

Art Market as an Economic Indicator

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Abstract: In three different ways, this article provides insight into how the presentation of artwork reflects the changing stages of the economy. The article delves into the historical significance of the Dutch Golden Age, where artistic opulence went hand in hand with economic prosperity. In addition, it dissects the broader stages of economic development and their reflection in art from ancient agrarian societies to today's digital age. Finally, the article explores the evolving patterns of transactions in the art market, tracing the shift from barter systems to modern digital transactions. Through these lenses, the article shows that the art market can serve as a dynamic indicator of economic change, providing insight into social values, economic health, and the evolving interplay between culture and commerce. The economic crisis of 2008 and the potential dangers of the fine art market are examined. The future use of market trends as a starting point for econometric measurements was envisaged.

Keywords: Art Market, Economics, art valuation, financial downturns

1. Introduction

Scholarship on the intricate interplay between economic fluctuations and artistic expression has been an important aspect of academic pursuits for decades. At the heart of these studies is a pervasive question that has captured the attention of scholars and enthusiasts alike: how exactly have art forms throughout history served as a mirror for the ebb and flow of currents in the world's economic landscape? Are there obvious threads of evidence linking changes in artistic expression to the unique times in which they occurred? Delving into the intersections of art and economy not only reveals the potential for decoding historical economic dynamics, but also provides an insightful perspective on the different socio-economic eras that have shaped human civilization. This work aims to explore the evolution of various art forms and their potential as economic indicators. By examining the works of various artists, we aim to reveal how art reflects and even foreshadows changes in the economic landscape.

2. The Dutch Golden Age

Art is often a reflective canvas that captures the ebb and flow of economic fluctuations. During periods of prosperity, for example, artists have traditionally depicted opulent scenes, rich landscapes, and thriving urban environments.¹⁷ Dutch Golden Age paintings of the seventeenth century, characterized by intricate still-lives and bustling cityscapes, exemplify this tendency, demonstrating the affluence of the era. Jan Vermeer's *Maiden with a Pearl Earring*: Jan Vermeer's work demonstrates the intricate detail and skillful use of light and shadow that characterized the Dutch Golden Age. By

contrasting light and dark, this painting highlights the girl's expression and features. A balanced interplay of warm and cool tones against a mysterious dark blue background accentuates the warmth and prominence of the girl's portrait. The clever depiction of textures such as the lustre of the jewels and the fold of the dress demonstrates Vermeer's extraordinary drawing skills.

Still Life Paintings by Pieter Claesz: Pieter Claesz was one of the most renowned still life painters of the Dutch Golden Age. His works are characterized by delicate detailing and lifelike textures. Through precise depictions of objects, he creates a tactile sensation as if one could touch the elements. His works, such as "Still Life with a Candle," showcase details like dripping wax and liquid in a glass, exemplifying his outstanding skills.

Landscape Paintings by Jacob van Ruisdael: Landscape paintings during the Dutch Golden Age were often created by artists like Jacob van Ruisdael. His works are known for their realistic details and play of light and shadow. In "Landscape with a Castle," he captures the textures of trees and buildings through skillful use of light. The balance of warm and cool tones also evokes an autumnal atmosphere.

Portraits by Rembrandt van Rijn: Rembrandt's portraits are celebrated for their profound emotion and masterful technique. Works like "The Night Watch" employ a clever interplay of light and dark to emphasize contours and expressions. Changes in tones create a strong contrast of warmth and coolness, enhancing the dramatic impact of the painting.

The Semiotics of Conspicuous Consumption: Based on the social psychological theory of "conspicuous consumption", the artworks of the Dutch Golden Age meticulously reveal the connotations of luxury through intricate visual details. This conspicuous visual opulence was not only a platform for aesthetic appreciation, but also a symbolic representation of the middle class's desire to symbolically communicate its economic prosperity. The art pricing could represent the investment performance of art and the price dominance, and the actual value of an art piece comparing to a virtual financial asset is hard to evaluate, measured in price index [1]. **Social Comparison and Identity:** These depictions of middle-class lifestyles exemplify the social psychology paradigm of "social comparison" framing, which provides a means for viewers to make upward or horizontal social comparisons. As viewers appreciate these artworks, their comparative assessments anchor their sense of self and identity in socio-economic structures, exemplifying the power of symbolic interaction in shaping identity.

Emotional prediction and well-being: reflecting the principles of the 'emotional prediction' paradigm of social psychology, Dutch Golden Age paintings typically depict family reunions, celebratory gatherings and joyous revelry. Such representations of positive emotional experiences resonated with viewers and fueled their intrinsic quest for hedonic happiness. The evocation of emotions in works of art coincides with the psychological mechanism of people's desire for fulfillment and satisfaction. The art market has grown skyrocketing during the Dutch golden age, although painting had already been a growth industry in the 15th and 16th centuries. Between 1600 to 1650, the Haarlem painter working rose from 19 to 68. In these years, Amsterdam has held for numerous sales of art pieces [2, 3]. The growing globalization and global trade were strongly influenced by the growth of art industry, developed modern taxonomy and contributed to the modern art market [4].

