Value judgments

■ The ability to spot a bankable artist or piece of art is a gift very few possess. As for the majority of would-be collectors and investors, **Jo-Marie Rabe** considers what history and contemporary trends can teach us about the tricky relationship between aesthetic value and investment potential.

FOR CENTURIES, COLLECTING ART WAS THE domain of institutions and wealthy individuals in search of rewards beyond the purely financial. The church was the single most important patron of the arts. For more than a thousand years, art had one purpose: to explain and glorify the invisible and immaterial realm of God. Artists were anonymous; they were artisans in the service of this greater ideal.

By 1500 art had started to liberate itself, and the artist had found a name. Universal men such as Leonardo da Vinci, Michaelangelo, Titian and Raphael realised their own talent and demanded recognition. And the world was ready for them.

But even during that time, the church was still the main patron of the arts, and although laymen started to play a more dynamic role as collectors, artists still worked to commissions only. The idea of acquiring canvas, brush and paint, and creating art without the slightest idea for whom you were doing it, or for the sole purpose of your own artistic expression, had not entered the Renaissance mind.

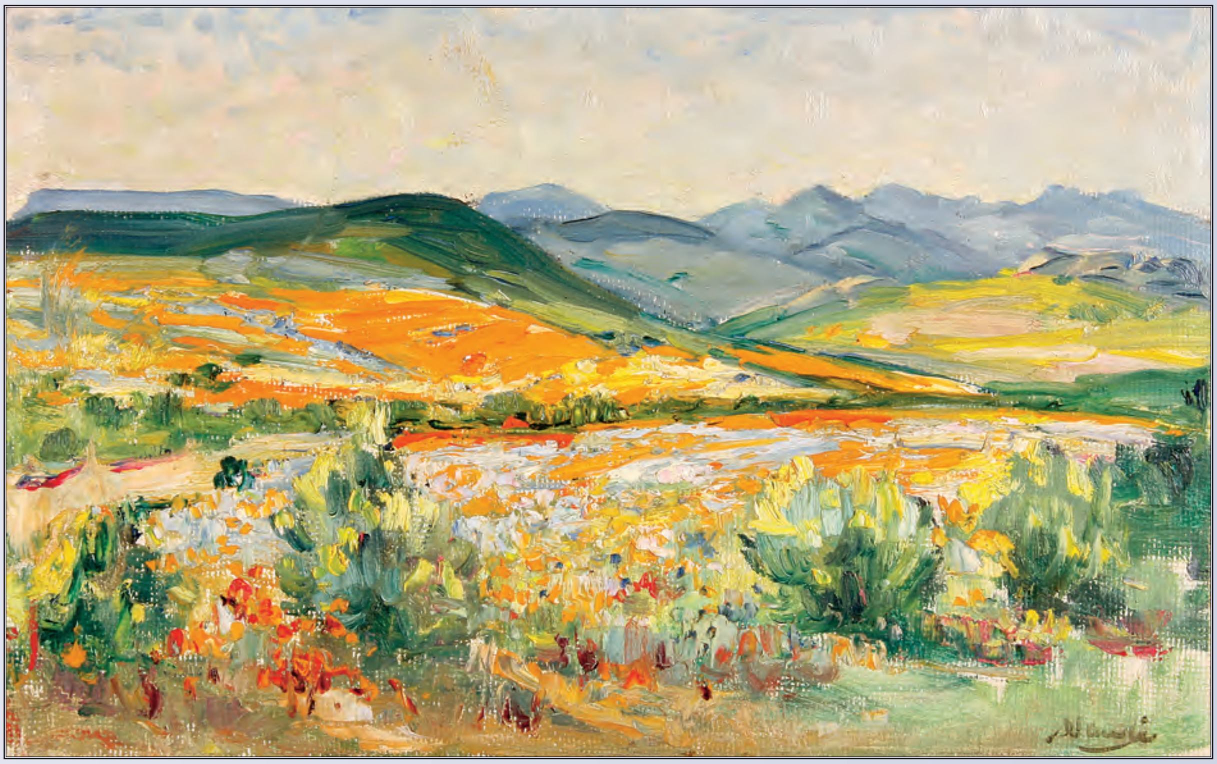
During the 17th, 18th and early 19th centuries, the artist became the visual biographer of his time. A perfect rendering of reality was the challenge. By the last decades of the 19th century, all of this changed dramatically. Two of the factors responsible were the development of low-cost photographic equipment and the appearance of the commercial art dealer.

