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Statistical challenges in the art market

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Abstract.

Art as an investment is a topic frequently debated in the literature. Baumol (1986) initially argued that investing in art is a floating crap game. Many authors challenged this statement, such as Buelens and Ginsburgh(1993), Goetzmann(1993), Pesando(1996), Mei and Moses(2002), Hodgson and Vorkink(2004) or Zanola, Scorcu and Collins (2009). To investigate the problem, these authors studied as many submarkets as they developed or improved statistical methodologies. Indeed, as the art market is made of heterogeneous goods, computing returns and indices is not as straightforward as for other commodities. In this context, the markets volatility is rarely measured. In this presentation, we illustrate some differences between measuring volatility in the financial markets and estimating it in the art market. We will explain why financial markets are much more developed in terms of volumes than the art market, and how facing some statistical challenges could unlock new developments in the markets for heterogeneous goods.