



# Market Effects of Court Decisions

## A Case Study of Antiquities at Auction in New York and London

### Introduction

This paper asks if and how various types of domestic court decisions made in the United States or United Kingdom affect the quality of provenance information and the prices of antiquities in New York and London.

- Scholarship suggests that laws must be enforceable via the judicial system in order to change behavior.
- The legal landscape of the art market is changing, especially since a 1970 UNESCO directive encouraged domestic legislation to help regulate art and antiquities sales (UNESCO, 1970).
- Auction houses curate clear and comprehensive collections of art information.

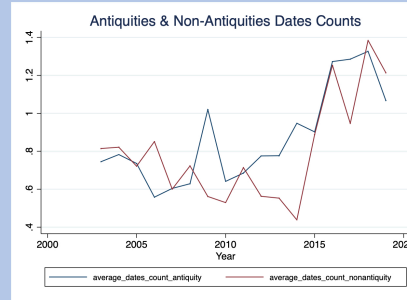
### Theoretical & Empirical Methods

- The theoretical model motivates the existence of the provenance premium. This is the increase in price that buyers are willing to pay in response to improved provenance information quality (Beltrametti and Marrone, 2016).
- A three-stage OLS empirical effort with robust standard errors and split NY & London samples regresses: (1) *dates count* on court decision variables, (2) *ln.sold price* on *dates count*, and (3) *ln.sold price* on court decision variables.
- All court decision variables are interacted with *antiquity* in order to determine whether court decisions have a special effect on Greek, Roman, and Egyptian objects over other ancient objects.

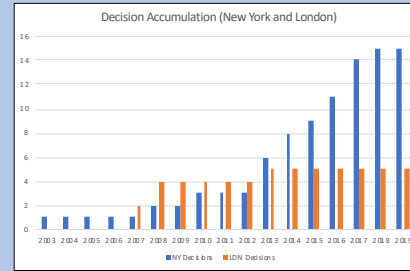
### References

- Beltrametti, S., & Marrone, J. V. (2016). Market Responses to Court Rulings: Evidence from Antiquities Auctions. *Journal of Law and Economics*, 59(4), 913–944.
- UNESCO CONVENTION ON THE MEANS OF PROHIBITING AND PREVENTING THE ILLICIT IMPORT, EXPORT AND TRANSFER OF OWNERSHIP OF CULTURAL PROPERTY. (1970). Unesco01.pdf.. Retrieved November 18, 2019.

### Data



Antiquities (Greek, Roman, and Egyptian objects) have an average of 0.82 date entries per lot while non-antiquities have an average of 0.73 entries per lot.



The accumulation of court decisions by location

- Average number of lots per auction is trending down over time, especially since 2012
- Prices increasing in both locations, with a large uptick in 2013
- Date counts improving for both antiquities and non-antiquities

Art information from 2003-2019 is collected from Sotheby's and Bonhams auction house websites via data scraping. The United Nations Office of Drugs & Crime (UNODC) and International Foundation for Art Research (IFAR) are the sources of court decision data. Below are key variables used in the analysis:

- ❖ Court Decision Timeframes
  - ❖ London with 1 and between 4 & 5 active decisions (*law ny1, law ny35*).
  - ❖ New York with 1, between 3 & 5, and between 6 & 9 active decisions (*law ny1, law ny35, law ny69*).
  - ❖ *antiquity* (0 or 1), *source*, and *material*

### Results

- Timeframes with a greater number of active decisions have a significant and more positive effect than the periods with fewer or no active decisions on the quality of provenance information. Antiquities in London saw a 0.2 greater increase in the number of date entries per lot in the timeframe with 4-5 active decisions in London compared to non-antiquities. (1)
- There is a consistent positive effect of being a Greek, Roman, or Egyptian ancient object on price. Each additional provenance date entry could raise prices by up to 17.4% in the fullest version of the model. (2)
- Having established that provenance information quality could affect prices via court decisions, the final regressive effort establishes that later court decision timeframes typically have a more reliable positive effect on prices than earlier timeframes. Auction houses could drive up prices by improving provenance information quality. (3)
- The effect of court decisions on cross-country prices is significant and negative. This could be because areas with higher numbers of court decisions attract buyers who want to buy in the "safer" legal environment, where sales are more likely to be licit. (3)

	(1) Log Sold Price	(2) Log Sold Price	(3) Log Sold Price	(4) Log Sold Price	(5) Log Sold Price	(6) Log Sold Price	(7) Log Sold Price
Antiquity	0.678*** (0.138)	0.351*** (0.135)	0.357*** (0.131)	0.253 (0.197)	-0.043 (0.200)	-0.043 (0.201)	-0.052 (0.201)
timetrend		0.182*** (0.016)	0.102*** (0.028)	0.102*** (0.025)	0.055** (0.025)	0.055** (0.025)	0.119*** (0.028)
timetrend * timetrend		-0.006*** (0.001)	-0.003** (0.001)	-0.003** (0.001)	0.000 (0.001)	0.000 (0.001)	-0.011*** (0.002)
Auc. House		-2.009*** (0.091)	-2.015*** (0.092)	-2.015*** (0.092)	-2.013*** (0.096)	-1.414*** (0.096)	-1.305*** (0.102)
1 Decisions LON			0.771*** (0.091)	0.514*** (0.110)	0.689 (0.503)	0.531 (0.586)	0.532 (0.587)
4-5 Decisions LON			1.134*** (0.048)	0.344*** (0.114)	0.081 (0.282)	0.119 (0.265)	1.760*** (0.385)

In Equation (3), the sold price is the dependent variable. Both decision periods significantly affect art prices. The later court decision period in London shows significance in the fullest version of the model. Columns 6 and 7 include material, source civilization, and international decision variables. The antiquities sell for significantly more than non-antiquities.

### Acknowledgments

- I am grateful for the support of my thesis advisor, Dr. Brian McManus, and Dr. Jane Fruehwirth. I would also like to thank Matt Jansen and The Odum Institute staff, who were integral in the data collection process.