

Summaries of articles

Winning The Art Lottery: The Economic Returns to The Ganz Collection,
by William M. Landes

In 1997, the Christie's sale of 20th century art works from the estate Victor and Sally Ganz netted more than \$207 million, a record sum for a single-owner sale of art at auction. The paper presents estimates of the Ganzes' financial returns from investing in art using records the Ganzes' kept on the prices they originally paid for the works sold in 1997 and two earlier auctions in 1986 and 1988. Over the period 1948 to 1997 the Ganzes earned real rates of return ranging from 12 to over 21 percent for works sold at the three auctions. Overall, the Ganzes beat-often by a wide margin-the returns from diversified portfolios of common stocks. The empirical evidence shows that the Ganzes were not only lucky but skillful investors as well. Their financial success did not result from a few lucky purchases. They earned consistently high returns, regularly beating the stock market on works by different artists acquired at different time periods. I also found that buyers were willing to pay a price premium for works from the Ganz collection compared to "identical" works sold by others. For example, buyers paid between 25 and 90 percent more for prints from the Ganz collection than for otherwise identical prints. The likely source of this premium is the quality and prestige of the Ganzes' collection itself not the recently acquired celebrity status of the collectors.

Keywords: Ganz, Art and Returns.

Journal of Economic Literature classification numbers: Z10, L82.

Art experts and auctions. Are pre-sale estimates unbiased and fully informative? by Luc Bauwens and Victor Ginsburgh

Public sales art catalogues include low and high pre-sale price estimates by experts. This makes it possible to analyze whether pre-sale estimates are unbiased predictors of realized prices. Unbiasedness is tested using a sample of some 1,600 lots of English silver auctioned by Christie's and Sotheby's. Results show that estimates are slightly (but significantly)

biased and that experts do not use all the information that is available to them when they make their estimates.

Keywords: biasedness of pre-sale estimates, not fully informative pre-sale estimates.

Journal of Economic Literature classification numbers : D44, Z1.

Rules versus play in early modern art markets, by Neil De Marchi and Hans J. Van Miegroet

The paper identifies and tries to account for the forms taken in selected art markets for the selling of paintings, as a response to specific features and constraints in the local regulatory environment. Our analytical histories cover 15th century Bruges, 16th century Antwerp, 17th century Amsterdam, and early 18th century London and Paris. They yield some evidence that : (1) restrictive guilds did not succeed in stifling innovation, though innovators were forced to take indirect routes and to adopt forms not always the most efficient; (2) where circumstances allowed a choice of auction form (English or Dutch) the method selected matched the prior experience of buyers (low or high respectively); and (3) in the single instance where guilds were open to cooperation across skill categories this coincided with a series of marketing experiments and a range of novel products.

Keywords: Regulation, Institutions, Markets.

Journal of Economic Literature classification numbers : D2, D4, L1.

An economic guide to ticket pricing in the entertainment industry, by Pascal Courty

This paper reviews the literature on ticket pricing in the entertainment industry. All along, I try to evaluate whether ticket markets outcomes are consistent with theoretical predictions. Overall, the literature provides a good understanding for observed variations in ticket prices. The literature, however, fails to explain situations where prices do not vary. We have but a poor understanding for why prices often do not vary over the run of a show, why more popular shows do not charge more and why most venues are scaled in just a few sections. I also review the empirical literature of price discrimination in ticket markets. By contrasting the theoretical and the empirical literatures, the paper identifies a set of promising directions for future research.

Keywords: Ticket Markets, Price Discrimination, Price Compression.

Journal of Economic Literature classification numbers : D4, L82, Z1.

Legal structure and strategic regulation of intellectual property : Who pays for R&D in arts markets ?, by Andrew E. Burke

The paper addresses the issue of who pays for the cost of creating artistic works and other forms of intellectual property. It examines the effect of current legal structure on regulatory performance in markets for intellectual property; specifically the effects of sequential and partial regulation. These entail the regulation of multiple market intellectual property on a "market-by-market" basis (sequential regulation) where the performance in other markets for the same intellectual property is taken as given (partial regulation). The analysis demonstrates that this form of regulation is sub-optimal and creates an incentive for copyright and antitrust laws to be employed strategically by consumers, firms and regulators. In particular, it creates an incentive to use domestic regulation as an international strategic device. The theoretical exposition is augmented by an analysis of two regulatory decisions relating to the US market for music performance rights which reflect the strategic implications of partial and sequential regulation.

Keywords : Strategic regulation, copyright, music performance rights.

Journal of Economic Literature classification numbers : K2, L4, L5.

The Built Heritage : Some British Experience, by S.W. Creigh-Tyte

This paper provides a brief overview of policy intervention mechanisms affecting the preservation of the historic environment in Britain. This covers half a million "listed buildings" in England alone. Within this policy framework, the paper then discusses stated preference valuation exercises on the built environment and the results of a long – term exercise comparing returns of listed and unlisted office properties in the UK since 1980.

Keywords : built heritage, policy mechanisms, valuation and returns.

Journal of Economic Literature classification numbers : H59, Q38, Z10.