# Advanced economics and management of arts

## Prof. Daniele Perra; 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 system works as well as pricing dynamics in the art market. The course is divided into two modules. The first module (*Visual Arts Management,* Prof. Perra*)* adopts a multidisciplinary approach in order to provide students with the fundamentals of visual arts management focusing on the main “actors” of the current art system. In particular, this module will teach students how to read the dynamics of the contemporary visual art system and through a series of case studies regarding galleries, art fairs, auction houses, artists and collaborations with the fashion world. This module will also explore how art galleries, art fairs and the global art market have changed over the past recent years. A focus will be also dedicated to the recent Non Fungible Token global phenomenon and its market. 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. Perra), students will:

* Acquire an understanding of the way visual arts are managed in the international art scene through the analysis of the main actors of the art system and specific case studies.
* Gain an understanding of how art galleries, art fairs, auction houses have changed over the past recent years.
* Be able to analyse the career of an internationally known artist.
* Imagine how the art market and the art of collecting might change in the future.

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. Perra)

This module is structured around the following topics:

* Defining the art system through its main “actors”.
* The art market: galleries, art fairs, auction houses, art advisors, online platforms, collectors.
* Artist analysis. Case studies: Andy Warhol, Maurizio Cattelan, YBAs, Damien Hirst, among others.
* When artists question the art market. Case study: Andrea Fraser

Beyond collecting. Case studies: TBA21, Fondazione Sandretto Re Rebaudengo and others.

* The dark side of the art system and the market. Case study: *Velvet Buzzsaw* (2019), a film by Dan Gilroy.
* The Non Fungible Token new market in the digital age.
* What’s next? The art market and the art of collecting in the future.

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***

* Adam, G. (2017). Dark Side of the Boom: The Excesses of the Art Market in the 21st Century. Surrey, Lund Humphries.
* Taylor, J. (2017). Visual Arts Management, Routledge.
* Thompson, D. (2010). *The $12 million stuffed shark: The curious economics of contemporary art*, Macmillan.

***Additional***

* Adam, G. (2021). *The Rise and Rise of the Private Art Museums.* Lund Humphries.
* Thornton, S. (2014). *33 Artists in 3 Acts,* W.W. Norton and Company.
* Thornton, S. (2008). *Seven days in the art world,* W.W. Norton and Company.

**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)

The final grade for attending and not attending students will be based on an oral exam (100%) on the topics covered in class with the slides of the lessons along with few questions regarding 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.