In contrast, artworks during the recession were characterized by melancholic themes, sombre tones and depictions of struggle. Artists such as Dorothea Lange and Diego Rivera incorporated the hardships of the time into their artwork, depicting the misery and socio-economic disparities that plagued the era.

In addition, shifts in artistic styles can themselves reflect economic transformations; the transition from the sumptuous Rococo style to the more austere Neoclassical style in the late 18th century coincided with changes in socioeconomic values and the aftermath of the French Revolution.

Similarly, the emergence of Abstract Expressionism in the wake of the Second World War has been seen by some as a response to the uncertainty and disruption caused by the war, reflecting the changing global economic and political landscape [5].

In each of these cases, art acted as a mirror of history, encapsulating the economic thinking of the time and providing insights into prevailing economic sentiments and realities.

2.1. Transaction forms

In addition to the various art forms, let us talk about the different ways in which art is traded. Art as an economic indicator has a rich history that reveals the interplay between artistic expression, cultural significance and economic factors. In ancient times, the barter system was a notable example of economic adaptation. Notably, during periods of economic instability or monetary scarcity, societies often resorted to bartering in exchange for goods and services. In his book *Debt: The First 5,000 Years*, economic historian David Graeber notes that the barter system predates the use of money and was the primary means of exchange in many ancient societies. The prevalence of barter as a means of trading art highlights the deep-rooted links between art and the economic systems of the time, emphasizing the plasticity of art in an economic context.

The practice of exchanging artworks as gifts or tributes in ancient civilizations also provides valuable insights into the economic relationships between societies. Noted by Michael Hutter and Richard Shusterman, the 'external effects will provide a new perspective on artistic valuing. [6] Gift and tribute exchanges were more than symbolic gestures; they were rooted in economic diplomacy. For example, the "Tribute of 20,000 loaves and fishes" recorded in ancient Mesopotamia demonstrates the economic dimension of tribute, whereby a conquered region contributes resources, including artifacts, to the conqueror. This exchange of artifacts as tribute marks not only the contrast in economic power between civilizations, but also the economic importance of artifacts. Historically, the economic value of works of art has often been complemented by their cultural and symbolic significance.

Bustling ancient marketplaces were not only centers of commerce, but also windows into the economic heartbeat of society. The agora in ancient Greece, for example, was not only a place to buy and sell goods, but also a centre of social and political life. The presence of art in these markets emphasized their economic significance. Art was bought and sold alongside other commodities and increases or decreases in the volume of art traded could reflect economic trends. This is evidenced by the extensive archaeological discoveries at the Agora in Athens, where a large number of artifacts, including vases and sculptures, as well as everyday objects, have been found.

In addition, the existence of ancient trade routes highlights the role of art in economically connecting different regions and cultures. The Silk Road is one of the most famous trade routes in history, facilitating the exchange of not only silk between East and West, but also art and artifacts. In his book *The Silk Roads*, economic historian Peter Frankopan emphasizes that these routes involved not only trade, but also the exchange of ideas, cultures and, importantly, art. This cross-cultural exchange of art along trade routes highlights the economic and cultural interconnectedness of ancient civilizations.

Religious institutions, with their strong economic resources, played a pivotal role in the patronage of the arts. The construction and decoration of religious sites often involved the commissioning of beautifully crafted works of art. The ceiling of the Sistine Chapel, painted by Michelangelo, is a famous example of such patronage. The economic resources required for such activities are enormous and demonstrate the economic clout of religious organisations. In addition, economic priorities were reflected in the trading of artifacts within religious networks, which were traded at significant monetary values. In medieval Europe, for example, the production and trade of religious artifacts, such as painted manuscripts and religious relics, were profitable economic activities.

The existence of ancient art auctions and public markets suggests that works of art had a recognised market value in antiquity. These markets provided artists and collectors with the opportunity to sell their works to the highest bidder. In ancient Rome, for example, art auctions took place in public places and attracted buyers and sellers from different parts of the empire. At these auctions, art prices would fluctuate according to supply and demand, serving as an early economic indicator of the art world. These auctions and markets highlighted that art was not only an aesthetic pursuit, but also an economic asset subject to market dynamics.

Ancient modes of transporting works of art, such as caravans and ships, reveal the economic infrastructure and investment required to trade art over long distances. The previously mentioned Silk Roads relied on a vast network of caravans to transport goods, including works of art, across continents. The economic significance of these trade routes is quantifiable. For example, according to economist Giovanni Federico, the trade in spices, silk and other commodities along the Silk Roads contributed significantly to the global economy, reflecting the economic impact of the art trade along these routes.

In sum, the historical practice of art trading in antiquity provides intriguing insights into the multifaceted relationship between art and economics. The prevalence of barter systems, the exchange of works of art as diplomatic gifts and tributes, the flourishing of ancient bazaars, the importance of trade routes, the role of religious institutions in the patronage of the arts, the existence of auctions, and the logistics of transporting works of art all provide evidence of the economic dimension of art. These practices highlight the fact that art has always been more than a cultural artifact; it is also an economic asset that has reflected and influenced economic conditions throughout history.

