

# Problem and Solution of the Chinese Art Market

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**Abstract.** Art market plays an important role in China society. The market benefits China’s economic, and brings a new investment approach; improves national overall aesthetic quality, and gives more people opportunities to access to art; propagates traditional Chinese culture, and expands the influence of traditional and modern art. Although Chinese art market develops rapidly and has extreme influence to the whole society, itself faced a lot of problems which might hinder the development of Chinese art market. This paper analysis some of the most important problems and provides solution. To be more specific, problems include information asymmetry, lacking access to international market, and lacking a valuation system. Solutions are reducing information asymmetric, connect international market and domestic market more closely, and make an evaluation system. This study gives important suggestions to Chinese art market participants, helps to rectify the problems of the market, and facilitate healthy develop of Chinese art market.

**Keywords:** Chinese art market; Problems; Solutions; Art.

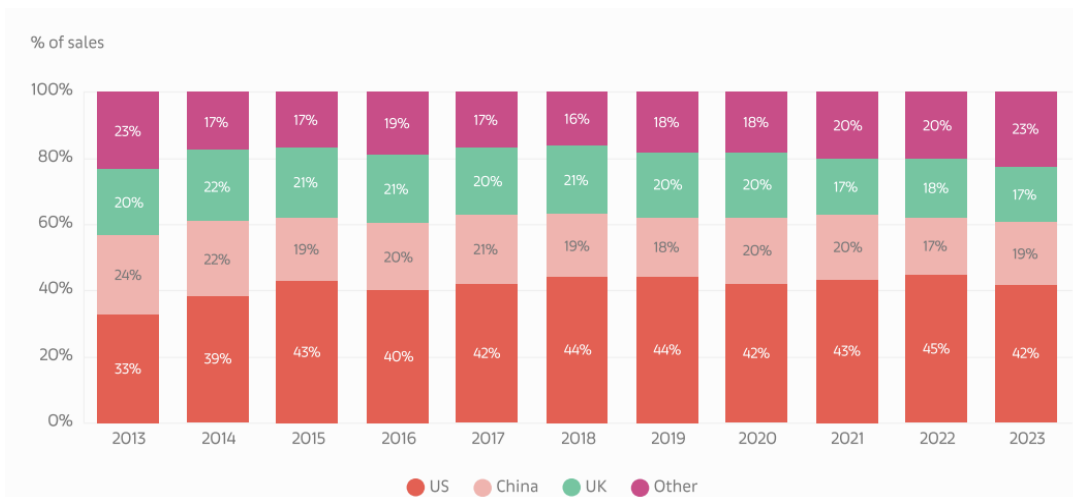
## 1. Introduction

Art market is really important in global range. First, it has a great amount of sale. In 2023, global art sales reached 65 billion. From 2009 to 2023, the global art sales maintain a high value, for approximate 62 billion, and reached a peak in 2014 (See Figure 1).



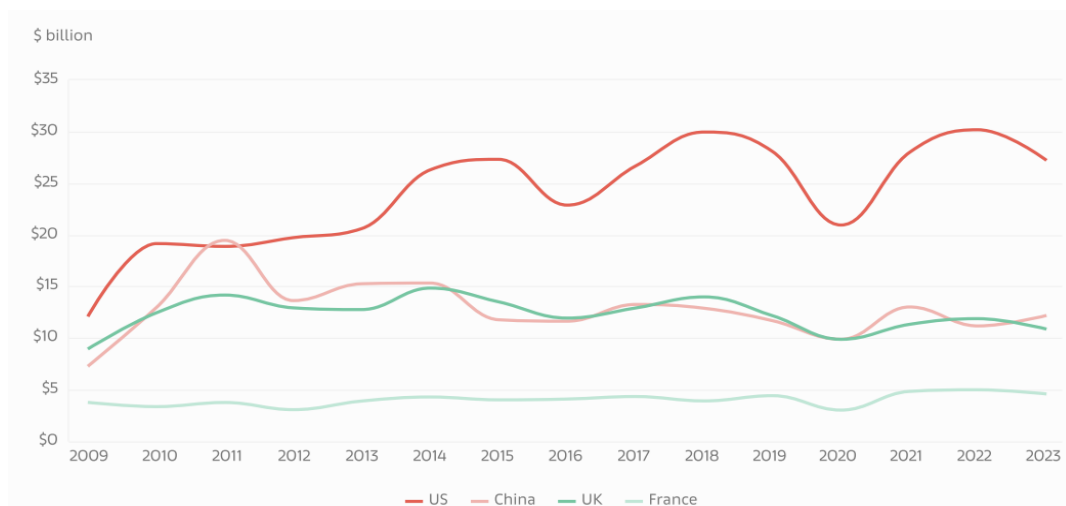
**Figure 1.** Sales in the Global Art Market 2009–2023.

