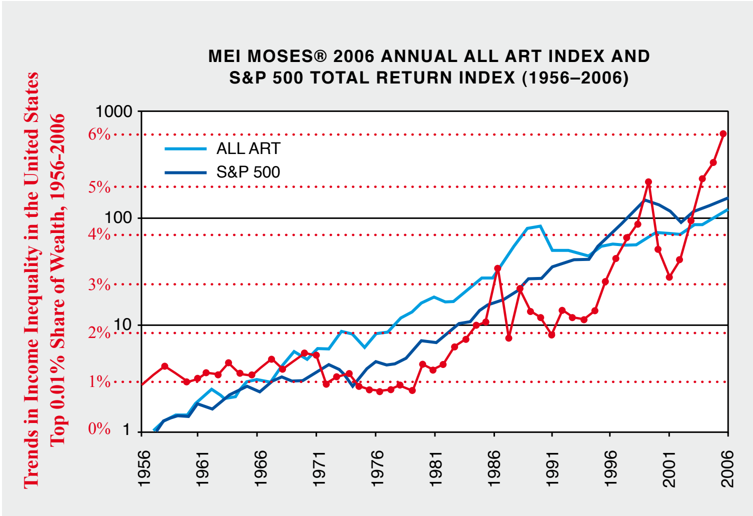
ANDREA FRASER

L'1%, C'EST MOI

Figure 1: Andrea Fraser, „Index", anonym veröffentlicht / published anonymously in Artforum, Sommer / Summer 2011, S. / p. 431. Produziert für / Produced for „24 Advertisements", ein Projekt von / a project by Jacob Fabricus, mit Designassistenz von / with design assistance by Santiago Pérez Gomes-de Silva, Studio Manuel Raeder.



How do the world's leading collectors earn their money? How do their philanthropic activities relate to their economic operations? And what does collecting art mean to them and how does it affect the art world? If we look at the incomes of this class, it is conspicuous that their profits are based on the growth of income inequality all over the world.

This redistribution of capital in turn has a direct influence on the art market: the greater the discrepancy between the rich and the poor, the higher prices in this market rise. The situation, it would seem, urgently calls for the development of alternatives to the existing system.

Who are the collectors of contemporary art today? The *ARTnews* 200 Top Collectors list is an obvious place to start. Near the top of the alphabetical list is Roman Abramovich, estimated by *Forbes* to be worth $13.4 billion, who admitted paying billions in bribes for control of Russian oil and aluminum assets.[1] Bernard Arnault, listed by *Forbes* as the fourth richest man in the world with $41 billion, controls LVMH, which, despite the debt crisis, reported a sales growth of 13 percent in the first half of 2011.[2] Hedge fund manager John Arnold, who got his start at Enron – where he received an $8 million bonus just before it collapsed – recently gave $150,000 to an organization seeking to limit public pensions.[3] MoMA, MoCA and LACMA trustee Eli Broad is worth $5.8 billion and was a board member and major shareholder of AIG. Steven A. Cohen, estimated to be worth $8 billion, is the founder of SAC Capital Advisors, which is under investigation for insider trading.[4] Guggenheim trustee Dimitris Daskalopoulos, who is also chairman of the Hellenic Federation of Enterprises, recently called for "modern private initiative" to save the failing Greek economy from a "bloated and parasitic" "patronage-ridden state".[5] Frank J. and Lorenzo Fertitta were the third and fourth highest paid men in the US in 2007, according to *Forbes*. Guggenheim trustee

