

# State regulation of the art market: global trends, experience of various countries and mechanisms of the development of economic knowledge

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**Abstract.** The purpose of the article is to find effective measures of state regulation of the art market, which in the era of globalization and the transition to the economic knowledge can not only contribute to obtaining high incomes through art transactions, but also provide conditions for the development of a positive cultural image of cities and countries identified with its activity. In the economy knowledge, where the emphasis is on human capital, unique ideas and knowledge, the role of the art market in the formation of imperceptible assets and, as a result, the global attractiveness of economic actors, their products and services is greatly enhanced. The work provides a comparative analysis of state regulation measures of the art market applied in different countries. Using a regression analysis, a trend in the relationship between the turnover of the art market and GDP was revealed. The article also discusses the problem of the influence of a developed art market on the territory brand, which allows us to offer in the global economy a mechanism to form a positive image of the country and to develop the attributes of its cultural brand.

**Keywords:** art market, state regulation of the art market, breakthrough positioning, knowledge society, global competitiveness of the country.

## Introduction

In modern conditions of the economy of knowledge development and digital transformation of all spheres of economic activity, the role of intangible assets is significantly increased and strong brands determine successful leaders. Today, not only the product or company must have a strong brand to be sustainably allocated, but also the territory in which economic activity is conducted. In the knowledge economy, all the dominant attributes of the territory, according to which it stands out in relation to the competing territories, constitute an important asset not only for itself, but also for all economic entities that associate their activities with it.

The rapid spread of digital technologies and the widespread use of network resources affect both the needs for the development of intangible assets, and the ways in which they are formed and the opportunities that they give to players in world markets. [1, 2] the promotion strategies applied by the territories are implemented by means of modern digital technologies, and have a strong influence on consumer behavior, opinion on the effectiveness of processes and attitude to the events taking place in the territory. Since most of the information a modern person receives in the network, it is the correct coverage of information about the territory, aimed at the formation of attractive attributes, provide a level of recognition, recognition and loyalty to it, and everything connected with it.

Therefore, in order to become successful in the digital economy, it is important to invest not only in the branding of companies and their products, but also in the places where they operate. Moreover, the territories themselves become the object of application of marketing concepts, and in this sense they can also be considered as a kind of market object that has competitive characteristics and can form a strong brand. [3]

Also in today's world is constantly growing market of visitors. The territory becomes the more wealthy, rich and attractive for investment, the more it is able to attract visitors of all types, including tourists and business visitors. [4] The developed cultural brand of the territory serves as a stable motive for visiting it and fixing in the minds of people the attractiveness of its image, and, according to many researchers (Keller K. L., Medway D., Warnaby G., Foroudi P. et al.) has an impact on all economic processes taking place on it. [5-8] the Presence of a strong cultural brand will contribute to the capital inflow of the territory in the form of budget revenues from tourism and visitor services activities in all forms. It should be noted that there are many studies that consider museums and their identity within the

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framework of the formed cultural brand. [9] the Cultural brand ensures the attractiveness of the territory for cultural events and art activities in various forms. [10, 11] it also Promotes the holding of significant cultural and art events in the territory, the implementation of large infrastructure and investment projects, as potential investors also focus on a strong brand. [2, 12, 13]

Development of a cultural brand for the territory must be carried out in conjunction with the brand development of important cultural sites areas and implementation strategies for the formation of the art market. The art market itself has a high yield potential. Those countries that carry out wealthy activities for the development of the art market, show a significant increase in income from tourism and inflow directly from art activities. [14-16] In the context of growing economic and political problems, the impact of art market activity on the country's positive image on the world market and global attractiveness is very high. Even without taking into account direct financial influence, the development of the Russian art market will positively affect the country's economy through the global attractiveness of its cultural institutions and tourist attractiveness in the global market. [17-19]

