

# Hammering It Out in Europe

*Ten of the major European auction directors define the big changes the auction market underwent this year, the effect on auction policy, and the distinguishing features of the European market.*

By Gilda Williams

**Hughes Joffre**  
Sotheby's, London



*At the first sign of a speck of dust appearing in that new, well-oiled machine, it ground to a halt.*

There were two main engines behind the 88-90 surge in interest and prices in the contemporary art field; the arrival of new buyers using capital money (as opposed to surplus-pleasure money) divested from traditional investment vehicles to finance acquisitions of works of art. To preserve their activities as well as to benefit from this new wealth of non-professional but nonetheless semi-competitors, the trade had to follow the everrising pattern of prices and borrow heavily from banks and financial institutions, which were only too eager to welcome new clients putting up seemingly safe collateral (works of art whose value had not stopped increasing for five years). At the first sign of a speck of dust appearing in that new, well oiled machine, it ground to a halt. In the spring of 1990 a few auctions did

not do well and rumors of some investors in early financial difficulties started circulating.

In the summer the world's attention turned to the Middle East and the art business was caught up in a wider environment in recession. Fewer works were sold, inevitably drawing prices down and devaluing stock. Private and professional entities involved with banks could not pay interest due and the value of collateral would not meet the capital owed, forcing in a few cases owners to sell at a loss or less than expected prices. The obvious consequence of this confidence crisis was the absence in the fall of approximately 2/3 of our more aggressive buyers in the higher price bracket in recent years. Another is that fewer works of art will be on the market till there are strong signs of an active market. Few owners of recently acquired works are yet forced to resell and collectors who had been tempted by high prices to sell high quality works acquired many years ago are less likely to be thinking of selling in the present conditions.

In short, the "supply" has shrunk, and I believe that it should approximately match the shrinkage of the "demand," unless a worsening crisis creates an avalanche of forced sales.

Sotheby's is planning less sales and considering every single potential consignment with care, bearing in mind its duty to the market. In the field of "historical" contemporary art (works of the 40s, 50s, 60s, and 70s) the past decade has seen an increasing geographical discrepancy in taste. Approximately ten years ago

Americans started to collect patriotically, fueling this market which the new riches created in the early 80s. Sotheby's recognized this and created a dual-headed department, specializing in New York in American art and in London in European art. Europeans were gradually pushed out of the American contemporary market by rising prices and their weaker currencies and major works were returning to the US. A few years later they turned to their own and very different creative movements.

By its nature, European contemporary art is in general less attractive to newer and less educated buyers and a certain sense of measure was maintained in these price levels. This is probably due to the traditional conservatism of the more powerful and established members of the European art collecting community, and to the lesser involvement of Japanese buyers who are much more attracted to American products. Although we have seen in the second half of 1990 a definite slowdown in activity and we are expecting a tough year now, raw figures give a better than expected view of the situation. Sotheby's contemporary art department's turnover in Europe in 1990 was ahead on the 1989 total by 20% and our Nov-Dec sales in Milan and Amsterdam were not only our best so far, but they also highlighted a strong commitment to collecting in the old world, with the return of long time collectors, happy to be able to compete again in an art world largely freed of investors with huge sums at their disposal.

**Gérard Faggionato,**  
Christies, London

*The quality of the work of art now prevails on the price.*

We are currently preparing for our June 27th auction which is an important contemporary sale. My colleagues and I are currently looking at works of art that will potentially be included in the sale.

Several of our estimates appear to be conservative, which is a direct consequence of the change in the market over the last seven months. The European contemporary world experienced a drop in market value which was primarily caused by the depressed economic situation felt throughout. Another influence is the fact that in the last three years many speculators came temporarily into the art world, and of course, were the first to leave when the market suffered a down turn.

The role of the financial institutions lending money to speculators also played a negative role. Influenced by the newspaper reports on the contemporary art market many of them are calling upon the return of their loans to the speculators. This in turn leads speculators to want to sell their works of art at almost any cost. In the last three years pictures of average and medium quality have achieved very high prices as a result of the speculators. However, we are now in the situation where the quality of the work of art prevails on the price.