George Eastman's box camera, "Kodak", was offered for sale for the first time in 1888. By 1900, he had reached the mass market with his "Brownie". Suddenly, the artist as renderer of reality had become redundant – anyone could do it with the click of a button. One of the traditional functions of art had become obsolete. This caused immense unrest. Artists had to start looking within rather than without for inspiration. It heralded the birth of modernism in art. "Art is the expression of imagination, not the duplication of reality," sculptor Henry Moore would exclaim later.

At the same time, the commercial art dealer started to play a more important role in the world of art (which at that time meant Paris). The power of the state-sponsored salon system, which had for more that two centuries regulated exhibitions and the sale of art with an iron fist, was in decline. In the wake of this, many small art enterprises made their appearance along the streets and boulevards of Paris. This was a key moment in the history of painting, because in order to sell their art, the young entrepreneurs offered prospective buyers a new incentive: a return on their investment.

An idea is born

SELLING ART AS AN INVESTMENT HAS AN IRONIC early proponent. In 1903, the struggling French artist Henri Matisse informed a friend that he had come up with an idea to generate an alternative income from his paintings. His plan was to find 12 investors, who would each pay him 200 francs a year. In exchange for this, he would furnish them with two paintings a month. In itself, this proposal was not unique or particularly special. The history of art is littered with



Namaqualand by Hugo Naude.

examples of artists engaged in complex, symbiotic, often even abusive relationships with a patron or patrons who took responsibility for their day-to-day expenses in exchange for works of art.

Matisse's idea, however, had an interesting new twist to it. He intended to offer his art to this group on the grounds of its investment potential. He had envisaged that the 24 paintings would be exhibited and sold some years later (for what he hoped would be a profit).

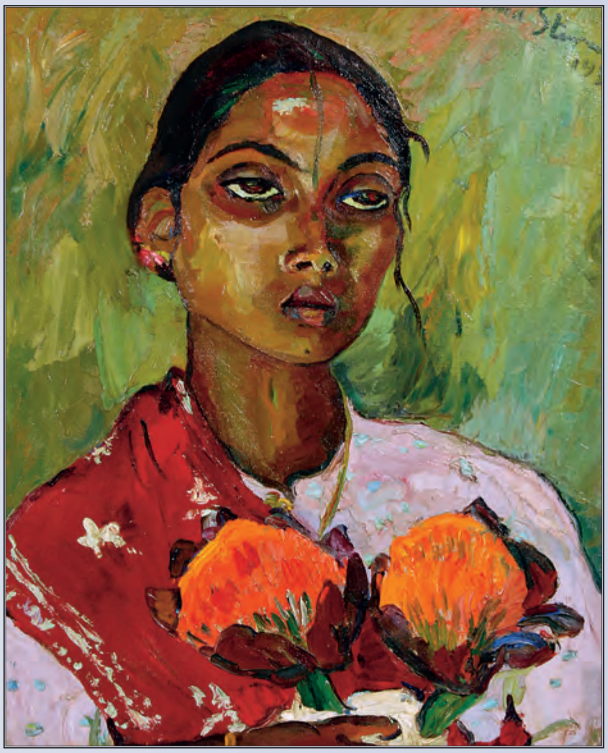
For Matisse, nothing came of this dream, but an idea was born, one that would change the way art was assessed and appreciated forever. Only one year later (1904), André Level, an astute French financier and a client of Matisse, persuaded 12 investors to contribute 212 francs each to an investment fund that would target an unusual new market: contemporary art.

With ironic flair, Level called it La Peau de l'Ours ("The skin of the bear"), from the French expression *il ne faut pas vendre la peau d'ours avant de l'avoir tué*. Roughly translated, it has the same meaning as "don't count your chickens before they're hatched".

Between 1904 and 1914, the syndicate bought art by a group of relatively unknown artists that was shunned, neglected or ignored by the art establishment in Paris. They focused on paintings by Matisse, Georges Braque and Pablo Picasso.

While Level made the purchases, members of the syndicate were encouraged to display these modern works of art in their homes.

In 1914 the entire collection was auctioned off at the Hôtel Drouot in Paris. The sale was an >>



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The Indian woman by Irma Stern.

>> enormous success. Prices of up to 10 times the purchase price were achieved. The initial investment had quadrupled. The news travelled fast. Art as an alternative asset class, a commodity to trade, had arrived.

