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## On the causes and countermeasures of the problems in Chinese art market

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### ABSTRACT

The article holds that numerous fake goods and popularity of hype are flooding the art market in China recently, which are the result of both the inner and external causes including the deviation between artwork assets value and price, the inadequacy and asymmetry of artwork markets' information, while the external are the decline of commercial morality level and imperfect management system of market. Thus, the article raised some proposals, such as setting up the authoritative authentication agencies and reorganizing the specialists group, establishing marketing credit mechanism and models of honesty, promoting popularity of art appreciation knowledge and initiating corresponding countermeasures for rational investments.

### KEYWORDS

Art market; Causes; Countermeasures.



## INTRODUCTION

Art market is an exchange with crafts including painting, handwriting and seal cutting, art photography, industrial arts, as well as antiques trading. Since the 30 years of reform and opening-up policy, with the development of the economy, artwork consumption is becoming the external features of the internal cultural needs. An old saying in China, “Old virtue hides in perfect world and gold buying in trouble times”. Therefore, a boom in Art collection and investment has come into being. While numerous fake goods and popularity of hype are two prominent problems to block the market to develop further. To recognize the causes and raise the corresponding countermeasures are the key to solve the problems.

### THE CAUSES OF PROBLEMS IN CHINESE ART MARKET

The causes of the fake goods and popularity of hype being the two mainly problems in China are many-sided. This article tries to expound it from two aspects: internal and external causes.

#### Internal causes

The internal cause related to the art market has unique characteristics different from the ordinary commodity market. The art market is mainly has the following two unique features:

#### The deviation between artwork assets value and price

Compared with the art assets and ordinary commercial assets, the value and price are more prone to deviate. Why an artwork can be called artwork lies in more personal aesthetic and technology between the creative process, and the purpose of creation is mainly used to meet the aesthetic needs of the people. Certainly, the essence between general merchandise and artwork are the same, both having exchange value and use value. However, because of the value of artwork is not simply by the necessary labor time of condensation on the commodities, and is not obscured by the works of art creation activities, but by the social value of human cognition<sup>[3]</sup>. This is the fundamental difference between art value and general products value, which makes artwork generate more complex multiple value than general merchandise, with its consumers’ corresponding aesthetic, investment, collection, symbol, publicity, education motivation adhered to, to cause the artwork hard to value, and then value and price is easy to deviate from the market results. As for “the jade of the He family” in Zhao of the Warring States period, before it has been carved, it is just a stone which was ignored by people, but once was carved out as a fine piece of jade crafts, it is priceless, it is difficult to estimate. Due to non-rational characteristics of the art business behavior, the art market investors are often emotionally influenced in the investment decision, which leads to the deviation phenomenon between value and price of art assets inevitably existing in large quantities.

#### The inadequacy and asymmetry of artwork markets’ information

The professional knowledge and experience that the art and ordinary goods markets need is very different. Take the common household appliances for example, consumers can make a decision to purchase only mastering its basic knowledge of its use and knowing the different brands and the reaction of market. By contrast, consumers need certain artistic knowledge and market knowledge before making a judgment on its true or false quality and the values, because artwork contains the creator’s personal aesthetic taste and craft skills. But it is impossible to require both the seller and the buyer have certain professional knowledge and experience in the current situation that art education is not fully popularized. That makes it difficult for the art market information exists in the form of symmetry. Just in the current market environment lacking credibility and perfect legal system, inadequate and asymmetric information fan the flames of a fake and false hype. At the same time, it is the root cause of the existence of abundant dross as well. “Some experts mentioned that buying directly from the artist’s hand is also a market. Although we can avoid the false picture, the quality of art can not be guaranteed. The randomness is stronger because it depends on how much money to decide the quality of the work. Sometimes, even if you pay a large number of money, it is hard to get high-quality goods.”

