

# Valuation of Art

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## Abstract

Art Valuation is a systematic system of financial valuation that depends on a large number of objective as well as subjective factors. As a result, the value can vary greatly making the art market an extremely unpredictable field. Some of the factors that it depends on include the reputation of the artist, origin date, the artwork's ownership history, state of preservation, dimensions, medium, demand, and recent sales data. However, it is subject to constant fluctuation depending on the market dynamic and the level of interest in specific artists or art styles. Another important factor that has resulted in the significant rise in the prices of artworks is the increase in publications of books and research papers based on artworks. This has helped to increase consumer awareness as well as brought a number of artists back in the limelight. Art valuation also plays diverse roles in art, including financial, legal and cultural prospects. It is significant for several reasons like investment, insurance and many more.

**Keywords:** Art, Valuation, Market, Factors, Artists

## Literature

The literature has pointed out the fact that artistic value played a minor role in classical philosophy. However, it gained more importance in 18th century aesthetic theory and also played a role in moral philosophy. The value of Art and the process of its valuation has remained an indispensable subject of modern aesthetics, while economists have excluded these topics from consideration. Recent attention to "external effects" has opened new ways of interpreting artistic value in a manner consistent with economic theory (Hutter, M. and Shusterman, R., 2006). It talks about how art is priceless. Nevertheless, paintings and other objects have been sold in the market since the time of the Roman Empire. It has described a method for constructing a price index for paintings and compares this index to the indices of various financial markets. It also discusses whether the price of art is related to financial markets, whether the art market is weakly efficient, and whether it is more or less risky than financial markets (Chanel, O., Gerard-Varet, L.A. and Ginsburgh, V., 1994).

Moreover, it also addresses an important question, that is, Why are original artworks valued more than identical duplicates? The reason for the discrepancy in the value between original artworks and perfect duplicates derives from people's lay theories about the sphere of art, rather than from associations with particular kinds of art or certain cases of forgery (Newman, G.E. and Bloom, P., 2012). It clearly states that there are a number of elements that influence the value of artworks. One of the main findings is that the size, signature, monogram and oil positively affect the prices, whereas inscription and frame have a negative influence. In addition, the place where the painting is sold influences the price as well, auctioning a painting at the headquarters is more profitable than doing so in other offices (Stetco, I). It has pointed out the fact that the opacity of the fine arts market demonstrates that opacity market characteristics create

conditions for overvaluation, fraud, and risks of low investment returns. The market characteristics include uncertainty in assessing true market demand for products, in assessing product authenticity, reliance on marketing intermediaries and facilitators who have monetary interests in over-valuation and vulnerability to arbitrary extrinsic market conditions.

My research is based on the valuation of artworks like paintings and sculptures. Through primary as well as secondary research, I will identify the factors affecting the price and the reasons for its fluctuation. The literature speaks about the elements influencing the price of art and their importance thereby. I wish to elaborate on these themes and contribute to the present literature.

### **Method**

I will be conducting primary research by speaking to gallery owners to gain insight on the valuation of art. This will help me understand the process of evaluating paintings, sculptures and other artworks and the significance of the different elements influencing the price. In addition to this, I will also be conducting secondary research to gain further knowledge about this topic.

### **Results**

The first interview was with Dr. Prakash Kejriwal, who has been the founder and director of Chitrakoot Art Gallery for more than thirty years. It is one of the oldest art galleries in Kolkata and has developed a formidable collection of Bengal art starting from Early Bengal to Masters like Jamini Roy, The Tagores, Nandlal Bose, and other prominent Bengal school and Bengal artists like Hemen Majumder, Atul Bose, Debiprasad Roychowdhury and others of their period and their disciples.

Dr. Kejriwal said that the valuation of paintings depends on several factors like the degree of education the artist has received, the history of the artist's exhibitions, the popularity of the artists, the point of view of the critics, the age of the artist and the sales promotion measures undertaken by the gallery. He also said that this price is decided by both the artist and the art dealer and does not fluctuate very often.

My next interview was with Mrs. Madhu Agarwal, the owner of Srishti Art Gallery in Kolkata. They specialize mainly in wooden and pearl handicrafts as well as Tanjore and Rajasthani paintings.

Mrs. Agarwal said that a wide variety of elements influence the price of paintings and other artworks. According to her, the artist's reputation, the historical significance and rarity of the artwork, the quality of execution, the subject matter and theme of the artwork, the market trends of demand and supply, and the cultural and societal factors, contribute to the value of the artworks. In addition to this, she said, "It's important to note that the art market can be subjective and influenced by a variety of factors, making the evaluation process complex. Additionally, individual taste and preferences can also affect how individuals value artworks."

When asked about her opinion on the frequent fluctuation in the value of art she said that the price does change frequently and this is due to several reasons such as the changing demand, market trends, economic factors, the artist's career trajectory, sales, auctions, global events, and many more. She also said that as a

result of this constant fluctuation, “investing in art can be rewarding, but it also carries risk due to this volatility.”

When asked whether artworks are a good investment, she said that this too cannot be defined in objective terms and depends upon factors like individual financial goals, risk tolerance, and interest in the art world. She also mentioned that “it’s essential to approach art investment with caution, diversify your portfolio, and consider it as a long-term investment strategy rather than a quick way to make money.”

### Conclusion

To sum up, the valuation of art is a complex process and a wide variety of elements influence this price. As stated earlier, some of these elements include the reputation of the artist, the history of the artwork, and the market trends of demand and supply. This shows the subjective nature of art and highlights the fact that there is no predetermined process or system by which the price of artworks is decided. All the art dealers also agreed that the value of art fluctuates quite often. This in turn makes paintings and other artworks a good long-term investment.

### Limitations

This study has some limitations. One limitation of the research study is the small number of participants. According to the extent of my research I anticipated that interviewing 2 participants would help me reach the desired results.

### Reference

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