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Art price economics: From boom & bust to process of canonization on the art market

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Development of prices on the art market 1940-1945 (index 1940=100), superimposed on part of a newspaper article on art as investment in De Telegraaf, 22 May 1941.

"Almost everyone deals in 'art'; this week the baker offered me a Gabriël which, however, turned out to be a clumsy forgery", reported the Hague art dealer A.J. Boer in his 1943 book *Kluchten en drama's in den kunsthandel (Farces and Drama in the Art Trade).* Boer wanted to educate lay people on the effects of this boom on the art market. Due to fast rising prices and a lack of imports, the market was flooded with lesser quality paintings and outright *kitsch*. Issues surrounding price, quality and authenticity of artworks, as well as large-scale exports to Germany of Dutch cultural heritage and kitsch, instigated several attempts to regulate the market. The accommodating as well as the collaborating departments in the Dutch civil service, the German *Aufsichtsverwaltung* (the civil administration which supervised the Dutch civil service), the Dutch government in exile, and even Göring himself tried control various aspects of the art market.

This boom started right after the Dutch capitulation in May 1940 when the two most important art collectors in Nazi-Germany – Hitler and Göring – were buying art on a large scale. In their wake, a large number of Nazi officials and other Germans followed. Given this sudden buying frenzy, it is hardly surprising that the scarce older literature on art markets identifies the two men as the driving force behind this boom. My aim here is to show how the use of statistics and basic economic price theory leads to a better understanding of what happened on the art market during World War II, and why.

When trying to understand the development of price and volume, it is necessary to build databases of art sales and prices. In such an enterprise it is essential to make sure that the recorded prices were actually attained and that these works of art and prices were representative of the market. The methodology should be approached with no less caution. Indices based on average or median prices do not account for shifts in quality, therefore their results are easily skewed. This can be mitigated somewhat through choice of data, and by comparing mean and average prices. The repeat-sales method – which looks at price increases at different times of sales of the same artworks – is also easily skewed, especially in such a short timeframe as the duration of World War II. Hedonic regression, however, deals with all these issues because price is determined by the characteristics (artist, quality, authenticity) of an artwork and the price development of its market. Using this approach, I can construct an index of price development on the markets for artwork which comprises modern paintings, paintings from the romantic period, and old masters. The analysis yields results which are shown below, superimposed on a newspaper article about the boom. These indicate a slight increase in prices by 1941 (in volume, an aspect not covered here, the boom had already started), with the boom taking off the next year and lasting until the very end of the German occupation.

Insights into the development of prices and volume – while helping to prove the boom and providing insight into taste and so on – do not explain why such a boom occurred nor who was actually buying all of these objects. Here, again, insights from economics help explain what happened. To fuel their war effort, the Germans decided to exploit the Dutch economy to the fullest extent possible. Although this resulted in full employment, the money earned could hardly be spent because goods such as food and clothing were rationed and prices were kept stable. As the volume of money in savings accounts mounted, so did inflationary pressure. This was because the Germans paid in Marks, which *De Nederlandsche Bank* exchanged for guilders, forcing the Dutch money presses to work overtime. The increase in the money supply was so great that already in the spring of 1941 the press was talking about a widespread fear of inflation that was causing the Dutch population to invest in goods of lasting value, namely, art. Meanwhile, where there is rationing, there is also a black market. As prices on the black market increased, black marketeers possessed ever larger amounts of cash money. Because they were aware that a currency reform would be implemented after the liberation, they too were investing in art. During the height of the Hunger Winter, it was the black marketeers who pushed the art boom to new heights, as by then Germans and regular Dutch buyers had other concerns and were no longer active.

My initial research has broadened to the international art market in the period 1870 to 1970, specifically its reaction to political and economic crises, and processes of professionalization and canonization of modern art. However, my work remains firmly rooted in economic history. Typical of my Rotterdam approach is the variety of research methods and sources that I include. And, of course, studying the art market is a study in encounters between people, cultures, economies, nations, regions, ideas, and objects.

Further reading

David, Géraldine, and Kim Oosterlinck. “War, Monetary Reforms and the Art Market.” *Financial History Review* 22, 2 (2015): 157-177.

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