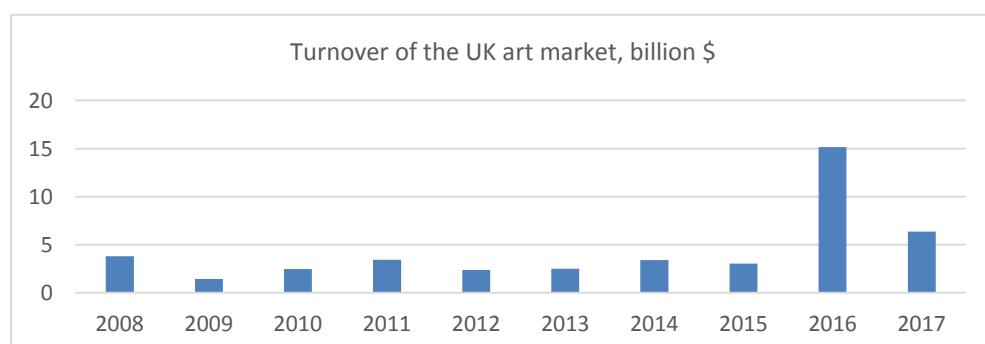
## Methodology

In the knowledge economy, the proposed strategy will contribute to the formation of systemic effects. The knowledge economy is closely linked to the development of human capital, one of the components of which is the cultural development of the population and the growth of cultural needs. With the help of the proposed model in the region, which has chosen a certain path of strategic development with a focus on the art market and the cultural sector, can be built links between cultural and educational institutions, leisure and entertainment structures, tourism and image projects of development of the territory. Comprehensive development of all structures and joint projects in the art sphere will allow all participants to get the effect due to the growth of intangible assets and increase competitiveness in the world market. In the economy of knowledge, systemic effects will work by strengthening the cultural brand of the territory, supporting cultural projects and educational activities in the field of culture, they will be reflected in the income of the territories with a strong cultural brand, economic stability and the wealth of society. Directed comprehensive development of the art market of the territory will identify new areas of knowledge and related additional income of art activities and income areas. [20] Note that investments in the art market have their own specifics and are highly risky. [2, 21] Thus, art branding can have a strong impact on the development of cultural brands of territories and ensuring their global competitiveness.

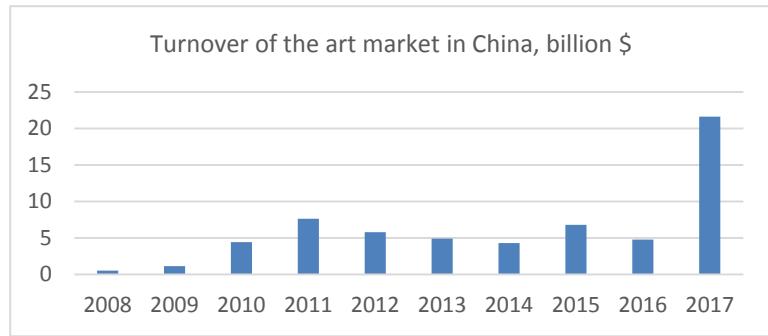
In the modern world, the activity of the art market can provide a powerful impetus for the creation of prerequisites for abrupt economic growth of the territory. High revenues in the art market can significantly revive the country's economy and arouse interest in its projects in various fields. And, despite the fact that the turnover of the art market have only an indirect impact on the economic growth of the country and the development of its cultural brands, in the postmodern culture, this contribution can become very significant when the art market becomes a real "silver bullet", allowing to develop other sectors of the economy by "stretching the brand", which leads to the achievement of the required level of "innovative efforts. [22] We will study the dependence of the level of development of the art market of the country and the measures of state regulation applied in the country in the art market. An econometric approach was chosen for the research. The choice of a pair linear regression model was determined by the fact that in the presence of other more significant factors of economic growth, the contribution to the GDP of the country of the level of activity of its art market may be insignificant. On the other hand, neglect of this factor not only deprives the country of one of the sources of permanent income, but also has a negative impact on its cultural image and does not allow to develop a strong cultural brand of its territories.

## Results

Studying the statistics of turnover in the art market of individual countries, you can identify the presence of trends in GDP growth in accordance with the increase in the turnover of the art market of the country. For example, we can consider the statistics of the activity of the art market of the oldest and most developed market in the UK (see Fig. 1) and China's youngest and fastest growing market (see Fig. 2). And analyze trends in these indicators and their indirect impact on GDP.