The policy of Christie's has of course been to adjust to the market change, and we are therefore estimating prices more cautiously than we would have done eighteen months ago. This was clearly illustrated in New York on February 14th when we sold 76.26% of the sale at very reasonable prices, and also in the London sale of March 21st when 70% was sold. Christie's shall continue to adopt this attitude until we can see a substantial change in the market. We have no plans to cancel contemporary sales, and are looking with optimism to our May sale in New York, and June

sale in London. I believe the market will reach an overall higher level at that time.

With regard to the American sales I believe the Swedish and Japanese collectors played an important role over the last two years. We do not know, at this point, what their attitude is towards contemporary art, and the first test will be the May sale in New York.

Recently my colleagues and I have seen much more activity in the market giving us confidence in preparing for the June sale.

**Philippe Loudmer**  
Guy Loudmer, Paris




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*Since the market is now a "buyers market," the sellers have to be realistic in order to sell.*

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After a two year inflationist period, the "bubble" exploded between April and June 1990. Some astute actors left the market before, some less lucid buyers overpaid, believing the price curve would climb more. This is a common scenario in economics. But the specificity of the market is that some poorly, poorly done works were pushed equally and that indicates the lack of knowledge of the newcomers.

Investing in art is possible but with much more sensibility and knowledge than investing in real estate. I, as an auctioneer and a collector, am always willing to advise prospective buyers. Our satellite link with Japan allows us to stimulate bidding by visually confronting several

bidders in Paris and Japan. We shall definitely continue to develop the contemporary art auctions, the XXth century books auctions, and the primitive art auctions.

For estimates, we follow the general price movement downward and we reflect it in our estimate. The scale of this movement is different in each specific market. Since the market is now a "buyers market," the sellers have to be realistic in order to sell.

In Europe and France, you will have auctions which are very diversified (each at the same level of quality) where we mix French, Italian, German, South American, North American artists.

This variety is an advantage for the buyers, and for the prices, which can be surprisingly higher than in a homogenous Latin American art auction in New York, for example.

The sales we organize in Paris are more exciting than in many other countries.

**Francis Briest,**  
Paris




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*The intricacies of the European auction market have been a deterrent for American and Japanese buyers.*

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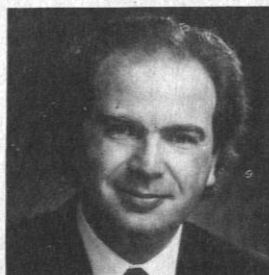
Today's art market reflects a generally depressed financial market. At the same time the art market is changing because a new spirit now pervades. As genuine interest in art works replaces pure financial considerations as the basic motivation for buying art, the speculators are retreating and the market returns to a less spe-

culative atmosphere.

In response to these changing conditions, we intend to hold fewer sales this year, reducing our sales' seasons from three to two. Simultaneously, our estimations will be more conservative and we will not consider high reserve prices.

The American market is dominated by two large auction houses whereas the European market is spread out over a much larger number of smaller auction houses. The intricacies of the European auction market have been a deterrent for numerous American and Japanese buyers. The new laws enacted around the concept of a unified European market are likely to allow some concentrations around specialists like our auction house and thus create a real boost in the near future.

**Niccolò Caderni**  
Phillips, London




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*What the market does not want to see is tired goods that are up for sale again with unrealistic estimates.*

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The auction market is a reflection of the general economic conditions and the general lack of funds; to a certain extent this has taken a lot of the liquidity out of the market. In effect it has taken the speculative market out—speculative markets have suffered considerably less, a trait noticed in all sales.

We are not planning to change our policy. However, the aim is to take in goods for sale at reasonable estimates and to try and give vendors a fair view of

the market prospectus. Thorough research and good marketing will still produce good prices, as was well displayed in the "Marcus" sale in New York, where a healthy market was shown to exist for high quality items with good provenance. What the market does not want to see, is tired goods that were seen two years ago and that are up for sale again with unrealistic estimates. Europe is still fairly broken up into fragments. It will be interesting to watch, over the next couple of years, what moves take place to unify and create a healthy market.

**Catherine Charbonneau,**  
Paris




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*The inflation in the number of sales has tired the public out.*

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The sudden slowing down this year has enabled me to carry out the approach I have always used: selection, extreme wariness as far as prices are concerned, and moderate estimates. The inflation in the number of sales has tired the public out. I remain confident in the European market. Prices for American art works are so high that they are hindered from circulating freely, especially in Europe where the market is still active. Beautiful works by international artists are still going for very reasonable prices (150,000/20,000FF), something which should be of great reassurance to buyers.