David Ganek recently shut down his $4 billion Level Global hedge fund after an F.B.I raid.[6] Noam Gottesman and former partner Pierre Lagrange (also on the *ARTnews* list), earned £400 million each on the sale of their hedge fund GLG in 2007, making them "among the world's biggest winners from the credit crunch", according to the *The Sunday Times*. Hedge fund manager Kenneth C. Griffin supported Obama in 2008 but recently gave $500,000 to a political action committee created by former Bush adviser Karl Rove and was also seen at a meeting of the right-wing-populist Koch Network.[7] Andrew Hill's $100 million in compensation in 2009 led Citigroup to sell its Philbro division, where he was the top trader, after pressures from regulators to curtail his pay on the heels of Citigroup's receipt of $45 billion in US federal bailout funds (he subsequently moved the company offshore).[8] J. Thomilson Hill is one of a number of principles of the Blackstone Group investment firm who were listed among the 25 highest-paid men in the US by *Forbes* in 2007, with $46.3 million in compensation that year. (Fellow Blackstone cofounder and Frick Collection and Asia Society trustee Steven Schwarzman recently compared Obama's effort to raise the tax rate paid by private-equity managers on their profit shares, currently taxed as capital gains at 15 percent, to Hitler's invasion of Poland[9]). And there is Damien Hirst, estimated by *The Sunday Times* to be worth £215 million. Peter Kraus collected $25 million for just three months' work when his exit package was triggered by Merrill Lynch's sale to Bank of America with the help of US federal funds.[10] Henry Kravis' income in 2007 was reported to be $1.3 million a day.[11] His wife, economist Marie-Josée Kravis, who is MoMA's president and a fellow at the neoconservative Hudson Institute, recently defended "Anglo-Saxon capitalism" against "Europe's 'social capitalist politics'" in Forbes.com. Daniel S. Loeb, a MoCA trustee and founder of the $7.8 billion hedge fund Third Point, sent a letter to investors in the midst of recent federal budget negotiations that led the US to the brink of default, attacking Obama for "insisting that the only solution to the nation's problems … lies in the redistribution of wealth" (the negotiations concluded with drastic cuts and no tax increases).[12] Dimitri Mavrommatis, the "Swiss-based" Greek asset manager, paid £18 million for a Picasso at Christie's on June 21, 2011, when Greeks were rioting against austerity measures. And of course, there is Charles Saatchi, who helped elect Margaret Thatcher. Peter Simon, the founder of one of the UK's biggest retail chains, was paid a £16.4million dividend this year by his company, which is based in the British Virgin Islands, where there is no capital gains or corporate tax and the income tax is zero. The firm of MoMA chairman Jerry Speyer defaulted on a major real estate investment in 2010, losing $500 million for the California State Pension Fund and up to $2 billion in debt secured by US federal agencies.[13] And there is Reinhold Würth, worth $5.7 billion, who has been fined for tax evasion in Germany and compared taxation to torture.[14] He recently acquired "Virgin of Mercy" by Hans Holbein the Younger, paying the highest price ever for an artwork in Germany and outbidding the Städelsche Kunstinstitut in Frankfurt/M.,[15] where the painting had been on display since 2003.

Until about ten years ago, one of the most widely cited texts by an economist about the art market was a paper called "Unnatural Value: or Art Investment as a Floating Crap Game", written in 1986 by William J. Baumol. Baumol analyzed