In China, art market grows in a unprecedented rate. China, including Mainland China and Hong Kong, became the second-largest market worldwide in 2023, moving up from third place in 2022, with its share rising by 2% to total 19% by value [1]. From 1993 to 2017, the Total sales (USD million) of China art market rose form 1.07 to 4791.98, increased more than 447.748%. China plays a more leading role in the auction market for fine art [2] (See Figure 2).



**Figure 2.** Global Art Market Share by Value of the US, UK, and China 2013–2023.

In 2023, with sales increasing by 9% to an estimated \$12.2 billion, China overtook the UK as the second-largest market worldwide [2]. Chinese mainland art market has been on a meteoric rise, drawing worldwide attention as it surpassed the United States in 2011, claiming the title of the world's largest art auction market [3] (See Figure 3) .



**Figure 3.** Sales in the Major Art Markets 2009–2023.

While Chinese art market is growing rapidly and has a significant status in the whole world, a lot of problems come as well, and makes the growth rate of China art market decline. This research deeply analysis the problems of Chinese art market and elicits potential solution.

## 2. Problem

### 2.1. Information Asymmetry

Information asymmetry occurs when one party, usually the seller, possesses more or superior information about a product than the other party, typically the buyer. This imbalance can create market inefficiencies, placing the buyer at a disadvantage in making informed decisions, which may result in distorted pricing and misaligned expectations.

Information asymmetry is a pervasive issue in many markets, Among markets characterized by asymmetric information issues, there are surely art markets, where cultural goods are traded [4]. Its effects are particularly pronounced in the art market due to the unique nature of art objects, which are often difficult to evaluate and subject to subjective interpretation.

The consequences of this information asymmetry are far-reaching. Information asymmetry causes the perception of risk in online auctions that could ultimately influence consumer behaviour (Cypryjański and Grzesiuk, 2015). Moreover, Chatterjee and Datta, 2008 find that sensory products generally lack product transparency and have hidden information because its attributes are often difficult to express in words [4]. When buyers suspect that they are not getting complete or accurate information, they may become overly cautious. This heightened vigilance can lead to a reluctance to engage in transactions, as buyers fear being deceived or making a poor investment. The resulting decrease in market activity can stifle the overall health of the market, as fewer transactions occur and the market becomes less liquid.

Moreover, the trust between buyers and sellers can be severely eroded in such an environment. Buyers may hesitate to trust sellers, leading to prolonged negotiations or aborted deals. On the flip side, sellers may find it increasingly difficult to sell their items, as the pool of willing buyers shrinks and those who remain are overly meticulous and skeptical. This mistrust can create a vicious cycle where market participants become more and more cautious, further reducing the volume of trade and making it even harder for the market to function efficiently.

In the specific context of the art market, this asymmetry can manifest in various ways. For instance, sellers might deliberately withhold or obscure critical information about the condition of the artwork. This could include concealing minor blemishes, repairing damages without disclosure, or even assembling parts from different statues to create a composite piece that appears more valuable than it actually is. Such practices can significantly inflate the perceived value of the artworks, leading buyers to overpay.

In the long run, the artwork market may suffer from a loss of credibility. When buyers and sellers cannot rely on the information provided during transactions, the market becomes less attractive to potential participants. This can lead to a decline in overall market activity, reduced prices, and a devaluation of the art objects themselves. To mitigate these issues, it is essential for the market to develop and enforce stricter standards of transparency and disclosure, ensuring that all parties are able to access the information which they need in order to make wise decisions.

## **2.2. International Markets**

The lack of access to international market information is a significant challenge for both price evaluation and the overall liquidity of the domestic market, particularly in the context of art and antique trading. In the global art market, many major auction companies like Sotheby's, Bonhams, and Christie's play pivotal roles in setting benchmarks for prices and in facilitating the flow of art across borders. However, when participants in a domestic market, such as China's, are not fully aware of or engaged with these international auctions, several problems can arise.

