

10. Factors Affecting Price on the Contemporary Art Market

D. Sagot-Duvaroux

University of Angers and
University of Paris I

S. Pflieger

University of Paris V

B. Rouget

University of Dijon

Artists, auctioneers, art galleries, curators, collectors and authorities all elaborate strategies, the cornerstone of which is the complex logic of the art market. Since the value of the works of art is not linked with production costs or income of firms, price fluctuation is very unpredictable (Baumol, 1986). Businessmen generally estimate that the art market could surely provide an average profit but this market is so unstable that it discourages cautious investors. In this sector, rumours play a bigger part than anywhere else. The acts of some key people are considered as signals that give direction to the market and they are then amplified by many "relay-participants".

The closer you get to the contemporary period, the less the rank of artists in the history of art is settled, that is why prices cannot be strictly guaranteed. The purpose of this article is to find the various factors that could influence the price of works of art. Then, we try to analyse how these factors act upon the contemporary painting market. This will lead us to differentiate three contemporary art markets, on which the determination of prices is slightly different.

WHAT DETERMINES THE PRICE OF PAINTINGS ?

Four sets of factors can influence the price of works of art:

- factors related to artists' fame;
- factors related to the features of the work to be sold;
- factors related to the features of the market;
- macroeconomic factors.

The Fame of Artists

The hierarchy of prices is based on the hierarchy of artistic values depending on several elements.

First of all, the price depends on the artist's role in the history of art. The history of art is mainly a succession of innovative artistic movements. If an artist belongs to a recognized movement, he is sure to find his place within the hierarchy of values, but this will not determine his rank. The recognized value of paintings belonging to a specific movement determines the value of the whole work of the artist.

But the history of art is also made of what is said about art. Any artist who once was the talk of the town is likely to be brought back into favour thanks to fashion and take advantage of his former notoriety. French academic painters are not sought after

because of what they did for artistic creation, but because they reveal the art and taste of their time. The Orsay Museum has also contributed to put them back into favour.

Policies to promote new movements are partly generated by the need to belong one way or another to the history of art. The fame of these movements, whatever its duration, gives them a place in the history of art. The actual impact of their innovation is not important, the main point is that they find a place. In this case, one could make a comparison with the stamp market. A stamp does not draw its value from its graphic quality but from its rarity and its place within sets identified by their publication date. The birth of a movement boosts the entry of its members into the history of art because of its impact on the media. Galleries generally encounter more difficulties promoting isolated artists.

Once an artist has entered the history of art his place is stable. As regards the hierarchy of the different movements, stability is far less obvious. This hierarchy depends upon the taste of a minority of people who are considered as a reference for a given period of time. Should any change of this minority occur, then the scale of values would be altered. By the end of the 19th century, the hierarchy of prices followed in France the aesthetical hierarchy set up by the Academy of "Beaux-Arts". Today this hierarchy depends upon the preferences of a minority of initiated people who are collectors, gallery owners, critics or curators. Bongard¹ has tried to rationalize this aesthetic hierarchy by taking into account qualitative elements ie, if an artist's work is exhibited or shown in museums... Thus each was given some points. This classification was then compared to the hierarchy of prices. Whenever there was a gap, one could tell whether an artist's work was cheap or expensive.

The hierarchy of movements, artists and works is all the more unstable the closer we get to the contemporary period. The internationalisation of the market certainly contributes to enhance this instability by multiplying places of recognition. Becker (1988) considers that today the art market is especially characterized by the fact that the art world does not have total control over the diffusion of information that is spreading thanks to mass phenomena which are partly unforeseeable. This hierarchy can be altered by the promotion of new "streams" explicitly referring to artists of the past. Thus Surrealism contributed to the rehabilitation of Symbolism.

And yet, how can the link between the artistic reputation of an artist and the economic value of his work be explained? Indeed in the cultural field that relation is not obvious and the State often has to intervene in order to support precursory and avant-garde artists.

Two kinds of explanation can be given:

First the relation between artistic reputation and economic value refers to information phenomena which justify the "starification" of the market. By purchasing a painting, the buyer gets four kinds of utility:

- Civic utility which corresponds to an altruistic need to support art and which is independent of the artist's fame;
- Functional utility corresponding to need for decoration or to a closed relation between collector and work, which is also supposed to be independent of the artist's reputation;
- Ostentatious utility corresponding to the prestige which is gained from buying works of art, increasing with the artist's fame;
- Financial utility corresponding to prospects of profit as regards art investment, which is less risky when the artist is famous.

Out of two equally talented artists, the one who is a star brings more overall utility to the consumer, that is why the price of his paintings is higher. The difference in price is also justified by the fact that the star phenomenon is a way of saving on information costs, in a field in which the degree of satisfaction directly depends on the degree of knowledge (Rosen, 1981).