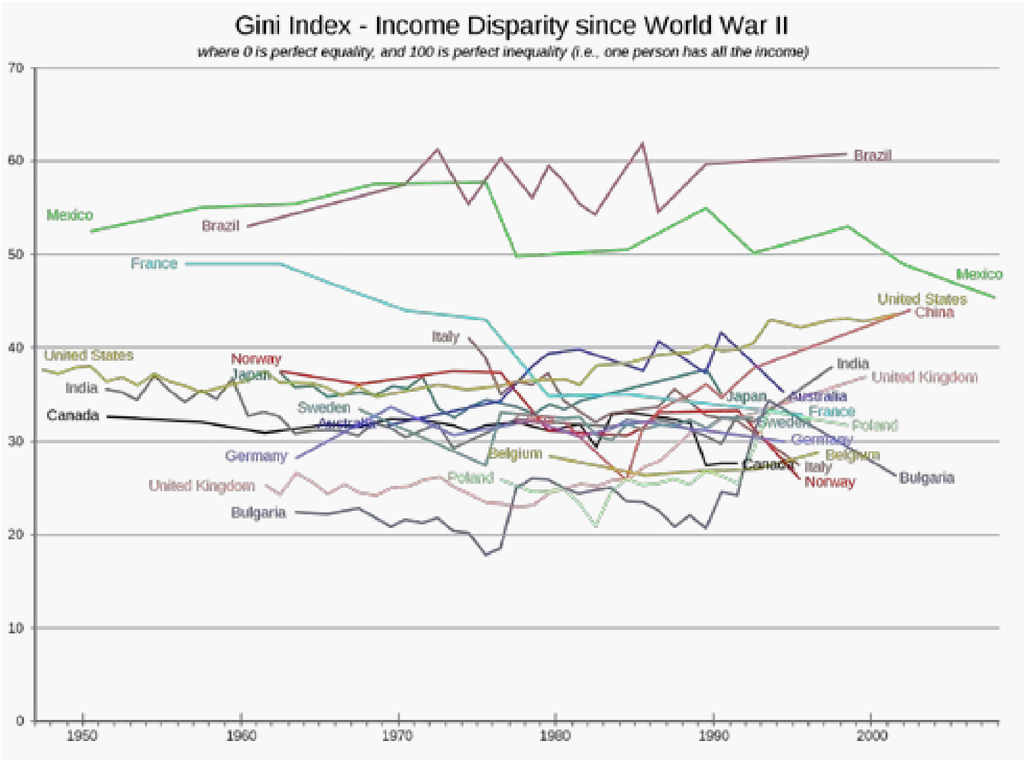


Figure 2

"several centuries of price data" and came to the conclusion that the real rate of return on art investments was basically zero – hardly an encouragement for art collectors.[16] In 2002, two New York University-based economists, Jiangping Mei and Michael Moses, claimed to prove him wrong[17] and began publishing an analysis of art auction results that showed art outperforming many other investments. This was the beginning of the Mei Moses Art Index (as well as their art consulting business, Beautiful Asset Advisors, Figure 1), which quickly began to appear on art investment websites and in publications like *Forbes*, playing a significant role in the development of the art investment industry.

Finally, a couple of years ago, a group of economists began to look at these comparative indexes not simply for evidence of art's investment value, but for an explanation of its price structure. William N. Goetzmann, Luc Renneboog, and Christophe Spaenjers suspected that equity market returns actually have a direct impact on art prices by increasing the buying power of the wealthy. So they compared art prices to income measures. As they report in their paper "Art and Money", their analysis did not find a relationship between art returns and "overall income variables (such as GDP or total personal income)" but only with income inequality: art prices do not go up as a society as a whole becomes wealthier, but only when income inequality increases. Their analysis suggests that "a one percentage point increase in the share of total income earned by the top 0.1 percent triggers an increase in art prices of about 14 percent". They conclude: "It is indeed the money of the wealthy that drives art prices. This implies that we can expect art booms whenever income inequality rises quickly. This seems exactly what we witnessed during the last period of strong art price appreciation, 2002–2007."[18]

A quick look the Gini index (Figure 2), which tracks income disparity worldwide, shows that the countries with the most significant art booms of the past two decades have also experienced the greatest rise in inequality: the United States, Britain, China and, home to the most recent boom, India. In the US, at least, the steep increase in inequality has been reported widely for years, with economists like Paul Krugman and fellow Nobel Laureate Joseph Stiglitz sounding alarms in the mainstream press. Even *The Economist* has shown concern. Recent articles have focused on new data showing that the top 1 percent now take 25 percent of the income and control 40 percent of the wealth in the US, up from 12 and 33 percent 25 years ago, while the income of the bottom 99 percent has not risen since 1993. This brings inequality in the US back to 1929 levels and close to the current level of Mexico.[19]

With regard to the art market, however, focusing on the 1 percent is misleading. The threshold for 1 percent status in the US in 2008 was an annual gross income of $380,354 – hardly the makings of a significant collector. It is only at the 1 percent threshold of $1,803,585 that we begin to encounter our patron class. As Goetzmann et. al. note, art prices, like real estate prices in desirable cities, rise with income inequality as the wealthy outbid each other for rarefied properties. Steeply increasing top incomes set off an equally steep inflation in the goods and services associated with affluence[20] resulting in a downclassing of formerly affluent income levels. In the art world, this has effectively priced professionals and other traditionally art-supporting groups out of the market. More broadly, it produces a distortion in the perception of wealth, as members of the top 20, 10, and even 1 percent may no longer perceive themselves as affluent.

The art market boom of the past decade has been associated widely with the rise of HNWIs (high net worth individuals, Figure 3) or ultra-HNWIs (people worth over $1 million or $30 million respectively), terms popularized by the World Wealth Reports that Merrill Lynch and CapGemini began releasing in 1997. These reports show the total wealth of HNWIs exploding from $19.1 trillion in 1997 to $42.7 trillion in 2010. *Art+Auction* recently celebrated trends documented in the 2011 report: the number of HNWIs worldwide, which almost doubled between 1997 and 2007 from $5.9 to more than $10.9 million, has recovered from its 2008 dip to pre-crisis levels; best of all, HNWI demand for "investments of passion" – including cars, boats, jets (29 percent), jewelry, gems, watches (22 percent) and art (22 percent) – has also rebounded![21]

But it is not only the market-based sector of the art world that has benefited from the rise of HNWIs. Since public arts funding has mostly declined in Europe and North America since the 1980s, it must be assumed that, directly and indirectly, this increasingly concentrated private wealth has also fueled the enormous expansion in the past few decades of museums, biennial exhibitions, studio art and art related degree programs, art publications, art residencies and awards, etc.

