The Art of Emerging Markets: A Latin American Perspective

By
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and
NBER
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Rivera and Kálo...
...Botero and Lam...
...Matta and Tamayo...
This talk is on the economics of Latin American art

I use economic tools to try to understand the artistic creative process and art as an investment

This research is part of the new and growing field of the economics of art or cultural economics

Some authors:

- Will Baumol, Richard Caves, Sherwin Rosen, Bruno Frey, and David Galenson
Some issues on the economics of Latin American art

- Patters of creativity
  - Do Latin American artists follow similar patterns than European and U.S. artists?
  - “Conceptual” and “experimental” artists
  - “Tradidional or indigenists” and “universalist” artists

- Latin American art as an investment
  - Alternative portfolios
  - Investment rules

- The role of foreign training, travel and exile on creativity and value
The data set

- Data on auctions
  - 13,000 observations on auctions
  - 115 artists from 17 countries for 1977-2001
  - Paintings and drawings
  - Prices, date auctioned, date painted, medium, size, signed, who sold it, and other characteristics
  - Number of pieces auctioned per artist:
    average = 260; median = 177; minimum = 35.

- Data on artists life
  - Biographies
  - Art publications
Artists with largest number of pieces:

- Fernando Botero,
- Leonor Fini,
- Wifredo Lam,
- Roberto Matta,
- Carlos Merida,
- Rene Portocarrero,
- Diego Rivera,
- Rufino Tamayo,
- Francisco Toledo,
- Joaquin Torres-Garcia,
- Francisco Zuniga.
Artists with pieces that have been sold in excess of USD 1 million (in 1995 dollars):

- Tarsila do Amaral
- Fernando Botero,
- Frida Khalo
- Wifredo Lam,
- Roberto Matta,
- Diego Rivera,
- Rufino Tamayo,
- Jose Maria Velasco
I. Patterns of Creativity

Do patterns of creativity follow “northern” artists’ patterns, or do they have own dynamics?

David Galenson, *Painting Outside the Lines* (Harvard University Press, 2001)

- Uses auction data to analyze when artists did their best work
- Defines two patterns:
  - “Conceptual”: Best work is done early on, at a young age
  - “Experimental”: Best work done at older age
- Finds that artists born before 1930 tend to be “experimental;” those born after 1930 tend to be “conceptual”
Methodology

- Estimate, for different groups weighted-fixed-effect regressions of the following type:

\[
\ln \text{Price}_{jt} = \alpha_1 \text{age} + \alpha_2 \text{age}^2 + \alpha_3 \text{age}^3 + \alpha_4 \text{age}^4 \\
+ \alpha_5 \ln \text{height} + \alpha_6 \ln \text{width} + \alpha_7 \text{paper} \\
+ \alpha_8 \text{signed} + \sum \beta_i \text{year of sale dummy} \\
+ \sum \gamma_i \text{artist dummy} \\
+ \sum \delta_i \text{decade dummy} + \varepsilon_{jt}
\]

- The coefficients of \( \text{age, age}^2, \text{age}^3, \text{and age}^4 \) determine the “pattern of creativity”

- The patterns are compared statistically for the different groups
Creative pattern equations were estimated for the following different groups:

- “Early” (pre 1900 birth date), “intermediate” (1900-1920 birth date) and “younger” (post 1920 birth date)
- By different schools: “Traditional” or “indigenists” vs. “universalists”
- Artists with formal training abroad vs. artists without training abroad

Weighted regressions are used, with the total numbers of pieces auctioned by each artist as weight.
Individual patterns of creativity for the “big six”
Summary of Results on Creativity

- In contrast to Galenson, we don’t see a decline in the age at which artists do their best work.
- On the contrary, the age when best work is done has increased for younger generations of artists.
- We do see that patterns of creativity differ for different artistic schools: “traditionalists” peak earlier than “universalists”.
- We do see that “foreign training” does affect patterns of creativity: those trained abroad have a steep increase in prices.
Results of Patterns of Creativity by Age of Birth
Creative pattern for pre-1900 artists

Max = 23 years old
Creative pattern for 1900-1920 artists

Max=31 years old
Creative pattern for *post-1920* artists

Max = 66 years old
Results of Creativity and Foreign Training
No training abroad

Max = 23 years old

Training abroad

Max = 37 years old
Artists born after 1925

No training abroad
Max = 61 years old

Training abroad
Max = 65 years old
Creativity patterns for “traditionalists” and “universalists”
For many years Latin American artists believed that their work should reflect the region’s reality.

The Mexican muralists --Rivera, Siqueiros, Orozco-- are the best known “traditionalists”

Brazil’s “antropofagia” school of Tarsila do Amaral is another manifestation of this view.

Fernando Botero, is a modern representative of this view, with his works on typical families, bullfights, and “banana republic” dictators.
Other representatives of this “traditional” view include Francisco Zuniga, Ana Mercedes Hoyos, Armando Morales and others.

These artists have in common the use of a distinctive Latin American “imagery”.
This approach was rejected early on by some individual artists. The most important one was Roberto Matta, who did not really consider himself, a Latin American artist.

Wifredo Lam -- whose work evokes African masks -- is another artist that rejected the "traditional" Latin American art.

Others include Jose Luis Cuevas, Rufino Tamayo, Fernando de Szyszlo; all of them called for a "universal" art, and rejected the strict Latin American imagery.
Traditionalists

Max=plateau from 23 to 62 years of age

Universalists

Max=34 yo
II. Latin American Art as an Investment
Two approaches

- **Repeated sales:** In order to compare works with exactly the same characteristics, this approach looks only at repeated sales of the same work through time.

- **Hedonic prices:** The “properties” of the prototypical work are maintained “constant” using regression analysis. Time-specific dummies are then used to construct an “hedonic price index”
Some examples of repeated sales

- **Matta, “The Disasters of Mysticism,” (1942)***
  - 1983: $ 160,000
  - 1990: $ 1,155,000
  - 1999: $ 2,400,000

- **Lam, “La manana verde,” (1943)***
  - 1987: $ 380,000
  - 1990: $ 550,000
  - 1994: $ 870,000

- **Gerszo, “Rojo, azul y amarillo,” (1966)***
  - 1985: $ 12,000
  - 1992: $ 38,000
Results from hedonic price estimations
<table>
<thead>
<tr>
<th>Year</th>
<th>big5 traditionalists</th>
<th>universalists</th>
<th>big5 women_nofk</th>
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<th>small114 no_for_tra</th>
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Hedonic Price Indexes for Selected Country Portfolios

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<tr>
<th>Country</th>
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<th>2000 Index</th>
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<tr>
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Return for overall portfolio
(Real US Dollars)

Mean = 0.0900
StDev = 0.1260

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