because, like in many other industries, such efforts require risky capital investment. Due to the aforementioned deficiencies of the local market, which reinforce the needs for diminishing risks, it seems to be too difficult for the local galleries to focus on innovation. Evidence of this is seen in how the local galleries deal with artists whose reputations are not yet solidified. The reluctance to prospect new artists leads the *gatekeeping* (Bystryn, 1978) activity of the galleries to be much more restrictive in Belo Horizonte than elsewhere.

Another notable risk-evading practice that we found in the local market is the diversification of activities that we found in some galleries – especially those in Types A1 and A3, the ones we called "retail galleries" and "alternative galleries." One dealer in a gallery that also operates as a frame shop said: "It's tough to run a gallery in Belo Horizonte; one should not depend on it as his [or her] only business."

It is also usual to see artists diversifying their work time in order to reduce their personal risks, which are inherent to their profession (Menger, 2006). They do that principally as teachers or by undertaking other part-time jobs. Menger (2006) calls artists "Bayesian Actors" in the sense that artists act rationally but face a high degree of uncertainty and information asymmetries. Instead of being *rational fools* (Sen, 1976), *risk lovers* or just *working for love* (Freidson, 1990), they would rather act rationally with the information available and conscious of the risks involved (Menger, 2006). In short, artists may diversify their working time in order to equalize the necessity for income with their desire of making art (referring to the 'equalizing differences' thesis from Rosen, 1986). Thus, it is interesting to see that this applies not only to the artists, but also to some art galleries (especially Type A1 and A3 galleries). The side-activities that appeared in our interviews are diverse, with some gallerists working as artists, auctioneers, framers, bar-owners, and selling other products besides art, ranging from souvenirs to antiquities. Also, some gallerists are retired from a previous profession, such as businessman, framer, critic, and so on. Furthermore, we emphasize the distinct practices we observed in alternative galleries, which offered parallel products (t-shirts, various objects, prints, etc.) and services (painting commercial establishments, live painting during events) from the artists working with them.

Organizing Theme 2.3 suggests that in comparison with the standard patterns of the international art market (including São Paulo's), Belo Horizonte's is still "incomplete" or in its early- or mid-development stage. Thus, each of the *basic themes* in this section covers one of the "missing elements" of a more mature market. Notice that the very existence of contemporary art galleries (Type A2) – 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 their experiences abroad (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 (e.g., Shubik & Shubik, 1992; Velthuis, 2005; Plattner, 1996). However, we note that the conflicts exacerbate the specific problems of incipient art markets. If agents face a higher pressure on their budgets due to the structural fragility of the market, it may be too demanding to follow "best practices," since they are costly and require a high degree of risk-taking. For example, "Art fairs are expensive, visibility is expensive," in the words of one entrepreneur. Our data indicated that financial problems and the need for cash flow make the relationships less "professional" and make the agreements more subject to moral hazards from the part of both artists and gallerists. It is noteworthy that, again, we have observed comparisons with São Paulo, in the sense that the interviewees considered São Paulo the professional market and Belo Horizonte the amateur one.

On the other hand, the conflicts with customers are considered natural, and related to the dissatisfaction, on the part of gallerists, with some buyer's habits and resistance to understanding the value of an artwork (See *Organizing Theme 2.1*). However, buyers can be even more problematic if a collector goes directly to an artist's studio in order to contour the commission and spend less money. As an entrepreneur states, "[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 no respect for the representation."

Returning to conflicts with artists, many entrepreneurs complained 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." 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 and the substantial investments expected from 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, since the literature often mentions 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 of this local market seems to be more problematic in comparison to more developed markets, where a better environment may be the consequence of a more active demand and fewer financial problems.

Conclusion

This is a *case study* of a specific entity (the art market) of a certain place (Belo Horizonte). 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.

Both the Thematic Network analysis and the typology show that the innovation environment for art galleries in Belo Horizonte is still incipient, few galleries exhibit the entrepreneurial behaviors of taking risks, creating new opportunities for art, and launching innovations into the market. Few gallerists allow themselves to partner with new artists or to sell contemporary art, which can be considered quite conservative for an art market, a typically innovation-intensive sector. However, the analysis also 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, and turn out to be evidence for some existing theories.

