# Advanced economics and management of arts

## Prof. Federica De Molli; Prof. Elena Stepanova

[Il programma è mutuato con la denominazione: *Visual art management*]

***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 teach students how to read the dynamics that role the visual art market and those that explain the value acquired by artworks on the international market. Moreover, this module will also explore how investments in art work and their recent developments. 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 an understanding of the way visual arts are managed in the international art market.
* Be able to read and understand the socio-economic dynamics that shape the on-going trends of the global art market.
* Be able to critically analyse the career of both an emerging and a well-known artists.
* Gain an understanding of how artworks acquire value in the international art market and maintain it over time.
* Understand how investment in art works and its most recent developments.

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 and creative organizations
* Defining visual arts, their business and market
* Arts marketing
* The art market
* Market value
* Artist analysis
* Art as an asset class

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[[1]](#footnote-1)***

**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

***Additional***

* Adam, G. (2017) Dark Side of the Boom: The Excesses of the Art Market in the 21st Century. Surrey, Lund Humphries.
* Becker, H. S. (2008). *Art worlds. Updated and expanded*. University of California Press.
* 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.
* 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.

**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 work and written exam, as follows:

Written exam

Group work is evaluated from 0 to 3 extra points, to be added to the final grade.

The extra points of the group work will be valid only for the summer sessions’ exams (namely June and July). Starting from September onward, the group works’ extra points wont’ be considered anymore.

Written exam will be on the arguments covered in class with the instructor, the slides of the lessons and the required readings. The final grade for attending students is composed

For not attending students:

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

***NOTES AND PREREQUISITES***

In case the current Covid-19 health emergency does not allow frontal teaching, remote teaching will be carried out following procedures that will be promptly notified to students.

1. I testi indicati nella bibliografia sono acquistabili presso le librerie di Ateneo; è possibile acquistarli anche presso altri rivenditori. [↑](#footnote-ref-1)