



# Democracy and economic outcomes: Evidence from the superstars of modern art



Christiane Hellmanzik\*

Department of Economics, University of Hamburg, von-Melle-Park 5, 20146 Hamburg, Germany

## ARTICLE INFO

### Article history:

Received 13 February 2012

Received in revised form 7 December 2012

Accepted 7 January 2013

Available online 22 January 2013

### JEL classification:

H1

J61

R39

N90

Z11

### Keywords:

Modern artists

Democracy

Creativity

Human capital

Economic geography

## ABSTRACT

This paper analyses the impact of the political environment on the value of artistic outcomes as measured by the price of paintings produced over the period from 1820 to 2007. The analysis is based on a unique dataset encompassing a global sample of 273 superstars of modern art born between 1800 and 1945, auction results of their paintings, and data on the political environment in the respective production countries. Controlling for a variety of economic and hedonic variables, there is a statistically significant, positive link between the level of democracy and the value of artistic output. Moreover, we find that democracy has a significant positive impact both on the density of superstar painters and the collective artistic human capital in a country.

© 2013 Elsevier B.V. All rights reserved.

## 1. Introduction

This paper contributes to the literature on the impact of democracy on economic activity – and more specifically, on creative production – by using a historic, high-frequency dataset on the value of modern art products. The impact of the political circumstances under which economic activity takes place has been of interest to numerous researchers (Barro, 1996, 1998; Mulligan et al., 2004; Rodrik, 1999, among others). However, creative production and especially its institutional determinants remain largely unexplored in economics despite evidence from the fields of sociology and psychology that creativity is the result of not only an individual process, but of a wider context, be it the peers (Amabile, 1996) or the broader historic, economic, and societal circumstances (Csikszentmihaly, 1999).

This paper uses micro-level data on a sample of superstars of modern visual art who were active between 1820 and 2007 to address empirically, and from an economic perspective, the link between creative production and political conditions. The usage of such micro-level performance data has several advantages: first, we can observe the outcome of artistic activity at a high frequency and over a long time period using a panel of auction results of paintings executed during the observed time frame. Second, the observed outcome, namely artistic production, can be expected to react quickly to political conditions unlike other economic outcomes studied in this branch of literature, such as social security, productivity, or wages. Moreover, not only were

\* Tel.: +49 40 42838 4042; fax: +49 40 42838 9430.

E-mail address: [christiane.hellmanzik@wiso.uni-hamburg.de](mailto:christiane.hellmanzik@wiso.uni-hamburg.de).

these painters active throughout the most turbulent times of the 19th and 20th centuries, which saw tremendous political as well as societal developments, but modern visual art also experienced its greatest innovations, from Impressionism to Abstract Expressionism, during this period.

The dataset encompasses the superstars of visual art born between 1800 and 1945 based on a prominence indicator and uniquely identifies each artist in each given year of their careers with one work country (see [Section 2](#) for details). The resulting superstar sample of modern arts is combined with data on democracy obtained from the [Polity IV project \(2009\)](#) and is matched with auction results of artists' paintings yielded in modern art auctions between 1988 and 2007. These auction data are used as a measure of the value of paintings produced during the sample period.

Economic research has shown that democracy enhances economic growth at low levels ([Barro, 1996, 1998](#)) and decreases economic volatility ([Klompa and de Haan, 2009](#)), that political instability is associated with weaker GDP growth due to lower productivity and human capital accumulation ([Aisen and Veiga, 2011](#)), that more advanced sectors benefit from high levels of democracy ([Aghion et al., 2007](#)), and that manufacturing sector wages are higher in democratic countries ([Rodrik, 1999](#)). If the production of modern art — as one of the most obvious creative fields — is anything like general economic production, we expect higher levels of democracy to have a positive effect on the value of artistic output. This implies that artistic products made in periods of greater freedom, where there are lower or no impediments to artistic expression, and where institutions are stable and predictable — such as we observe in democracies — are of higher value (as reflected by their relatively higher auction prices). Based on the assumption that market prices reflect the true quality of a painting, this could also be interpreted as democracy having a positive effect on creativity.<sup>1</sup>

