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Price and Death

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Abstract

In this paper we investigate in an infinite-horizon dynamic general equilibrium setting the effect of the death of a visual artist on the price of his works of art. Employing the open-loop Stackelberg equilibrium concept to describe the behavior of collectors and an artist, we find that the unexpected death of an artist causes a sudden increase in the price of his works, the increase varying negatively with the artist's age. If it is well known that the artist has been ailing from some terminal illness and his or her decease thus does not come as a surprise, the prices of the ailing artist's works are also subject to a sudden increase as the news of the ailment is divulged; the price immediately jump upwards to the level which will prevail at the time when he dies. These findings appear to conform to the stylized facts.

Keywords: cultural economics, durable-goods monopoly; time inconsistency, Stackelberg equilibrium

JEL classifications: D90, E31, E52