2.2. Changing phase in the Art Market

The art market, like any other sector of the economy, has gone through different economic phases over time. It is important to note, however, that specific dates and statistics can vary widely by region, art market segment (e.g., contemporary art, antiques, etc.), and time frame. Boom phases of the art market are characterized by strong sales, rising prices and high demand for artworks, and often coincide with periods of economic prosperity and increased wealth. For example, at the beginning of the twenty-first century, the global art market experienced a boom period, with global art sales totaling approximately US\$31 billion in 2006, a significant increase over previous years. The boom was followed by a recession, when the art market slowed down, sales stagnated, and prices stabilized or fell slightly as collectors' confidence waned. According to Art price, the art market entered a period of recession following the onset of the financial crisis in 2008, with global art market auction sales falling from \$16.6 billion in 2007 to \$9.6 billion in 2009. Recessionary periods in the art market are characterized by a marked contraction, with sharp falls in sales and prices, often as a result of a wider economic downturn, leaving galleries and artists facing challenges. The bubble-like economy has made people to think about the art market, will we experience a speculative bubble in the art market just like other financial market? Yes, there are. Including the pos-war and contemporary [7]. During the global recession of 2008-2009, the art market went through a phase of decline, with global art sales falling by 42 per cent between 2007 and 2009, according to the TEFAF Art Market Report. The recession was followed by a recovery phase where the art market gradually improved, with sales beginning to stabilize, prices likely to recover and collectors' confidence restored. According to the TEFAF Art Market Report, in the years following the 2008-2009 recession, the art market entered a recovery phase, with global art sales increasing to \$43.5 billion by 2010. The duration and intensity of these phases vary depending on factors such as the global economic environment, geopolitical events, changes in tastes and preferences, and changes in the art market's buyer base, and is technically not predictable[8]. The art market consists of various segments and genres, each with its own dynamics and trends. Not only the modern art market but also travel back to the ancient times,

art market is a significant part of archaeology. In the study of Bronze Age sculptures by Ricardo Elia, the ancient art pieces are usually private collection now [9].

Specialist reports and databases provided by organisations such as Art Basel, Sotheby's, Christie's and TEFAF are an invaluable resource for tracking and analyzing trends in the art market, providing up-to-date and accurate statistics on the economic stages of the art market. For example, according to Art Basel and the UBS Global Art Market Report, the COVID-19 pandemic had a profound impact on the art market, with global art sales falling by 22 per cent in 2020 compared to 2019. However, the art market has historically shown great resilience and adaptability, bouncing back in previous post-recession recovery phases. From Simona Botti's perspective, on the other hand, there are still a bunch of issue on, not only valuing art, but including the 'product oriented' approach to art marketing and the switching forms of art could make the trade become even more complex [10].

3. Conclusion

Several well-known artists have faced a lack of recognition and value while alive but have gone on to achieve acclaim and financial success after their deaths. Vincent van Gogh's life in the late 19th century was riddled with poverty and mental health issues that hindered the sale of his artwork. The period was also characterized by economic instability, including the Great Panic of 1873 and the European Agricultural Depression, which likely impacted on the thriving art market. Johannes Vermeer, who worked in the 17th century, lived during a golden age when the Dutch art market was booming. However, the small number of works he produced during his lifetime and his limited popularity may be partly due to the highly competitive nature of the art world at the time, and the fact that he concentrated mainly on domestic genre scenes, which may not have been as popular as the grand historical paintings. El Greco lived in a 16th-century Spain that experienced economic challenges such as debt, inflation, and the decline of the textile industry, which may have influenced the limited demand in the art market for his distinctive religious and Mannerist style. Pierre-Auguste Renoir painted in the late 19th and early 20th centuries, and his Impressionist style was criticized during a period of economic turmoil, recession and shifting art market preferences. The fact that they were both under-appreciated during their lifetimes highlights the complex relationship between an artist's fortunes and the economic circumstances of his or her time, revealing that economic factors, market trends, and societal preferences can have a profound effect on an artist's perceived value and recognition.

In short, the art market of the future is bound to be profoundly influenced by digitalization and evolving social and cultural trends. The rise of the digital art market, fueled by blockchain technology, cryptocurrencies and virtual reality, is opening up new horizons for artists, collectors and investors. The emergence of NFTs and virtual exhibitions marks the birth of a unique and thriving industry, provoking reflection on ownership and mediation. At the same time, a growing emphasis on diversity, inclusion and social justice is reshaping the art world, expanding the demand for art that reflects diverse voices and experiences. As societies become more interconnected and cultures more diverse, the art market is becoming a global arena for cross-cultural exchange. The future of the art market depends on its ability to adapt to these technological and cultural shifts, and those who recognize and embrace these changes are expected to shape the trajectory of the art market.

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