#### External causes

The external cause related to the art markets are as follows:

#### The decline of commercial morality level

China is a state of ceremonies, and traditional virtues benevolence, righteousness, rites, intelligence, and fidelity have stipulated the behaviors and adjusted the relationship between persons for thousands of years. Honesty and credibility are all businessmen’s professional ethic criterion. However, after 30 years of reform and opening, the moral level of the whole society is declining with the establishment of market economy. Seeking nothing but profits, cheating lash the social ethics. Once, money worship spread to the Europe and the United States society after the setting up of capitalism. But today, market economy, highly praised by the economists from all over the world, has been a regular and credit economy. Due to the deviation of people’s conception, at the beginning of introducing market economy theory to our country, people only saw the bad sides, thus leading to some ideas like “immoral market economy”, “the market economy is the economy of money worship”. Even a considerable part of people think that the development of the market economy should be based on the universal moral decline. Dominated by this idea, business moralities going to the destruction is the inevitable result.

Consequently, producing and selling fake products, making false and speculation and other bad behaviors also appear heavily.

### **The imperfection of market management system**

The imperfection of market management system brings the chance of criminals. At the beginning of China, there was a short boom in art, but its legal system terribly fell behind because of the special political situation. After reforming and opening to the outside world, refreshing of art turns up while laws and regulations have started.<sup>[1]</sup> Although more than 20 kinds of laws, regulations, instructions have been offered, a perfect laws and regulations of market management system are still in expectation.

All above-mentioned caused two critical problems- the massive counterfeits and the popularity of hype in art markets which seriously damaged the development of the markets.

## **THE COUNTERMEASURES TO SOLVE THE PROBLEMS OF ART MARKET**

### **Establishing the authoritative authentication agencies and reorganizing the specialists group**

According to the factors of inadequacy and asymmetry of the information, the price easy to deviate from value, it is necessary to establish truly fair, open and authoritative authentication agencies. In our country, for a long time, the job of identification and evaluation as a base for the art market has been in disorder, making the fake and inferior popular. Because of the urgent credit crisis, it is a need to set up some effective legal appraisal agencies for the art market. Today, with the rapid development of the market, self-evidently it is significant to create fair and authoritative artwork authentication agencies for solving the problem of integrity management. Therefore, correcting bad motives and reorganizing the specialists group is a basic work to build the authoritative authentication agencies. Only in this way, can the appraisal and evaluation truly be “three fairs”, so as to create a Figure of authority in the eyes of the public. Then, set up branches across the country at all levels, to escort the benign development of the art market.

### **Setting up marketing credit mechanism and models of honesty**

Currently, with the social morality declining, to strengthen the propaganda and education of traditional virtues and create a healthy social morality must be the responsibility of culture and propaganda department for years. Since art market is relevant to the industry and commerce, tax, culture and other departments, only through working together to set about discussing a full set of feasible credit management mechanism, can all kinds of false behaviors be eliminated to promote the integrity management.

We can follow the examples of foreign countries, requiring operators to create files for each artwork. For instance, when a painter wants to sell his work, a form stuck with the painting's picture was made including the measurement, frame, trading time, place, price, and signatures of both parts, one given to the collector, the other kept by himself. And when this painting was transferred to the others again, then the corresponding messages were added. In this way, no matter how and where such painting circulated, it can be tracked back to the source.<sup>[2]</sup> What's more, the culture administrative department and relevant departments should check the market irregularly, once the artworks without corresponding files are found out, they must be severely punished. At the same time, medias should help to propagate and establish a model of credibility, and guide the market to form the operation mechanism of honesty and credit.

### **Promoting popularity of art appreciation knowledge and initiating a rational investment**

The quality of art appreciation can not be cultivated in one day, which needs long-term learning and accumulating. Under the situation that art education in our country is underdeveloped at present, increasing the popularity of art appreciation knowledge plays a role in shifting the fake form the true and promoting its healthy development. The administrative department of culture should actively organize the heritage sector, trade association and authority experts authentication agencies to make the appreciation knowledge popularized to the public, by holding kinds of refresher class, forums or chairs about the collection and investment of artwork. In this respect, the CCTV Lecture Room has given a good example. They invited Ma Weidu, the curator of the museum named Guan Fu in Beijing, to give a series of lectures with profundity and an easy-to-understand approach. These lectures contain the cultural significance of collection, the value of art and the ways to discriminate the fake, etc, and are well received by a mass of audiences and collectors in art.

In short, it is believed that the distinct problems in Chinese art markets can be wiped out through the efforts in many ways.

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