Appreciating Art Appreciation

Christopher Holmes Smith

Interview with Bennett Roberts,
Roberts and Tilton Gallery, Los Angeles

Annenberg School for Communication

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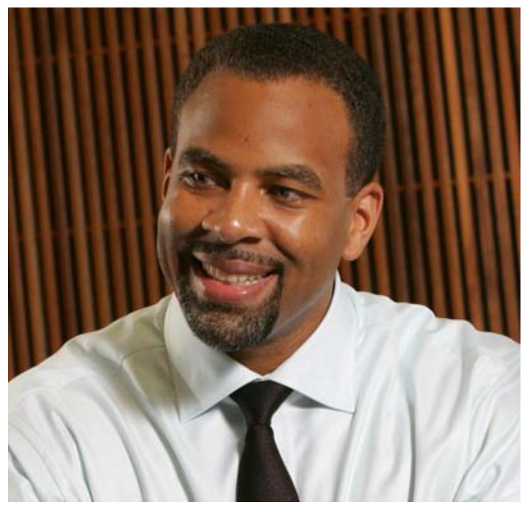
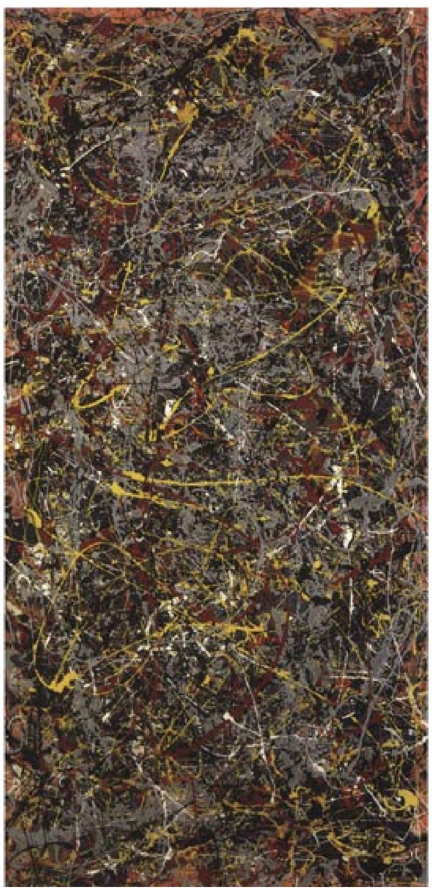
Chris Smith is a senior lecturer at the Annenberg School for Communication at the University of Southern California. His research, publication, and teaching interests concern modernity and the politics of identity, neoliberalism, the social formation of value, and entertainment's role in American public culture. He has written widely on popular culture and entertainment and he has provided commentary and guidance on a variety of social and political issues for leading media outlets and governmental organizations around the world. He is currently completing a book manuscript on financial capital and signs of money in American popular culture. He holds a Ph.D. in Media and Cultural Studies from the University of Wisconsin-Madison and a B.A. in Sociology from the University of Chicago.



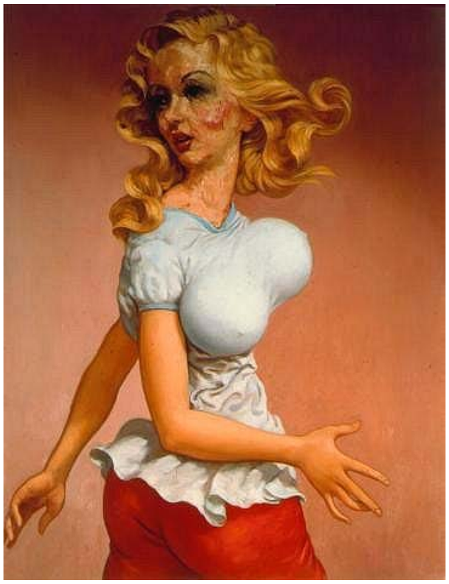
Does Volatility in Stocks Paint a Gloomy Picture for Contemporary Art?



Jackson Pollock, *No. 5*, 1948

The four-year bull market for stocks that began in October 2002 has paralleled and fed worldwide demand for contemporary art. So closely have these two markets tracked one another's out-performance that in fall of 2006, the Dow Jones Industrial average pushed past the 12,000 plateau for the first time mere weeks before Hollywood mogul David Geffen sold a Jackson Pollock drip painting, (No. 5, 1948), for $140 million – the highest price ever paid for a work of art. Not coincidentally, Geffen is rumored to have made this bellwether transaction with David Martinez, managing partner of Fintech Advisory Group, a London-based financial firm. This single trade helps exemplify how the global boom in asset prices – including stocks, real estate, and commodities – has created a newly affluent generation of collectors who want to put their sudden riches to work in the art market in the timeless quest for status.