For example, we showed what gallerists think about their own activity and how they claim to derive pleasure from it, rather than from ordinary pecuniary compensations. This is a relevant difference from ordinary entrepreneurship, and is in accord with some texts that discuss "arts entrepreneurship" (e.g., Taylor et al, 2015; Preece, 2011) and cultural economics (e.g., Menger, 2006; Rosen, 1986; Sen, 1977; Freidson, 1990). What can be called the "pleasure payback" is associated with some theories about artists' incentives to keep working. This "pleasure payback" is seen by some cultural economists as evidence of how artists derive utility from their jobs – and, as we suggest, this applies to art entrepreneurs (especially gallerists), as well. In other words, it explains how they benefit from their jobs when the financial return is not enough. This idea serves 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 the local art market 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, 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 help understand these specific mechanisms operating in art markets is welcome and suggested.

In addition to the thematic networks, we also designed a typology of the local art galleries. Most importantly, when analyzed together, the results of these two outputs showed us what is probably our most important result: 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), which reinforces the needs for diminishing risks, it seems to be too difficult for the local galleries to focus on innovation and to have an entrepreneurial risk-taking behavior.

One evidence of this is in how the local galleries deal with artists whose reputations are still not solid. Except for gallery Types B and A3 (the smallest), very few gallerists assumed to be open to or to prefer emerging artists, and virtually none of the Type A1 (retail galleries), which is the largest group. Furthermore, the dealers pointed out other means for artists to enter the market for the first time. Before being chosen by an art gallery, it was recommended that the artists already have an institutionally-based reputation – especially through exhibitions in Type B galleries, earning prizes, and exposure in art salons. Accordingly, the explorer role of avant-garde galleries seems to be lacking and delegated to the scarce Type B and A3 galleries. The reluctance to prospect new artists leads the gatekeeping activity of the galleries (Bystryn, 1978) to be much more restrictive in Belo Horizonte than elsewhere (in the sense that the gatekeeper is rigorous and lets just a few artists enter the market).

One of the more relevant characteristics of an artistic good is innovation; thus, the alleged weakness of the innovation efforts in the Belo Horizonte art market may be its most troubling failure. Although some of the contemporary art galleries (i.e. Type A2) promote innovation, it is the galleries from Type B and A3 that take most of the responsibility to discover new talent. Since Type B galleries are not profit-driven, they are more *out* than *in* the market. They would rather act as cultural development agents, given that in Belo Horizonte it is necessary for an outsider to fill up the "explorer" gap left by most of the commercial galleries. This gap was not created intentionally, however, but was rather a necessary condition for the survival of the businesses. As we have shown, given the local market conditions, some galleries cannot afford to invest themselves in such costly innovation investments. This is another evidence of the lack of entrepreneurial activity – that is, the absence of a "creation of opportunities" behavior. Given the local market's challenges, galleries Type A1 and A2 do not undertake entrepreneurial behavior in order to create new opportunities to increase public contact with art. Instead, they would rather limit their risks and preserve the status quo.

Although Belo Horizonte's art market has many contemporary art galleries and although innovative Types B and A3 galleries exist, the level of innovation seems to remain low and the local market is still considered incipient and provincial. The fact that most of the commercial art galleries mentioned the institutional ones as the major means of introducing new artists into the market indicates 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 about how reality may work and differ from theory. We consider that one of the most important features of artwork is its innovative status, and we have shown how innovation can be inhibited by the specificities of a local market. For the art market, innovation is comprised of what is produced by new, unknown, or young artists whose capacities are still not tested or whose success is still not granted. As stated earlier, the first motivation for this research was to discover the opportunities that the local art market had to offer for the young artists graduating from UFGM's art school. In other words, we wanted to know how they could start their careers there, or how they could innovate there. The implications of our findings are especially relevant regarding this issue, making evident that most young artists may not be able to sell their work in Belo Horizonte. Since they are "innovations," they will find resistance from local dealers and buyers if they do not build a reputation beforehand. Hence, the main implication is that there is a problem for these new artists in this market.

In spite of this problem, we could also see that this same market is providing some seminal but interesting solutions, that is, the alternative and institutional galleries (Type B and A3), which, however, still need much more dissemination and support. As Brandellero (2015) states, "[p]ublic funds for the arts remain very limited" in Brazil, and we must emphasize the importance of public funding for the arts, especially for those more vulnerable artists: the young and the unknown. We also found that disruptive contemporary art institutions like Inhotim are crucial for the development of taste and for enhancing people's contact with innovative art. Since sound demand is fundamental for the development of a strong art scene, this kind of enterprise must also be encouraged.

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