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ART MARKET PRICES

Abstract: How do prices for contemporary art come into being? Buyers of contemporary art face a problem of fundamental uncertainty, because what passes as quality is difficult to determine, and buyers can hardly estimate how a specific piece of art will perform as an investment. Since a market for contemporary art presupposes the possibility of at least limited rational purchasing decisions, uncertainty must be reduced. We argue that the value of an art work or artist originates in an inter subjective process of assessment and conferring of reputation by experts in the art field, such as gallery owners, curators, critics, art dealers, journalists, and collectors, who help establish the artistic reputation of a work or an artist. The quality signals emerging from the art field enable buyers to assess the economic value of art works. We tested this initial hypothesis against two datasets containing data on art prices and information from the biographies of artists.

Key words: sale, artwork value, gallery, auction, author of the work, dealer

Whether or not the price of an artwork is informative to the buyer is a question asked by many art market researchers. The work “Economy of Symbolic Exchange” made a great contribution to solving this problem, the main theme of this work is the question of equality of price and value for the object of modern art. The problem is that if in the food market expensive things are considered better than cheap things, then this pattern is weakly expressed or not at all in the culture. “The value of works of art is determined anew by the market every time.”

To answer this question, it is necessary to refer to the concept of information content of prices. In general, the circulation of goods in the market should be more or less constant, then the function of money can be measured. That is, when there are repeated purchases, the price reflects the ratio of supply and demand and serves as a sign of quality to the buyer. As Dolgin points out, there is no duplication of transactions in the art market. If there is no reproducibility, there is no feedback between the buyer and the seller, but in fact prices serve as a means of determining this communication. In such conditions, money loses its ability to measure, it does not lose speed.

It should be noted that there was an attempt to justify the effectiveness of creating economic models in the labor market: Stigler and Becker presented the Z theory. In it, it is assumed that the change in the demand for the commodity can be explained by the increase in its ability to create the desired state - Z. people seek the same states, and achieving them in different ways and through different things is another matter. Thus, the main postulate of economics about the uniformity of human preferences, although it is clear that artistic tastes are different, is preserved. This theory is applied by Stigler and Becker to the classical music market: they explain the desire to listen to music by the fact that the listener increases the human capital and learns to enjoy music, thereby investing in this ability. However, the theory of z has been criticized because it is still not possible to explain the change in the demand for z, so in general this theory does not give any results.

Thus, an important conclusion presented by Dolgin in his book “symbolic exchange economy” is that money subjugates culture instead of measuring it. “Socio-cultural processes have quietly adapted to the monetary system. Be a man a thousand times not as economists paint him, but saturated with distorted information about himself, he is like a caricature of himself.” This logic is consistent with the concept of the performance of economic activities, according to which the spread of economic knowledge and economic technologies increases the credibility of economic theories and fundamentally changes economic practice.

As you know, prices in the art market do not follow the rules of traditional economic theory. Of course, prices are actually a joint result of demand and supply pressure on all participants of the economic process. The information or messages sent by individual participants are the amounts they agree to pay or receive for each product. However, not everything seems so simple in the art market.

Economic sociology examines some of the mechanisms by which prices are determined in the market. In the article “How are prices formed? Social approaches to price determination”, Jens Beckert examines the three dominant approaches of economic sociology: network analysis, the institutional approach and the cultural approach. Beckert reveals the influence of status, trust, power and social connections on prices. Very popular in economic sociology, network analysis is widely used in the study of prices. The main point here is the personal relations between the agents, as opposed to the atomization of the actors. When considering social networks as a factor in determining prices, it is also necessary to pay attention to the study of the concept of “social capital”. Social capital refers to the pool of real or potential resources associated with having a stable network. It is also worth remembering Granovetter's understanding of the power of weak ties: a large number of “weak” ties - acquaintances - help to find a job better than “strong” ties - kinship and friendship. Granovetter's concept is important in this study to explore artists' entry into the art market. Also, the idea of social rooting of relations between partners was developed by Uzzi and Lancaster: if the relationship between buyer and seller goes beyond the formal market exchange, the seller can lower the price in favor of the buyer.

Dutch economic sociologist Olav Veltus also studied prices in the modern art market. Based on the economic theory of signals, which asserts that prices have certain meanings, he defines the process of buying and selling as a process of social coordination, in which the price of an artistic object is determined not by the qualities of the work, but by the people who create, realize and buy them. is formed from interaction. Veltus also brings up two paradoxes of pricing in the art market. The first paradox is that dealers never lower the price of works of art, that is, they act not as profit maximizers, but as price maximizers. Also, dealers are reluctant to overprice the works of young artists so that they can justify the prices for their works, rather than ruining careers with recessionary price increases. The second paradox is that prices are determined by the size of the picture, reducing the influence of other factors. Veltus concludes that gallerists are balanced between two value systems: on the one hand, art, aesthetic motives, and on the other, the market and the market laws of pricing.

There are also three approaches to evaluating the value of an object - cost, comparative and income. In addition, in fact, when evaluating art objects, the appraiser does not separate the approaches, but uses them together.

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