



# Historic art exhibitions and modern - day auction results



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## ABSTRACT

This paper uses historic art exhibitions in order to investigate the impact of the contemporary success of artistic careers on today's auction prices of modern paintings. That is, if an artist's work was displayed at a historic art exhibition in a given year, paintings dated from this year fetch higher prices at auction today. This can be attributed to two effects: artists who participated in such shows were already acknowledged as superstars contemporaneously and participants in art exhibitions benefited from a longer-lasting career boost as reflected by positive mark-ups on paintings made in the years following a show. For both channels, participation in historic art exhibitions is a strong quality signal for today's art buyers. This study is based on a global sample of 273 'superstars' of modern art born between 1800 and 1945, 34,141 auction results of paintings and participation in important historic art exhibitions.

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## 1. Introduction

With demand for art constantly increasing and art enthusiasts and investors alike seeking to pin down what makes a great piece of art in the midst of a rather opaque market (Baumol, 1986), investors often rely on expert opinion, such as pre-sale estimates (Bruno and Nocera, 2012, and Czujack and Martins, 2004) or a work's provenance. A common solution for the highest end of the market is to look for prominence of the painter and attributes of the painting. Next to these factors, art history is often referenced to determine the historicity of the painting. One such factor is the inclusion of an artist's paintings in one of the historic exhibitions that have shaped modern art, such as the Salon de Refuses 1863 in Paris or the first Blaue Reiter Exhibition 1911 in Munich, which indicates the contemporary prominence of a painter. For artists to have participated in such a show was not only a great honour and a reflection of large approval by contemporary art experts and peers, but it was also a strong signal that the artist was cutting-edge.

This paper uses a historic, high-frequency dataset on the value of modern art and novel data on historic art exhibitions which had been digitised for the purpose of this paper. In a hedonic framework this paper assesses whether paintings made by artists whose work was showcased in an important historic art exhibition in a given year are more valuable than paintings of non-participants. Thus, this paper analyses whether the contemporary importance of an artist translates into higher prices at auction today. Such a historic quality signal is important for investors and it can be informative as to the longevity of expert opinion. As such, this paper contributes to the literature on art auctions by extending the set of hedonic variables by a novel, historic measure of artistic quality, namely historic art exhibitions.

Although art investors and art historians are well aware of the importance of such historic data, it has so far been difficult to obtain information on the most important art shows. Altshuler (2008) is the first author to compile a comprehensive data

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source from a vast array of original sources. In this exercise he sources original documentation of art exhibitions in order to determine participating artists, the size of a show, and the audience it attracted. This unique data source has been digitalised in order to analyse the importance of art shows from an economic point of view.

Interestingly the general idea to organise major group exhibitions of art coincides with a most innovative era in the arts at the end of the 19th century. Not only did artists start organising their own shows in order to attract dealers and patrons for their works, but also the state and European cities started to sponsor major art shows in order to promote their cultural profiles (Altshuler, 2008). With this culture of large-scale public shows in which artists would showcase their works also came a culture of market access and expert appraisal for art. This is why participation in historic art exhibitions is such an important indicator for an artist's historic reputation. If an artist was considered avantgarde and innovative in Paris in the late 19th century, his/her work would be displayed at one of the yearly Salons or later in one of the artist-organised competitor shows. Thus, these historic data can be indicative of the first critical appraisal of an artist's work, capturing contemporaneous success and positive expert and peer opinion which might still have an impact on the value of works today through a 'halo effect'. This effect has been analysed for lotto games (Grote and Matheson, 2007) and for technology licensing (Sine et al., 2003) and given the social nature of art and art markets it is very likely that such an effect is measurable in this context, too.

The estimations presented in this paper are based on a hedonic estimation which is suitable as it implicitly prices observable value-adding characteristics of an artwork.<sup>1</sup> However, when applying the hedonic framework to auction results of modern art, incorporating unobservables might be important. In addition to the observable features of a painting, like size and medium used, less tangible characteristics may impact its price. For example, Picasso's work may sell for more because of his unique, cubist style and international reputation. Traditionally, hedonic models would only use an artist fixed effect to account for these artist level unobservables due to the difficulty of obtaining data on artists' lives and working methods. Recently, efforts have been undertaken in the literature to include more artist-specific information in hedonic estimations. For example, Renneboog and Spaenjers (2013) use proxies for artistic reputation in order to explain prices at auction, while Graddy and Pownall (2016) focus on the intensity of colour. Moreover, Hellmanzik (2010) estimates 'location effects' for New Yorker and Parisian artists and the impact of artists' residences on modern-day auction prices while Hellmanzik (2013) shows that travelling serves as inspiration to artists and thereby increases art works' values. Moreover, there is a strand of literature on artistic careers such as Galenson and Weinberg (2000, 2001), who use birth cohorts – which they interpret as cohort-specific innovation methods – to explain price variations over artistic careers.<sup>2</sup>

In this paper, I build on this literature by including historic art exhibitions as a measure of an artist's contemporary reputation in such a regression. Exhibitions have been used as control variables in the past, but generally in a coarser way than in this paper. Most noticeably, Campos and Barbosa (2009) include a contemporary exhibition indicator for a Latin American sample of painters and find that it has a significant and positive impact. Collins et al. (2009) use the information on number of exhibitions provided in auction catalogues as a control in a hedonic model, but they do not further comment on their findings relating to this variable. However, this might be due to the fact that it is hard to discern which exhibitions are covered and whether or not they were important. Renneboog and Spaenjers (2013) include information on Documenta participation of artists in order to capture a reputation effect.

The analysis in this paper is based on an extensive dataset encompassing auction results of a broad sample of superstars of modern visual art who were active between 1820 and 2007. Artists are sampled based on a prominence indicator, and each artist's prevalence in historic art exhibitions between 1863 and 1959 is assessed (see Section 2 for details). The resulting superstar sample of modern art is matched with prices of artists' paintings yielded in modern art auctions between 1988 and 2007. These auction data are used as a measure for the value of paintings executed during the sample period.

The key finding of this paper is that artists who had works displayed at one of the most important historic art exhibitions and thus were critically acclaimed by their contemporaries also fetch higher prices at auction today. I attribute this effect to a persistent, strong quality signal which translates into higher prices similar to a 'halo effect'. Interestingly, the effect also pertains to paintings made in the year after the exhibition, indicating that exhibitions are indeed strong, time-spanning quality signals. Therefore, historic success can provide valuable information for art market participants today.

The paper is organised as follows. Section II briefly describes the dataset and presents some first insights from summary statistics. In Section III, the empirical evidence is discussed: first, a show effect on auction results is estimated and then decomposed over time to allow for variations in show importance. Next, specific show fixed effects are estimated and the contribution of show characteristics are analysed. Subsequently, I present results on more persistent effects for an artist's career of participating in an art show. The last section concludes.

<sup>1</sup> Moreover, it allows all observations to be included in the estimation as discussed by Ashenfelter and Graddy (2006) as opposed to a estimation where only repeat sales can be considered.

<sup>2</sup> In addition, there is an entire body of literature devoted to the analysis of financial aspects of art markets, such as Agnello (2016), Goetzmann et al. (2011) and Hodgson and Vorkink (2004) amongst others.

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