Advanced economics and management of arts

PROF. ELENA STEPANOVA; PROF. FEDERICA DE MOLLI

Course aims and intended learning outcomes

The course's overall objective is to provide students with an in-depth knowledge of the visual arts market. It illustrates both how the visual art market works as well as pricing dynamics in the art market. The course is divided into two modules. The first module (Visual Arts Management, Prof. De Molli) adopts a multidisciplinary approach in order to provide students with the fundamentals of visual arts management. In particular, this module will present an overview of two different visual arts organizational fileds: the fine arts market and - as an example of market dealing with applied arts - the fashion world. The second module (Advanced economics of arts, Prof. Stepanova) provides foundations for economic and econometric analysis of art market and the market of performing arts.

At the end of the first module (*Visual Arts Management*, Prof. De Molli), students will:
- acquire the relevant theories, analytical tools and factual information necessary to gain a critical understanding of the way visual arts organizations (i.e. art market's major players and fashion industries) operate in a global setting;
- be able to read and understand the socio-economic dynamics that shape the on-going trends of the art market;
- be able to critically analyse the career of emerging and well-known artists and fashion designers;
- acquire the necessary skills to dialogue with the major players of the visual arts market about issues concerning visual arts management and its complex operational dynamics;
- acquired the ability to explain the socio-economic phenomena observed in the market to a specialized as well as a general public.

At the end of the second module (*Advanced economics of arts*, Prof. Stepanova), students will:
- gain an understanding of economic theories operating at the core of art market and market of performing arts;
- gain a good grasp of the art market's idiosyncrasies, when compared to the financial markets, and understand the problems these idiosyncrasies cause collectors and investors;
- gain a thorough understanding of the pros and cons of art investment when compared to financial investment assets such as stocks or bonds and learn how to interpret art market data;
- understand how art is priced and appraised for specific situations and learn how to do your own price research.

Course content

MODULE I: *Visual Arts Management* (Prof. De Molli)
This module is structured around few main topics:
- Creative economy.
- Creative industries.
- Defining visual arts, their business and market.
- A socio-economic perspective: The art worlds.
- The art market.
- Key players of the art market.
- The relationship between art and fashion.
- Fashion industries: Production, management and distribution of visual art products.
- Future scenario for visual arts management.

MODULE II: *Advanced economics of arts* (Prof. Stepanova)

The module is divided into Economics part and Art Finance part that run in parallel. Economics part has 2 segment: Economics of Fine arts and of a Theater.

Economics of Fine arts:
- the description of the market (primary and secondary), its organization, participants and recent trends;
- the history of art markets from the perspective of their economic development (artists and their patrons, guilds, the appearance of the first art dealers and auction houses, government protection & supervision of arts in the form of Art Academies and its impact on the art market);
- artists' labour market and theories of artistic success of Matthew Salganik, Albert-László Barabási and David Galenson; Superstar economics and Rosen model of superstar markets; The role of awards and experts opinions. I also cover royalties, artists' resale rights, copyrights, protection of intellectual property with cases studies of Jeff Koons' recent law suits;
- the introduction to the game and auction theory to explain essentials of auction principals (the winner curse, bidding strategies and Vickery theorem). At the same time, I explain Sotheby's and Christie's collusion case and their market duopoly;
- cultural policies and welfare economic models to analyze the impact of regulations, taxations and subsidies (such taxes as VAT on art imports, artists' resale rights, taxation of wealth transfers, inheritance tax and optimal tax planning).

Economics of a theater (performing arts): theater as a firm - production and costs, Baumol decease, optimal price setting, price discrimination and recent trends of auctioning concert tickets, scalping in tickets market.

Art Finance: the focus is on the valuation of works of art and art as an alternative investment. All lectures are supported with exercises sessions. Students get introduced to two principal statistical methods: hedonic and repeat-sales regressions, as well, as several statistical regularities empirically observed on the secondary art market and in its segments specifically (pricing of works of Old Masters is crucially different from pricing of works of Contemporary Art). I focus on behavioral finance regularities that are confirmed to be present on the art market, such as anchoring and loss. I talk about Art collection from financial perspective (, i.e. forming optimal art portfolio, return-risk analysis, portfolio management).