In the US at least, the causes of rising inequality are relatively clear: anti-tax and anti-government politics that reversed progressive taxation and led to corporate and financial deregulation; political and legal assaults on organized labor

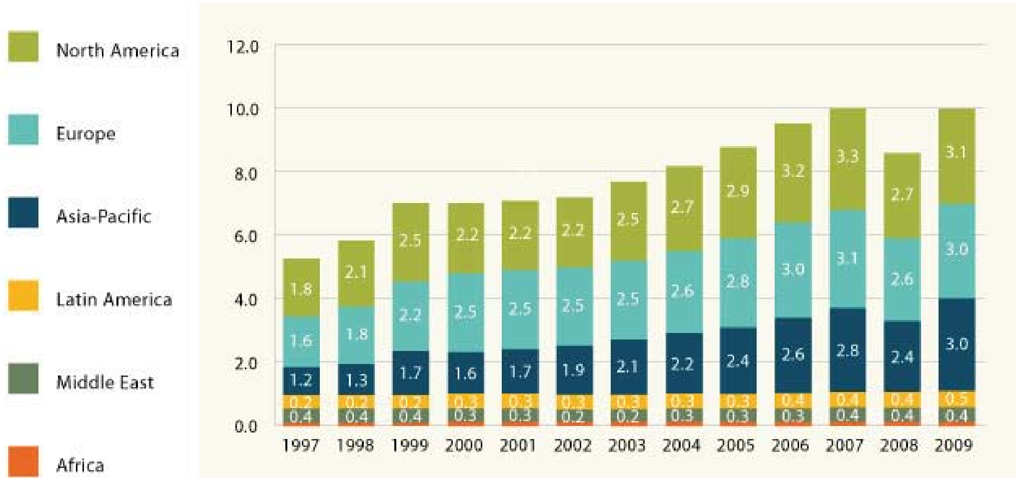


Figure 3: Number of HNWIs per region (in millions) / Anzahl der HNWIs nach Region (in Millionen)

that led to falling wages and, together with deregulation, removed any checks on skyrocketing executive compensation. These politics have been supported by a hugely successful culture war that has effectively identified class hierarchy and privilege with educational and cultural capital, rather than economic capital, for much of the US population outside of urban centers. It is also clear that financial deregulation played a major role in the subprime crisis, as did the cheap credit that propped up consumer spending and the real estate market as real wages declined. And it is also clear that the sovereign debt crisis that has followed the subprime crisis will only further increase inequality as austerity measures are implemented to protect banks and bondholders. The pain of cuts to cultural budgets is hard to compare to the impoverishment inflicted on millions by mass foreclosures and job loss; the bankruptcy of pension plans; cuts in public sector wages, in health care, in support for the unemployed, for students; with steep increases in the cost of education, etc. Anyway, we can always turn to HNWIs, who continue to privatize profits at pre-crisis rates. And as our survey of Top Collectors shows, many of our patrons are actively working to preserve the political and financial system that will keep their wealth, and inequality, growing for decades to come.

Except to stalwart adherents of trickle-down theory, it must be abundantly clear by now that what has been good for the art world has been disastrous for the rest of the world.

How can we continue to rationalize our participation in this economy? In the United States, it is difficult to imagine any arts organization or practice that can escape it. The private nonprofit model – which almost all US museums as well as alternative art organizations exist within – is dependent on wealthy donors and has its nineteenth century origins in the same anti-tax and anti-government ideology that led to the current situation: the principle that private initiatives are better suited to fulfill social needs than the public sector and that wealth is most productively administered by the wealthy. Even outside of institutions, artists engaged in community-based and social practices that aim to provide public benefit in the context of budget cuts may be just what George H. W. Bush called for when he envisioned volunteers and community organizations spreading like "a thousand points of lights" in the wake of his rollback in public spending.[22]