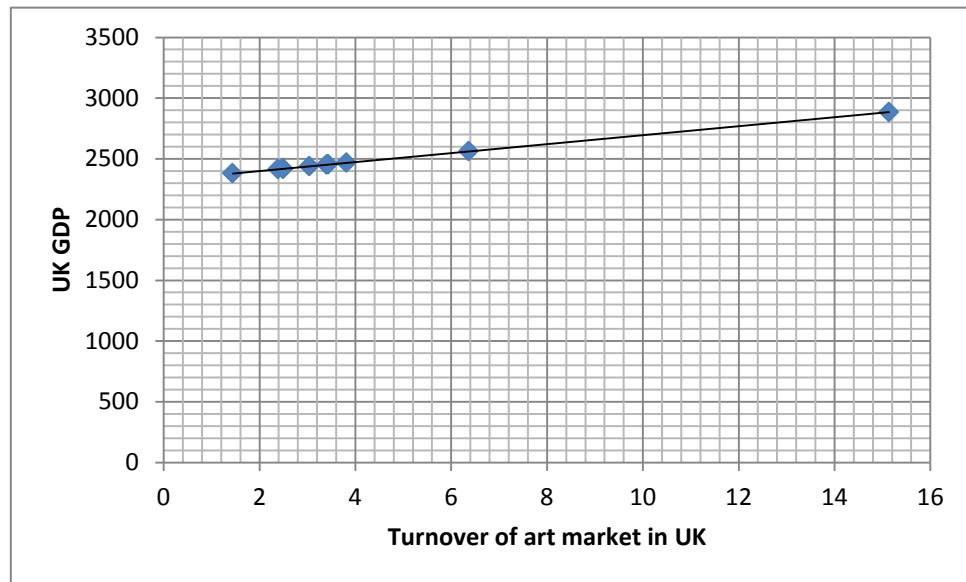


**Fig. 1. UK art market activity**

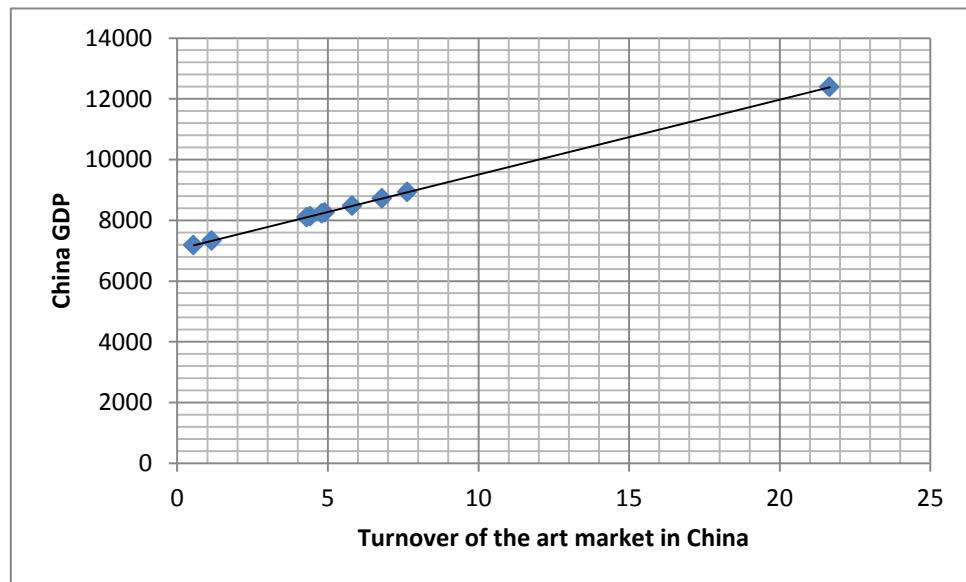


**Fig. 2. Chinese art market activity**

Correlation analysis can reveal the presence of positive tendencies of influence of indicators of the turnover of the art market in the country's GDP, with correlation  $r=0,615986$  for UK and  $r=0,55547663$  for China. By themselves, these econometric dependences do not allow us to conclude about the strong direct financial impact of the art market on the country's GDP. At the same time, an indirect effect can be observed (see Fig. 3 and 4).



**Fig. 3. Trends depending on the turnover of the UK art market (billion \$) on UK GDP (billion \$)**



**Fig. 4. Trends depending on the turnover of the art market in China (billion \$) on China's GDP (billion \$)**

These trends confirm the presence of a contribution to the country's GDP activity of its art market. This contribution, among other things, is connected with the direct activity of the art market and indirectly with the growth of the market of visitors to those places that have received an impetus to strengthen the cultural brand, and are associated with the world-famous art objects of the territory and its art events. On the basis of econometric studies look at the results of the state policy of a number of countries, which are characterized by high rates of the art market.

## Discussion

Countries that have previously realized the impact on the art market and territorial brands on modern economic trends, are focused on art activities, achieving through the activation of the art market to increase loyalty to their brands, contributing to the growth of investment and increasing their tourist flows. Author's research showed that the greatest activity in the art sphere is characteristic of the four territories of new York (USA), Hong Kong (Hong Kong), London (UK) and Beijing (China). The turnover of these sites is 83% of the world auction sales, but only 20% of the lots sold remain on these sites. These countries have a pronounced external policy of regulation of this segment of the art market, the strengths of which is the world-famous art site, a significant impact on the development of the cultural brand of the territory and the increase in income of art market players. At the same time, this policy has its risks associated with the outflow of significant art objects and the loss of strong attributes of cultural brands of the territories.

It should be noted that among these players London plays a key role on the world art scene. It is on the turnover of the London art market can be judged by the situation in the international art market. It serves as a kind of indicator of the sphere of art in General. In the brand market, the inconsistency of pricing in the art market also works. [23, 24] There are a large number of important historical and modern museums, galleries, and the famous auction houses "Christie's" and "Sotheby's" were founded in this city. The UK was the first in the world to provide state support for the art market, which was reflected in the creation of one of the world's strongest cultural brands in London.