Democracy could impact the work of modern artists through both the supply and demand channel. Painters — maybe even more so than other producing entities — depend on freedom, independent and functioning institutions, and a somewhat predictable and reliable political environment. In non-democracies, restrictions on artistic work may negatively impact creative production. If artistic products are a reflection of their time, which mirror the social as well as political 'zeitgeist', censorship of artists — such as the infamous 'degenerate art' campaign by the Nazis — could result in lower-valued paintings.<sup>2</sup> In addition, artists can react fairly quick to unfavourable changes in the political climate, as they are highly mobile (see [O'Hagan and Hellmanzik, 2008](#)) and set-up costs are low. On the demand-side of modern art it is possible that non-democracies have fewer art dealers and galleries to promote artists' works as political freedom is linked to economic freedom (cf. [de Haan and Sturm, 2003](#)). If no market (and market signals) for paintings exists or the market is restricted it might be more difficult for artists to thrive and develop a valuable portfolio.<sup>3</sup> Likewise, it is possible that artists never became superstars because of poorly functioning markets.

The effect of political circumstances on the value of artistic production is tested along two trajectories. Firstly, the impact on paintings' prices of the level of democracy is analysed. Secondly, the effect on artistic output of exceptional and extreme political periods, such as a government collapses, authority interruption periods (such as occupations), and political transition periods, is analysed. Along with other variables, GDP per capita and GDP per capita growth are used to control for both the level and dynamics of the economic environment. Lastly, a country panel analysis is conducted linking the level of democracy to the number of eminent artists active in a country and a measure for their joint artistic capital.

As noted, research on the question of which institutional environment is most conducive to creativity is scarce in the economics literature. [North \(1990\)](#) argues that institutions establish (in)formal constraints thereby affecting transaction costs, and ultimately the incentive structure for economic activity. In addition, he points out how these incentives are largely influenced by society's tolerance of creative advancements ([North, 1994](#)). In related research, [Therivel \(1995\)](#) finds that more absolute regimes tend to discourage experimentation — one of the main sources of creativity and innovation. [Eysenck \(1995\)](#) deems that the interaction of cognitive abilities and personality traits with environmental factors (explicitly political-religious ones) allow for creative achievements. In addition, [Simonton \(1980\)](#) finds that scientists are more creative in times of peace than in times of war.

In another stream of literature, several researchers use econometric techniques and explanations to analyse creative production and artistic careers. Most notably, [Galenson and Weinberg \(2000, 2001\)](#) show that painters of later cohorts peak earlier in their lives for a Parisian and New Yorker sample, respectively. They attribute this shift to different innovation methods. Also for a sample of visual artists, [Hellmanzik \(2010\)](#) shows that art works produced in the prime clusters of modern art, namely in Paris and New York, benefit from peer effects and hence are more valuable. On the link between artistic output and the political environment, [Frey \(2002\)](#) argues — in a discussion of what type of state supports the arts — that democracies support a broader range of creative media which is reflected in higher artistic diversity and less variance in quality. Moreover, [Vaubel \(2005\)](#) uses the institutional framework and degree of political fragmentation in a country as explanatory factors for higher competition of Baroque composers.

This paper is organised as follows. [Section 2](#) briefly describes the dataset and presents some first insights from the summary statistics. In [Section 3](#), the empirical evidence on how the value of paintings is affected by the level of democracy (3.1) and times

<sup>1</sup> Underlying this assumption is the notion that willingness to pay is a fairly objective measure of quality and there is a sufficient number of observations over each artist's career. In addition, one would expect a large correlation between auction outcomes and other measures of quality, such as art criticism or representation in art dictionaries or museums. This issue is addressed in [Galenson \(2001\)](#).

<sup>2</sup> [Mulligan et al. \(2004\)](#) show that autocracies are more likely to use public policy in order to create barriers to political entry. Censorship of journalists is one example of how political opposition may effectively be curtailed. Ultimately the censorship of other expressive media such as the visual arts meets the same end and could be an explanation for a decrease in value of works made in autocracies.

<sup>3</sup> [Galenson and Weinberg \(2000, 2001\)](#) argue that the shift in the age at which artists produce their best work largely comes about due to a change in the way the art market is organised.

Download English Version:

<https://daneshyari.com/en/article/5068121>

Download Persian Version:

<https://daneshyari.com/article/5068121>

[Daneshyari.com](https://daneshyari.com)