At the same time that Level was acquiring paintings for his syndicate, a group of art collectors was building private collections of incredible importance. Among those who focused their attention on the same artists were the Americans Leo and Gertrude Stein, Albert C Barnes, and Claribel and Etta Cone, the Germans Count Harry Kessler and Karl-Ernst Osthaus, and the Russian billionaires Ivan Mozorov and Sergei Shchukin.

They often bought works from the artists themselves, but a key figure – someone they trusted to identify, exhibit and sell to them “the next big name” – had appeared on the Paris art scene. He was a young art dealer called Ambroise Vollard (1866-1939).

Talent-spotter extraordinaire

VOLLARD WOULD PLAY A PIVOTAL PART IN THE aesthetic and commercial upheaval of the first decades of the 20th century. His brilliant career has been chronicled in a recent exhibition at the Metropolitan Museum in New York and the Musée D'Orsay in Paris. The accompanying book, called, like the exhibition, *Cézanne to Picasso: Ambroise Vollard, patron of the avant-garde*, is a constant testament to his uncanny ability for talent-spotting – an astute skill that cannot be taught.

Vollard arrived in Paris in 1887. As the eldest son of a prominent Reunion family, it was fitting for him to go to the motherland to study law. He was an uninterested student, preferring rather to wander though the book stalls on the banks of the Seine looking for prints and drawings.

According to his biographers, Vollard had a precocious visual sense and a collector's instinct, even as a small boy living happily on his island paradise. He also was, as an outsider, free from the regulated, controlled, conservative and incredibly stifling influence of the powerful art salons.

Vollard abandoned his studies in 1888, thereby forfeiting the allowance his father sent him. He wanted to be an art dealer, nothing else. Despite financial hardship, his business grew. Unable to buy the works of the established Impressionists, Vollard had to find other ways to facilitate his dream.

Vollard's inventiveness and famously persuasive persona helped him to convince Madame Manet, Édouard Manet's widow, to sell him the artist's unfinished paintings and drawings. These he exhibited in his first gallery, situated at 37 rue Lafitte, in November 1894. The gallery was no more that a hole in a wall.

The exhibition was a huge success for more than the obvious reasons. Vollard sold well, yes, but he also sold to the right people. Auguste Renoir (1841-1919) and Edgar Degas (1834-1917) came to the exhibition. Renoir became a life-long friend and mentor, and Degas a life-long client and supplier. In the early days of Vollard's career, they also acted as advisers.

It was probably at their suggestion that Vollard offered Paul Cézanne (1839-1906) his first one-man show in 1895. Cézanne, already an old man by the time he met Vollard, had retreated to his native Aix-en-Provence after repeated rebuffs by the established Parisian art world.

Vollard later said about his initial meeting with Cézanne: “An innovator like Cézanne was considered a madman or an impostor ... On the spot ... I managed to buy 150 canvasses from him, almost his entire output ... I risked a great deal of money by doing that – everything I owned, my entire fortune, went into it. And I anxiously wondered whether my audacity might not turn out to be the ruin of me. I did not even have enough money left over to frame Cézanne's canvasses decently.” This quote chronicles the development of a mad passion, but also points to the danger and chances that Vollard was willing to take in the course of his illustrious career.

He loved to challenge the establishment.

Indeed, it would become Vollard's calling-card: identifying and promoting avant-garde talents who were misunderstood, disregarded and even despised by the establishment. “One goes to Vollard's gallery to be shocked,” a contemporary commented.

Besides Renoir, Degas and Cézanne, Vollard hosted one-man exhibitions for and represented the work of artists such as Vincent van Gogh (1853-1890) and Paul Gauguin (1848-1903). Many of these artists are today considered to be the most important artists of their time and are even counted among the all-time great masters of art.

For Vollard, Level and the collectors who bought these artists' work, time has been their great corroborator: it turned out that they had made the right choices. Their experience with art proved enormously satisfying, but the “returns” on their “investment” differed. The speculators made a huge profit from selling their art, while the collectors benefited from keeping it.

What we can learn

LOOKING AT THE RELATIONSHIP BETWEEN ART and commerce in recent history might be interesting, but it does not help us to decide what art to invest in today. Or does it? Can we take some lessons from the past? I believe that it does, that despite the semblance of change, things often are the same below the surface. People are still people and art will always be art.

