PRICE, ANCHORING, AND SUBSTITUTION

IN

THE MARKET FOR FINE ART AUCTIONS

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**TABLE OF CONTENTS**

1. ABSTRACT
2. ACKNOWLEDGEMENTS
3. INTRODUCTION
4. OVERVIEW OF ART AUCTIONS AND ANCHORING
5. LITERATURE REVIEW
6. METHODOLOGY
7. DATA
8. RESULTS
9. FUTURE DIRECTIONS
10. CONCLUSION

**ABSTRACT**

Joan Miro and Salvador Dali are two Surrealists painters often featured together at auction. Can the past price of a Miro painting drive up the current price of a Dali piece? We examine the existence and behavior of these “anchoring” cross-effects between prices of related art pieces sold at auction. My research generalizes the anchoring model of Beggs & Graddy (2009) in order to study related art pieces. We draw upon insights from conversations with art specialists and experts at Sotheby’s, and construct a new dataset of recent auction sales for assorted art (2006-2015). We find significant evidence of anchoring cross-effects. Our findings are of interest to art researchers, auction house specialists, and those who wish to understand where price signals travel in the art auction world.