First and foremost, the limited flow of artworks into and out of China due to this disconnect restricts the diversity and availability of art in the domestic market. International auctions often feature rare and high-quality pieces that attract global attention. If these auctions go unnoticed by Chinese collectors, fewer of these valuable works will enter the Chinese market, thereby limiting the variety of art available for purchase and trade. Similarly, if Chinese artworks are not actively marketed and sold through these international platforms, they may remain undervalued and underexposed on the global stage. This lack of international engagement constrains the market's ability to grow, as it becomes insular and disconnected from global trends and opportunities.

When the market is confined to a smaller domestic scope, the range of participants tends to narrow as well. Over time, market participants become more familiar with each other, which can lead to a stagnation in trading activity. This familiarity may result in a reluctance to engage in transactions, as buyers and sellers become overly cautious or weary of trading with the same people repeatedly. The lack of fresh participants—both new buyers and sellers—hampers the market's liquidity, making it difficult to sustain a dynamic and thriving marketplace. The limited circulation of goods and the

absence of new entrants contribute to a decrease in trade frequency, further diminishing the market's vibrancy.

Moreover, the lack of international market information can lead to a distorted pricing system within the domestic market. Art prices are often influenced by trends, sales records, and valuations established in international markets. When domestic participants are not privy to these benchmarks, they may rely on a narrower set of data points, leading to prices that diverge from global standards. This insularity can result in the domestic market developing its own pricing norms, which may not accurately reflect the true value of artworks on an international scale. Consequently, the domestic market may become misaligned with global trends, making it more difficult for local collectors to participate in the international art market which is much broader or for foreign collectors to understand and engage with the domestic market.

In the long term, this disconnect can have significant implications for the market's growth and sustainability. A domestic market that is out of sync with international standards may struggle to attract foreign investment, limit the entry of high-quality works, and ultimately fail to develop the depth and diversity necessary for a robust art ecosystem.

### **2.3. Valuation System**

The absence of a pervasive and standardized evaluation system presents one of the most daunting challenges in the art collection and broader art market. This lack of a universal standard introduces a wide range of subjective interpretations, making it incredibly difficult to accurately assess the value of these artworks. The intrinsic nature of art pieces—steeped in history, spirituality, and cultural significance—adds layers of complexity to the valuation process. The tradition curio of China authenticate main is range estimation, hand and personal experience, take to have mightiness of personal color, because of the expert authenticate system not enough science, broke to authenticate bottom line and authenticate of the procedure be subjected to break, disturbance the art market, art object market turned worse thus of confusion [5]. Unlike more commoditized markets, where goods can be valued based on quantifiable metrics, the art market is inherently subjective, and this subjectivity is particularly pronounced in the valuation of religious and cultural artifacts.

One of the primary reasons for the difficulty in establishing a consistent evaluation standard is the diverse range of factors that influence how individuals perceive and value artworks. The value of any artwork is determined by a combination of factors, each with varying degrees of importance. These factors include scarcity, subject matter and color, recognizability, status, liquidity, provenance, publication, size, affinity, currency, quality, and condition [6]. Personal aesthetic preferences play a significant role; what one collector finds captivating or spiritually resonant might leave another indifferent. These aesthetic judgments are often deeply personal and can be shaped by various influences, including cultural background, religious beliefs, and personal taste. For example, a Buddhist statue might hold profound spiritual meaning for one individual, while another might appreciate it purely for its artistic qualities.

Moreover, an individual's comprehension of the artwork—its historical and religious significance, the intricacies of its craftsmanship, and its symbolic meaning—can vary widely. A scholar well-versed in art history might recognize subtle details in a statue that a casual observer might overlook. This deeper understanding can lead to a higher valuation of the artwork, as the scholar might appreciate nuances that enhance its rarity or significance. Conversely, a lack of understanding might result in an undervaluation, where the artwork's true worth is not fully recognized.

Background information about the artwork also plays a critical role in its evaluation. This includes knowledge of the artwork's provenance—its history of ownership, past collectors, and any previous auction records. A work with a well-documented provenance, especially one that has passed through the hands of renowned collectors or has been featured in significant exhibitions, is likely to command a higher price. However, if this information is incomplete or inconsistent, it can lead to significant disparities in valuation, further complicating the process.

The condition of the artwork is another crucial factor that complicates the evaluation process. Artifacts, particularly those that are centuries old, may have undergone various degrees of wear, restoration, or alteration. Assessing the impact of these changes on the artwork's value is challenging and often subjective. Some collectors may place a premium on art pieces that remain in their original, unaltered state, while others may value the careful restoration that preserves the artwork's integrity and allows it to be appreciated by future generations.