As it happens, Level's La Peau de l'Ours was not only the first art investment fund, it was also the last one to work well. Despite numerous international attempts to cash in on the art market boom, art investment funds have not lived up to their potential; they have more media appeal than real practitioners. Remember the recent Van Gogh advert for one of our

COURTESY OF STEPHAN WELZ & COMPANY IN ASSOCIATION WITH SOTHEBY'S

Battersea Bridge by Maude Sumner

COLLECTION OF THE ARTIST. PHOTOGRAPH COURTESY OF MARLENE DUMAS

Name no names by Marlene Dumas.

premier fund management companies? The question is, does art form part of its portfolio of assets?

According to gallery owner and South African masters specialist Johans Borman, the reason there is so little real interest in art investment funds is obvious: people who spend their money on art want to live with it. "The local art market is driven by individual collectors, not corporate participation," he asserts. As was the case centuries ago, art has indeed become one of the most recognisable trophies of success for the world's wealthiest people.

But there are other reasons why art investment funds are not performing to potential. To start with, it is almost impossible to forecast art prices, an exercise once described by American economist William Baumol as a "floating crap game".

Despite academic attempts at art market analysis by heavyweights such as the Belgian economists Nathalie Buelens and Victor Ginsburgh, who looked at the prices of paintings between 1700 and 1961, and Jiangping Mei and Michael Moses, economists at New York University who developed the Mei Moses Fine Art index (based on the records of paintings with a previous auction history that Christie's and Sotheby's had sold since 1950), the truth is that it is impossible to predict the art market.

First of all, it is extremely difficult to put an intrinsic value on art, and, in addition, the market is unregulated, it is fraught with variables and it is almost exclusively driven by emotion. Besides ego (which can be an exquisitely expensive indulgence at times), personal preference, taste and fashion play deciding roles in what will become the "next big thing" in the world of high art.

For love or money

POPULAR ARTICLES ON THE SUBJECT OF ART AS an investment are plagued by platitudes.

"Don't buy art as an investment, rather buy what you like" is one that almost always comes up. The idea is that, should your investment turn out to be a dud, at least you have the pleasure of living with something that you like. I often wonder to whom this piece of advice is addressed.

Here is a scenario: the investor is offered two pieces of art. One is dark, abstract, dense and difficult to understand, and our speculator does not really like it (he thinks). The other he finds a pleasant, beautiful and accessible painting – he feels this will be easy "to live with". However, he is assured by the vendor that the first could yield 10 times the return on investment that the second painting could. Which one will he choose? He will choose the dense work that he did not understand or like initially, and then start believing in it (even passionately loving it) as soon as it is his. Because that is our nature. The investor did not buy with his eyes; he bought with his ears. He has successfully acquired a name by square-centimetre investment, not a piece of art.

Second scenario: art lover, same paintings, same reaction (displeased by one but loves the other), same prediction (high predicted growth on the unappreciated work). The art lover will buy the one he likes, because that is his nature – he buys only what he loves in any case. So telling the art lover to buy art he loves is superfluous.

To the investor, art is a commodity. For you, as a potential investor, a too-definite idea about what you "love" could literally stand in the >>

>> way of your making a good profit. Of course, buying art you love and then having it grow in value is the ideal, but giving yourself a mandate that reflects your true objective will clear some of the fuzziness of the "buying what you love" sentiment. It is a case of "art-buyer, know thyself".

So, the point to remember about Level and the success of his syndicate is their clear mandate to themselves: buy to sell. Personal preference aside, they focused on the profitability aspect of their acquisitions. In short, they did not necessarily buy what they liked. That was not the point of the purchase! The point was making money. The success of this venture was based on business acumen and sound advice, not the impassioned fervour of the die-hard collector.

"Buy the best you can afford" is another of those fuzzy "truths". Like all other sectors of the investment market, the art world has its blue chips. Currently, almost any of the Zanzibar paintings by Irma Stern is sure to yield a high return. But for these works the entry level is prohibitively high.

So, to those with a bit of "spare cash", what to do? What is "the best you can afford"? Do you buy a bad work by a high-yielding artist (too many of those around) or a brilliant work by someone who has yet to prove his or her worth on an auction floor?

Even for those investors/collectors who are in the privileged position to be able to buy at the very top end, there are still many things to consider. To those who intend to sell again, buying at the top would probably mean that you will have to wait a while before putting it on the market again. Art as an investment should in any case be seen as a medium- to long-term investment.

Another factor to consider is that a paper-trail makes for good returns. Pieces with a known history or those that have previously belonged to famous collectors always have a better chance of surviving market trends than those without.

