

# B A N D W A G O N

effects, attribution and the value of Sunflowers

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## economics

students learn the difference between value and market price in their very first introductory course. Diamonds are expensive because they are scarce, while water is cheap yet immensely valuable because of the surplus value individuals receive from consuming water over and above the price they must pay for it. Put simply, scarcity (supply) is only one half of the explanation of value and must be combined with demand (which measures the sum of consumers' willingness to pay for a good). In art markets, high auction prices for unique works of art represent the interaction of scarcity and a high willingness to pay by a relatively small number of buyers. Nevertheless, there is an implicit notion that unique or rare art masterpieces have a high aesthetic value that represents their status as national or even global treasures. But can the market uncover the true underlying aesthetic value of a work of art?



VINCENT VAN GOGH, *Sunflowers* (c. 1888) was sold in 1987 by the National Gallery in London to the Yasuda and Marine Insurance Company for approximately US\$50million

When the experts disagree on things like authenticity, it seems to call into question the notion that there is some fundamental aesthetic value to artworks which often seems less a function of aesthetic value and more related to other factors. Grampp (1989) relates the story of a forger who having been caught copying the work of Marc Chagall, was brought to trial. The artist himself was called as a witness for the prosecution and surprised everyone by testifying that the alleged forgeries were in fact his original creations. In an incredible turn of events, the defendant then openly disputed Chagall's testimony, claiming the forgeries as his own!

More recently, art experts at the Van Gogh Museum in Amsterdam have claimed that a painting *Sunflowers*, sold in 1987 by the National Gallery in London to the Yasuda and Marine Insurance Company for approximately US\$50million, is indeed the genuine article. This is the latest piece of information in a debate over the painting's authenticity that has been ongoing since the 1987 sale, when expert Geraldine Norman declared that the painting was not by Van Gogh. In the case of *Sunflowers*, the fame, stature and stock of art by the artist clearly have a role to play in determining how the market values the work. There is also a sense in which value is related to the richness of the story that can be told. The *new* story about *Sunflowers* has its roots in 1888 (instead of 1889) in Arles, France; a time when Van Gogh was working with Gauguin. Consequently *Sunflowers* may have been Van Gogh's response to Gauguin's *Still Life in Yellow*, and the inspiration for Gauguin's portrait of Van Gogh painting *Sunflowers*.



The story of an artwork need not be limited to the authenticity of its attributed creator. In 1999, one of the most popular art exhibits of the year was “Van Gogh’s Van Goghs” at the National Gallery in Washington. Part of the reason for this was the story surrounding the reputed previous owners of Van Gogh’s *Portrait of Dr. Gachet*, with suggestions that it was purloined during the Nazi period. More generally, the market for items of clothing or common objects owned by famous people can generate impressive auction prices that increase in value with the story that goes along with it. No one cares about an old shirt with a hole in it and a dirty stain, until they are told it is the shirt that Nelson wore at the battle of Trafalgar.

Expectations also play a role in determining value and help to explain the sorts of cycles observed in art and fashion markets. *Snob* effects occur when a good’s value is negatively correlated with expectations of how many other consumers will own the same good. Fewer limited prints or a smaller stock of artworks can increase the willingness to pay of consumers who value uniqueness as a distinct attribute of the artwork in question, independent of its aesthetic appeal. In contrast, there are also *bandwagon* effects in the market such that consumers place more value on works if they expect other consumers to be purchasing them. This creates a positive feedback loop: the popularity of an unlimited print can in part be derived from its popularity. A third role for expectations comes from an investment-based valuation of artworks. Investors’ willingness to pay for art is driven by expectations of the future willingness to pay by art consumers (based on aesthetic valuations) and other art investors. For speculators in the art market, their own aesthetic value takes a back seat to their expectations concerning the future willingness to pay of others.

While the experts continue to debate authenticity, history and other non-aesthetic aspects of value in the art market it does well to remember that the summed global willingness to pay for a popular art poster or print of *Sunflowers* in comparison to its market price may define a far greater economic value than the Yasuda and Marine Insurance company could ever afford, *irrespective of its creator*.



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<http://www.wlu.ca/~wwsbe/sbe2000/index.html>

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W. D. Grampp, *Pricing the Priceless*, Basic Books, 1989.

“Van Gogh ‘Fake’ Declared Genuine”, *The Economist*, March 2002.