The lack of a standardized evaluation method means that each of these factors can be weighted differently depending on who is doing the evaluating. For instance, one appraiser might prioritize the historical significance of a sculpture, while another might focus more on its aesthetic appeal or its condition. This leads to considerable variation in appraised values, which can create confusion and uncertainty in the market.

Moreover, the absence of a standardized evaluation system hampers the development of a stable pricing framework within the industry. Without a consistent basis for valuation, prices can fluctuate widely, making it difficult for buyers and sellers to determine fair market value. This uncertainty can deter potential buyers, who may fear overpaying for an artwork, and discourage sellers, who may struggle to achieve the prices they believe their items deserve.

In conclusion, the lack of a pervasive evaluation standard in the art market introduces significant challenges that are difficult to resolve.

### **3. Solution**

#### **3.1. Reduce Information Asymmetric**

Sellers should regulate their action. Some sellers hide information about the blemish intentionally, they should avoid this kind of action, which lead suspicions between buyers and sellers. Sellers should check the condition well before selling it. Some sellers miss some important details, which they did unintentionally, like some trivial details, such as a little crack at the bottom of the base, or almost invisible inscription inside the inner hall. By checking them clearly, both seller and buyer can avoid buying or selling it at the condition which other knows. Buyers should check the items clearly. Some median institutions need to make sure the condition of the artworks. Auctions need to make sure conditions of artworks are recorded clearly. Before artworks are sent to the auction, these works need to be recorded in details and avoid controversy.

#### **3.2. Connect International Market**

International auctions should make more propagation. International auctions should propagate more to attract the attention of domestic auction, such as hold an auction preview. Many auction already adopt this method, such as Sotheby's, Christie's, and Bonhams, they hold auction previews in several large cities in China, such as Beijing, Wuhan, and Hong Kong. Domestic businessman should go abroad and seek for opportunity. Domestic businessman should also go abroad and seek for opportunity. Before COVID-19 pandemic, a kind of trade called "Hui Liu", which businessman buy artworks abroad and bring back to China, is really popular, but nowadays it almost faded. More businessmen should engage in this kind of trade to help commodity flow between domestic and global market.

#### **3.3. Make an Evaluation System**

In response to the challenges posed by the lack of a standardized evaluation system in the art market, particularly concerning significant artworks, a collaborative approach involving scholars, well-known collectors, and auction department heads could offer a viable solution. Confusion of art market in China, not only is lack of entity, also existence lack of order method [7]. The system should be comprehensive and includes many factors. For example, one popular system in Buddha statue market

believes that the three factors affecting the valuation range of Buddha statues in the Northern and Southern dynasties in the art market are: historical value, artistic value and market value [8].

In many world famous university, like University of Oxford, many high developed machines could help to date the age of art work and compositions as well. Copious techniques, including Radiocarbon Dating (Carbon-14 Dating), Thermoluminescence (TL) Dating, Dendrochronology (Tree-Ring Dating), and X-ray Fluorescence (XRF) Spectroscopy, could all be used to date artworks. The radiocarbon dating (<sup>14</sup>C dating) method is one of the most well-known radiometric methods of absolute dating, which can be applied for dating materials of biogenic origin, such as wood, charcoal, bones, grains, paper, parchment, textile, etc [9]. With the help of these improvements, by comparing to these standard artworks, system dictators will get explicit benchmark about the age of artworks.

Prestigious institution could hold seminar and curate exhibition to spread knowledge to the public. Besides, they need to publish books, make more propagation, and facilitate deep study about artworks. Many new ways combined with internet, like short videos, online articles, and online exhibition can help a lot in improving aesthetic level of the whole market. Apart from saving and propagating the knowledge, online exhibition play a vital role as communications link between highly valuable collections and the general public [10]. In addition, online auction could help too. As a result, the estimated price of the same art piece will be more close in different people's perspective.

#### 4. Conclusion

Art market is important for economics. Chinese art market grows quickly in recent decades. However, problems hinder the development of it. Three of the largest problems are information asymmetry, lacking of access to international market, and lacking a valuation system, and solutions to solve them are reduce information asymmetric, connect international market and domestic market more closely, and make an evaluation system. In the future, more research about what a comprehensive evaluation system should conclude, exact proportion of each factor should occupy, and specific measures to prevent information asymmetric should be studied.

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