An example of how important provenance is can be found in the auction results achieved by a collection of South African art that was sold by Stephan Welz & Company in association with Sotheby's a year ago. Jack and Helene Kahn had put together their collection over a period of 50 years. The Kahns were true art lovers and could not bear to part with these precious works. The collection was sold posthumously. All the lots were sold, nine new artists' records were established, five works sold for over R1 million each and the highest price ever paid for a South African painting was achieved: *The Indian woman* sold for R7.26 million.

"The final total was a spectacular R23 945 300, three times the pre-sale estimate," I read on the post-sale press release.

If the art world is under the influence of emotion, single-owner sales are the drunken brawls of the industry. All the rules are broken and all hell breaks loose. This is a pattern that is repeated over time, genres and continents. We love that which has a proven record of having been loved before.

The Kahn collection has set new benchmarks, but some of those have already been surpassed.

After the Kahn sale the questions on everyone's minds were the same: is the art market in a bubble? Can these prices be sustained? Is there more growth potential? Well, like all good answers there is a yes and no to consider. As far as the blue-chip items (those iconic pieces that represent the best of a genre or the oeuvre of an individual artist) are concerned, many feel the market has not reached a pinnacle at all. "In terms of international prices, our best art is still undervalued," Borman says.

It is the middle market that seems to be precarious. "Bad" works by "good" artists are unsold, and mediocre artists fetch mediocre prices. So if there is some sort of bubble, this middle of the market is probably the area that will be affected should it burst.

But rather than a bubble, the South African art world seems to be caught in a frenetic feeding frenzy.

Specialist advice essential

IT'S AUCTION NIGHT. I AM ON MY WAY TO MY car. A guy I have never seen or met shows me a work of art he has just bought. "Do you like my painting?" he asks me before he puts it in his car boot. He is desperate for me to say yes. He has just paid R180 000 for it. "The market kept running away from me and I had to get in, I just had to ..."

So, is art a good investment? Yes it is, provided you buy right. Art is a high-risk niche investment sector and should form part of a larger, more comprehensive portfolio. Take some advice from the biggest art buyer currently active in Europe, His Serene Highness Prince Hans-Adam II of Liechtenstein, Europe's fourth-smallest country: it is good business policy to invest surplus cash in art. Not your salary, but "surplus cash" – an interesting notion to most of us.

To buy "well", information and good advice are paramount for success. Investing in art means investing in your own aesthetic, but there is more to it than that. Getting to know the market is incredibly important. Study, look, learn and get an adviser.

Nobody in their right mind decides on a blue Monday to invest their money on the stock market and then phones the JSE, books a telephone line and starts bidding ferociously! But this is exactly what people do with art.

Like the world of shares, stocks and bonds, the art world is a minefield that has to be negotiated with great care. If financial return is the aim, do what you would do if you decided to play the stock exchange: find a broker. Having an art dealer, a curator or an art consultant at your disposal means that you can rely on someone who knows the art and artists, can read the trends, assess the nuances and can give informed advice on what to look out for or avoid.

The role of the specialist art adviser has been

House with peach tree in blossom by Gregoire Boonzaier.

important since the time of Vollard and his contemporaries. In today's art market, it is an imperative. The art adviser has become indispensable. Even Prince Hans-Adam acknowledges this: "Sometimes I do not like the piece or I think the price is too high, and sometimes I like the piece and I would pay a very high price, but I am not an art expert myself. Therefore I am very glad to have an excellent advisory board, which usually succeeds in convincing me to take the right decision."

And why exactly is it ironic that the idea of art as an investment was thought up by an artist? Well, because artists do not create art for the sake of investment; they create it to communicate emotion. And artists are rarely the ones who benefit when art prices go through the roof. The "droit de suite" is a movement that intends to rectify this: the scheme aims to secure a share of the revenue from sales after the initial sale for the creator of the work. It is controversial, but they argue that if most other art forms benefit from royalties earned, why can the creators of visual art not benefit from subsequent sales of their work. I say *Hear! Hear!*

And on this note: as to the question of what to buy – the old masters or young, living, contemporary artists? Buy the old masters by all means, but also invest some of your time and money on the living. Because by buying the work of a young artist you give him or her a mandate to keep creating. Most artists can work only if they sell their art. With your financial support, you might be nurturing the next Cézanne, Pollock, Stern or Dumas.

■ *Jo-Marie Rabe is a cultural historian and co-owns Piér Rabe Antiques in Stellenbosch.*

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Mother and children paddling by Eleanor Frances Esmond-White.