Reading list

Module I

Required readings

TAYLOR, J. (2018). Visual Arts Management. Routledge.

THOMPSON, D. (2010). The $12 million stuffed shark: The curious economics of contemporary art. Macmillan.

GECZY, A., & KARAMINAS, V. (2013). Fashion and art. Berg (only Introduction, Ch. 8 and 9).

Addictional

BECKER, H. S. (2008). Art worlds. Updated and expanded. University of California Press.

BICKLE, M. C. (2011). Fashion marketing: Theory, principles, & practice. Fairchild books.

BILTON, C. (2007). Management and creativity: From creative industries to creative management. Blackwell Publishing.

DAVIES, R., & SIGTHORSSON, G. (2013). Introducing the creative industries: From theory to practice. SAGE Publications Limited.

DILLON, S. (2011). The fundamentals of fashion management. A&C Black.

HILL, L., O'SULLIVAN, C., O'SULLIVAN, T., & WHITEHEAD, B. (2017). Creative arts marketing. Routledge.

KOLB, B. M. (2016). Marketing strategy for creative and cultural industries. Routledge.

MCANDREW, C. (Ed.). (2010). Fine art and high finance: expert advice on the economics of ownership (Vol. 36). John Wiley & Sons.

ROBERTSON, I. (Ed.). (2005). Understanding international art markets and management. Routledge.

SAINTILAN, P., & SCHREIBER, D. (2017). Managing Organizations in the Creative Economy: Organizational Behaviour for the Cultural Sector. Routledge.

VAN HEUR, B. (2014). Creative networks and the city: towards a cultural political economy of aesthetic production (Vol. 3). Transcript Verlag..

Module II

Required readings

P. KRUGMAN-R. WEILLS (2012), Principles of Economics (Ch 3,4,6,8,10,13,14).

J. HEILBRUN-C.M. GRAY (2004). The Economics of Art and Culture (Ch 4,5,6,7).

I. ROBERTSON (2005). Understanding of International Art Markets and Management.(Ch 6).

R. TOWSE (2010). A Textbook of Cultural Economics (Ch 4 on Art market, Part III).

Auctions and the price of art (Ashenfelter Graddy, 2003 Journal of Economic Literature).

Art as an investment and the underperformance of masterpieces (Mei Moses, 2002 American Economic Review).

Awards, Success and Aesthetic Quality in the Arts (Victor Ginsburgh, 2003, Journal of Economic Perspectives).

Sotheby's educational videos on art valuations.

Additional

M. BLAUG (2001). Where are we now on cultural economics?, Journal of Economic Surveys 15, 123 - 144.

R. TOWSE (2011), A Handbook of Cultural Economics.

R. TOWSE (2014), Advanced Introduction to Cultural Economics.

R. TOWSE-A. KHAKEE (eds.) (1992), Cultural Economics

Teaching method

The course is organized through lectures and involves participants in group works, group presentations and collective discussions. In the second module, students will be involved in exercises sessions that will require the ability to perform statistical estimations and the knowledge of Excel data analysis tools.

Class participation is strongly recommended for both modules. Students are expected to present and discuss in class the assigned materials.

Assessment method and criteria

Each module will count for 50% of the final overall grade for the course.

Module I(Visual Arts Management)

For attending students:

The final grade will be based on a group presentations and written exam. Written exam will be on the arguments covered in class with the instructor, the slides of the lesson and the required readings. The final grade for attending students is composed as follows:

> Group presentation: 40%
> Written exam: 60%

For not attending students:

The final grade will be based on a written exam (100%) covering the slides of the lesson and the main readings.

Module II (Advanced economics of arts)

For attending students:

The final grade is based on an individual project and written exam. The individual project consists in the analyzis of the performance of an artist's works in the past 20 years, on the secondary market (price data is provided in class). Written exam will be on the arguments covered in class with the instructor. The final grade for attending students is composed as follows:

> Individual project: 70%.
> Written exam: 30%.

For not attending students:

The final grade will be based on an written exam covering the entire textbooks