Hedge-fund managers stand out amid the new players who have rapidly reinvented the art market. According to a recent survey by Russ Prince, a Connecticut-based private wealth research company, hedge-fund managers allocated "nearly $4 million apiece on art" for their collections in 2005. "By contrast, they spent roughly $300,000 each on hotel bills."[i] In 2006, Wall Street made a record $23.9 billion in bonuses and a recent survey suggests that among those executives with a managing director title or higher, a hefty 12% of these packages were



John Currin, *Twisting Girl*, 1996

earmarked for allocation in art and collectibles – the average amount devoted to traditional savings and investments was 16.5%.[ii] All this new money has driven demand for visual art, regardless of genre, straight into the stratosphere. Indeed, prices for artists preferred by hedge-fund collectors – such as Ed Ruscha, Richard Prince, and John Currin – have advanced exponentially in just the past three years. Currin, by way of example, was virtually unknown at the dawn of the new millennium; the prices for his paintings have quadrupled since 2004 to about $800,000 apiece. Robust valuations like these, and the relentless trading acumen that hedge-fund managers use to such great effect in the financial arena, have combined to trigger a gold rush mentality among traditional cognoscenti and would-be taste makers alike, with everyone beating a path to art schools worldwide with an eye toward finding the next big trend-setter and market mover.

Over the past several weeks, however, volatility in the global capital markets, once again raise the thorny issue as to whether the macroeconomic conditions propelling robust returns in the contemporary art sector may finally be winding down. For more insight on the prospects for contemporary art as a preferred asset class, I recently had a conversation with Bennett Roberts, co-founder of the Roberts & Tilton gallery (www.robertsandtilton.com) in Los Angeles. Roberts discussed the impact of Wall Street wealth on the art market, the role of technology in cultural commerce, and the curatorial function in an era of insatiable demand.

Christopher Holmes Smith: Tell me about your focus at Roberts & Tilton, about the artists you work with, and how technology is changing how you bring them to market.

Now, transactions happen instantaneously world-wide, with only minutes sometimes separating the moment when the art is made, or when it becomes available, to when it is sold.

Bennett Roberts: Roberts & Tilton was started in January of 2000 with the idea to be a gallery that gives a break to brand-new artists, that works with and continues to develop mid-career artists, and that also exhibits established and historically-significant artists. The parameter around the whole program is international, so we show artists who could be from Germany, Japan, Israel, Turkey, New York, Los Angeles, from all over the world. There are no borders to what we do because the Internet has broken all borders when it comes to cultural production, the same way it has with financial production in the stock market. Now, because of the Internet being ubiquitous, instead of having ten collectors in LA and ten in New York, all of a sudden you have ten in every big city in every country around the world. So now, you have 200 people who can consistently buy the one piece you want to sell when ten years ago you would have to market that same piece in a more localized and much more time-consuming manner. Now, transactions happen instantaneously world-wide, with only minutes sometimes separating the moment when the art is made, or when it becomes available, to when it is sold.

Christopher Holmes Smith: How do you correlate the cultivation of artistic talent – or in the best case scenario – artistic genius, with marketability?

Bennett Roberts: It's a very complicated conundrum. A lot of artists who are coming out of art school are actually taught nothing more than how to produce an object that will sell. So, part of the problem now is you have many young artists who have terrific talent but who have only been taught how to make a selling object, an object that a sophisticated and knowledgeable audience can't tell from between great art or merely good art. We are experiencing a tremendous cultural revolution

– especially given everything going on in China, India, Russia – whereby there is more great, good, and average modern art being produced worldwide than in any other time in the movement's history. There's so much good art being made that it's a very fine line between what is significant and what is not and price alone is an inaccurate metric of value. So, most collectors will just grab a great assortment of these new artists with the hope that one of them will be the historical thing.

Christopher Holmes Smith: That sounds like a blend of playing the futures market and the portfolio management method that a pension fund might employ to hedge against risk…

Bennett Roberts: Basically. I think you almost have to do it that way if you are looking to get absolutely great art in the long run. By virtue of being subjective, it takes a lot more time critically for the cream of cultural production to start to rise. And historically, it may take longer than we're around to really know whether it is of significance to culture rather than just to art aficionados and collectors. In the short run, however, the art world has collapsed in on the fashion world, which means you could have a very trendy person this year that gets lots of publicity, lots of attention, and lots of money, and next year, they may not be fashionable any more. So, the market is no longer built upon structures of 10, 15, 20, 30 years in the development of a career. Now people can come right out of school, out of Columbia, out of Yale, and be making $250,000. In the business world, that might not sound like a lot of money, but as a young artist coming out of school, that's a fortune. It used to be that right out of school, an artist might make anywhere from $10,000 to $30,000 a year and then they'd have other side jobs. Now they are making as much as a dentist or a doctor and it has a way of corrupting the integrity of the project because they have to work for a market rather than for themselves. And I don't blame them for it, either.