Hong Kong and China conduct strict state regulation of the art market. [2] In General, measures of direct state regulation are used in the implementation of aggressive propaganda and state marketing in the field of art. To a large extent, the measures of state regulation of the art market in these countries have a pronounced external character. Applied in these countries and directed measures to support promising artists, construction through the society of Chinese friendship and Chinese companies in other countries, art objects, religious buildings and architectural complexes with pronounced national cultural elements. Measures to support leading artists and young authors are generally typical for the countries of South-East Asia, for example, similar measures are carried out in Thailand, but there they are not so pronounced externality.

It should be noted that the application of the Chinese experience of state regulation of the art market in Russia is very limited, because the specifics of state programs to support the art market in this country is very closely intertwined with the peculiarities of China's economic development as a whole and its culture of management and business. Most measures successfully implemented in China will simply not work in Russia. However, limited experience of direct state funding of important projects in the field of art, culture and art activities could be used in Russia.

Another thing is the French experience of state regulation of the art market. As shown by the French experience, a favorable tax state policy, as practice has shown, is extremely conducive to the development of the art market. There is a whole system of exemption from tax on profits of individuals and legal entities that purchase works of art. And the system is so well established that periodically persons wishing to hide income, it is much more profitable just to buy a work of art. For this reason, many large French firms and banks have their own art collections.

The state plays a key role in maintaining the art market, organizing the space and providing financial opportunities for the implementation of numerous projects. In particular, one of the initiatives of the state is to provide churches, municipal and government premises, city squares, parks and squares for exhibitions and exhibitions of works of art. This greatly increases the interest in art of all segments of the population and brings the art market to a whole new level. The state also actively supports young authors, annually allocating significant amounts for grants, organizing art spaces for workshops and exhibitions.

The situation was different in the United States. The activity of the American art market is achieved mainly by non-state influence on its activities, and the benefits that an entrepreneur receives, especially one with a significant fortune, in the implementation of socially significant activities, which include exhibiting works of art contained in private collections. In an effort to reduce the tax burden, US citizens tend to participate in art transactions and Finance art and cultural projects. It should be noted that the tax legislation of the United States differs significantly from the legal practice of Russia, which limits the possibility of applying the American experience in Russia.

Thus, we can draw certain conclusions.

First, the active state participation in the art market leads to significant positive effects. Today, the state of the art market problems almost does not see and balanced policy in Russia is not. Therefore, Russia receives almost no external effects.

Second, the use of foreign experience at present in Russia is not predstavlyatsya vozmozhnym due to the weak development of the art market. And it is necessary to start with the creation of a single information field: the Russian art market is represented by disparate entities, virtually unrelated to each other. Therefore, the priority for him should be considered the task of simplifying the search for and availability of information related to the circulation of works of art, purchase and sale operations, as well as investment.

Due to the high differentiation in the market, it should be noted that each entity usually offers a product with a high degree of uniqueness, that is, the creation of a single register of counterparties is primarily necessary for the analysis of the art market and increasing the availability of information. Thus, it can be assumed that the Association of all subjects of the art market on a single electronic platform could significantly simplify the selection process of the direct player of the relevant counterparties, provide a simplified analysis of all possible proposals and alternatives, and will more effectively highlight all the current failures of the art market in Russia. In addition, the creation of a single electronic platform would facilitate the differential analysis of the market, identify the strongest and weakest players, and in addition, it would allow to identify the regions that need support from the state.

Thirdly, the creation of comfortable tax conditions contributes to the increase in the turnover of the art market, and a clearly formulated administrative and legal framework will avoid uncertainty and reduce doubts of direct players. It is here that you can use the French experience of taxation of transactions in the art sphere, which is perfectly compatible with the Russian conditions.

## Conclusion

Reforming the system of state cultural institutions in order to increase their economic efficiency is also an integral step in the formation and development of a strong art market in Russia. This goal can be achieved through the application of measures of state support for promising authors, cultural institutions and their projects. The development of these measures can draw on the experience of France and, in part, China. The application of these measures will positively affect the strengthening of the cultural brand of Russia, as well as the most important from a cultural point of view of the country's territories. Indeed, the attractiveness of transactions in the art sphere and the high competitiveness of cultural institutions (museums, theaters, galleries, art venues, etc.) contribute not only to the growth of the popularity of art activities in Russia, but also to the promotion on the global market of important cultural objects of the country and culturally-oriented areas.

In today's digital society and knowledge economy, the development of these measures will increase Russia's information openness and reduce distrust of the country, its culture, people and politics. The increase in interest in the Russian art market, and the intensification of its activities in various areas will provide an impetus for the implementation of measures to strengthen the Russian cultural brand and cultural brands of its territories, directly connected by consumers with art, culture and art market activity. Thus, the implementation of well-considered measures of state support of the Russian art market will not only achieve an increase in the wealth of Russian society, an increase in GDP and an increase in inbound tourist flows, but also provide the basis for the integrated development of Russian territories.

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