## Auctions

### Casimiro Porro, Finarte, Milan



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*Auction houses have been wrongly accused of having caused the rise in prices.*

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There are two sides to 1990: a wonderful first half when things were tending to be on the up, and the critically bad second half. For the origins of this, we need look no further than the political and economic events determined by the Gulf crisis. Every economic crisis (and by this I do not mean financial crisis such as Black Friday on Wall Street) makes for a crisis of speculative values, especially when it comes to experimental or avantgarde art. The lack of demand for speculative investment makes itself strongly felt on the market—it's a phenomenon not unlike the stock market.

Auction houses are run in a very flexible way. They have been wrongly accused of having caused the rise in prices and now they are being accused of not defending the market. There is more to the market than the auction houses: collectors, buyers and sellers, dealers, artists, museums, institutions, and speculators all have their part to play. So in a moment of weakness in the market, the strategy is not to abandon the worst-hit sectors but to persuade the operators to recede from a lower level in order to initiate a new rise. The American market is hallmarked by its enormous wealth and by the postwar American school, identified as the protagonist of world culture. The European market has thousands of years of figurative mythology to take advantage of. In the formation of new collections, it sets itself up as an

intermediary between ancient and modern times.

Italy's is an international market, but it is protected and sacrificed (as is the case of many schools which find themselves all on one market) by the inability of the state to lay down a true cultural policy as well as the relentless search for a sacral identity where the officials feel more like clergymen than managers or art historians. But the regional structure of the various schools makes for a dense network of connections along with a marvelously stimulating chain of nationalism making it very stable and less speculative than other markets.

### Cornette de Saint Cyr, Paris



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*It was never right that work by a living artist was on sale at three times the price being asked by the gallery.*

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Fluctuations on the auction market this year are simply the result of a readjustment of prices coming after a steady two-year increase, in itself excessive. The market, as we have been able to observe at various times over the 1980s, has always only been a succession of highs and lows.

The reason behind this readjustment is the separation of the auction market from the real or gallery market: it was never right that work by a living artist should be put up for sale at three times the price being asked by the gallery representing him.

The change in policy will be felt through much more specialized sales and, of course, lower reserve prices.

Ninety per cent of the American market is made up of American artists because the domestic market there is so strong. Europeans are less inclined to defend their artists.

### Rudolf Mangisch, Zürich



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*Estimates are now being based on far more serious criteria*

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There have been some improvements. Firstly, a lot more auction houses in the American style have opened recently in Europe and these are playing a positive role in an expanding market. Secondly, there has been a marked improvement in the quality of the works of art on offer, undoubtedly due to an increasingly refined and selective public, or perhaps it is due to the fact that they are becoming more aware of the international rather than just the local market. The estimates are always the result of a cautious evaluation of the piece's artistic merit. It is the public who is the expert that makes the evaluations and decisions so perhaps they should take the credit for the fact that estimates are now being based on far more serious criteria. In America, pieces by contemporary artists have been going for very high prices and now that there has been something of a drop, which was only to be expected, already everybody is talking about a crisis. There has not been such a fall in Europe and even if there have been fluctuations, they are due to an entirely

different set of factors.

Maybe we can view the current situation as a pause for thought which can only lead to a reassessment of values and the market. This year will be a year of further reflection which should consolidate the bases and give new impetus to the growing art market because art, real art, is a stranger to crisis.

### Henrik Hanstein, Lempertz, Cologne

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*Selling and buying at auctions is purely based on mutual trust.*

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The reason things have changed in the States and in England is that the policy of the giants Sotheby's and Christie's, was wrong in taking some extraordinarily high prices as a base for business development. This meant blowing up their very expensive worldwide activities. This policy is even harder to understand because everybody in the art market could see the end of those extremely high prices. We—the continental auctioneers—could remain calm and cool in this case if there would not be the enormous publicity about the difficulties of those two companies. A great number of journalists created a very unpleasant climate on the market in generalizing the bad moments of Christie's and Sotheby's.

There are many differences between the American and the European art market or more exactly between New York and London on one side and the continental auction houses on the other. The Anglo-American auction houses can employ a greater number of business agents and experts. On the other hand selling and buying at auctions is purely based on mutual trust which has to be built up over generations of clients. Therefore, especially in difficult times, clients prefer personal and confidential treatment which can be only guaranteed by smaller traditional auction houses such as ours.