If our only choice is to participate in this economy or abandon the art field entirely, at least we can stop rationalizing that participation in the name of critical or political art practices or – adding insult to injury – social justice. Any claim that we represent a progressive social force while our activities are directly subsidized by the engines of inequality can only contribute to the justification of that inequality – the (not so) new legitimation function of art museums. The only "alternative" today is to recognize our participation in that economy and confront it in a direct and immediate way in all of our institutions, including museums, and galleries, and publications. Despite the radical political rhetoric that abounds in the art world, censorship and self-censorship reign when it comes to confronting its economic conditions, except in marginalized (often self-marginalized) arenas where there is nothing to lose – and little to gain – in speaking truth to power.[23]

In the US, the duplicity of progressive claims in art may also contribute to the success of culture warriors and right-wing populists in convincing economically and culturally marginal populations outside of urban centers that progressive politics is just a ruse of cultural and educational elites to preserve their privilege. In our case, they may be right. It increasingly seems to me that politics in the art world is largely a politics of envy and guilt, or of self-interest generalized in the name of a narrowly conceived and privileged form of autonomy, and that critique most often serves negation in a Freudian rather than a Marxian sense, distancing, above all, these economic conditions and our investment in them.[24] As such, it is a politics that functions to defend against the contradictions that might otherwise make our continued participation in the art field, and access to its considerable rewards – which have ensconced many of us comfortably among the 10 percent, if not the 1 percent or even the .1 percent – unbearable.

In Europe, however, there may be more choices as long as direct public subsidy exists. The debt crisis is pushing more and more of the European art field toward the US model. The British Culture Secretary, Jeremy Hunt, recently called for an "American-style culture of philanthropy" to save the arts in Britain from a 30 percent cut in the Arts Council and a 15 percent cut in funding for museums.[25] Don't do it! Let this tale of inequality and crisis in the US be a cautionary one. Rather than turning to collectors to subsidize the acquisition of art works at grotesquely inflated prices, European museums should turn away from the art market and the art and artists valorized in it. If this means that public museums contract and collectors create their own privately controlled institutions, so be it. Let these private institutions be the treasure vaults and theme-park spectacles and economic freak shows that many already are. Let curators and critics and art historians as well as artists withdraw their cultural capital from this market. At the very least, we must begin to evaluate whether artworks fulfill, or fail to fulfill, political or critical claims on the level of their social and economic conditions. We must insist that what art works *are* economically centrally determines what they *mean* socially and also artistically. I believe that a broad-based shift in art discourse can help bring about a long overdue splitting off of the market-dominated sub-field of galleries, auction houses, and art fairs. Let this sub-field become the luxury goods business it already basically is, with what circulates there having as little to do with art as yachts, jets, and watches. European museums have the potential to be the birthplace of a new art field that could emerge from this split, where new forms of autonomy can develop: not as secessionist "alternatives" that exist only in the grandiose enactments and magical thinking artists and theorists, but as fully institutionalized structures, which, with the "properly social magic of institutions",[26] will be able to produce, reproduce, and reward specific and, let's hope, more equitably derived and distributed forms of capital.

Thanks to Sven Lütticken for his valuable comments on drafts of this text.

Notes

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6 Azam Ahmed, "Dealbook: For Level Global, F.B.I. Raid is a Final Blow", in: *New York Times*, March 4, 2011.
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19 "Of the 1%, by the 1%, for the 1%", in: *Vanity Fair*, May 2011.
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21 Roman Kraeussl, "Following their Passions", in: *Art+Auction*, Summer 2011.
22 George H. W. Bush, "Inaugural Address", January 20, 1989.
23 I began much of this research in the spring of 2010, when *Artforum* asked me to contribute to their summer issue on museums. *Artforum* declined to publish the text I submitted, which detailed the involvement of MoMA trustees in the subprime crisis. That research developed into an initiative called Artigarchy, an interactive web-based data platform that would track the political and economic affiliations of top collectors and trustees. I have yet to find an art organization willing to take it on.
24 See Andrea Fraser, "Speaking of the Social World …", in: *Texte zur Kunst*, Vol. 21, No. 81, March 2011, pp. 153–156.
25 Quoted in Chartlotte Higgins, "Will philanthropists save the arts?", in: *The Guardian*, October 21, 2010.
26 Pierre Bourdieu/Loic Wacquant, An Invitation to Reflexive Sociology, University of Chicago Press, 1992, p. 117.