Christopher Holmes Smith: In this type of speculative environment, what do you advise collectors to do, and what do you advise your most promising artists to do?

It's through failure that the greatest successes are found. Something that might look like a failure in its time may prove to be the most significant work the artist ever produces.

Bennett Roberts: On the artist side, which is always the most important, I tell them not to be afraid to fail, not to be afraid to make objects that I'm not going to like and that audiences are not going to like, because that's probably where their best work is going to be done. It's through failure that the greatest successes are found. Something that might look like a failure in its time may prove to be the most significant work the artist ever produces. It's more important for them to take chances than to make the next object that we know already has a buyer. On the gallery side, I tell my clients to find galleries and advisors they can trust and then to buy what they love. If you are buying at auction, then it's a whole different thing, then you are buying for more financial and fiscal reasons. In either respect, though, art is perceived much closer to a commodity than ever before. The art itself still has uniqueness and aura, but the art transaction is getting closer than ever to the experience of buying shoes on the Web. So, a big part of my job is trying to sell the work to the strongest hands, to people who will hold the art in their possession and not just look to unload the work the moment it looks like it's appreciating in value. When valuation in the secondary market gets too out of line with valuation in the primary market it creates bad blood. Not only does "flipping" the work hurt the dealer, it hurts the artist, and it dilutes the whole creative process. So, the main job of the best dealers is placement. The system of trade in my world is ***not*** like the stock market in that it is a private system, not a public one, and insider trading is allowed and encouraged! We're in a placement game, not a sales game, in the long run and the higher up you go in the market, the fewer people you need to support your game. The least important galleries rely on walk-in transactions, while the most significant galleries only rely on the 10-15 wealthiest clients in their database.

Christopher Holmes Smith: In the last five years there's been a global wealth explosion with a whole new generation of incredibly affluent individuals who are looking to store a significant portion of their liquid assets in art. How has that trend changed the nature of your business?

Bennett Roberts: Well, many of these new entrants to the market are exactly the wrong people you want to sell to because their sensibilities are directly tied to the short-term gyration in prices. Art right now is very liquid. But the minute there are fears about that liquidity, all this new money will move in another direction. There are many dealers out there who think that selling into hedge-funds is terrific, I'm just not specifically looking to do that. Quite a few hedge-fund guys have come to me for deals but I'm usually fearful of that. In the short-term, you can make a lot of extra money. But in the longer-term, there's a real flaw in the equation because the work is being treated as a commodity rather than as a cultural object. It's important to remember that as a cultural object art has become the most important thing the world has to offer, at least in trade for money. In that respect, it's more valuable than houses, more valuable than diamonds, more valuable than anything else in a purely consumer market. I think that hands-on artistic production is only going to increase in long-term value, despite any short-term market fluctuations, as a direct reflection of how we are increasingly becoming socially fragmented by technologies like the Internet. One-of-a-kind cultural production in the world we have become is going to be more valuable than anything we have seen in our lives, and this is bigger than any short-term trends in the creation of wealth.

Christopher Holmes Smith: All things considered, then, how do you regard the longevity of this global bull market in art valuation?

Bennett Roberts: It's a very hard thing to call, of course. A lot of people in the late 1990s thought they were great stock-pickers, but history has proven that they weren't. The art market is the same way. In today's art market, a lot of people think they are involved because they love the art, but they are really there because it's fun. They're reading in the papers about something that was made only ten years ago selling for exorbitant amounts and it's exciting to them. But the minute there's a shock in the system, you're going to see a real adjustment in the way transactions have been trending. The best galleries will still have collectors who are there for the right reasons. And, it's actually better for the artists and their creative approach for there to be a periodic correction in prices – you can't have it like this all the time. But, the art market has been through many blips and many full-blown collapses and come back stronger than ever. So, lately, it hasn't been the most fun in the stock market and I'm sure the time of reckoning will come in the art market. But, I'll tell you what, the smart money is waiting for the short-term correction to happen and they will go in with big cachets of cash to buy everything up that the speculators have left on the table.

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[i] Kelly Crow, "Off the Wall: For Many People, Art Appreciation Has Taken on a Whole New Meaning," *Wall Street Journal,* 18 December 2006, R4.
[ii] Robert Frank, "'What, Me Save?' – Wall Streeters Put Bonuses in Homes, Art, Not Banks…", *Wall Street Journal,* 23 February 2007, W2.