

ART & DESIGN

Trump and the Art Market: A Feel-Good Factor?

By SCOTT REYBURN DEC. 30, 2016

LONDON — As we enter 2017, and the inauguration of Donald J. Trump looms, many sectors of the global economy are wondering what impact his presidency will have on their business. The art market is one of them.

Last year, the political and economic uncertainty generated by the United States election (not to mention Britain's referendum on leaving the European Union and other so-called macro factors) made collectors hesitant to buy or sell artworks. This resulted in reduced year-on-year totals at Christie's and Sotheby's evening contemporary auctions in New York and London, and more muted demand at the world's leading art fairs.

Now Mr. Trump, a real-estate mogul, is the president-elect, and he has appointed a cabinet packed with billionaires and multimillionaires whose pro-business outlook has created optimism on Wall Street and in the wider economy.

Detailed policies have yet to be decided, but Mr. Trump's stated commitments to reducing taxes and regulation, as well as to negotiating better trade deals and investing in infrastructure, have helped the Dow Jones industrial average climb to 19,833.68 at the close of trading on Dec. 28, about an 8.2 percent increase since Nov. 8.

This in turn is creating a feel-good factor in the art world, where America's 1 percent makes up by far the largest proportion of the most serious buyers. Not only might they have more money to spend, but Mr. Trump has even appointed Wilbur Ross, a billionaire art collector, as secretary of commerce and Steven Mnuchin, the multimillionaire son of the leading New York art dealer Robert Mnuchin, as secretary of the Treasury. From the commercial art world's point of view, what's not to like about the new administration?

"If an art collector gets less of a tax hit, that's got to be helpful," said Candace Worth, an art adviser in New York.

Collectors are, however, concerned about one potential downside of Mr. Trump's suggested tax changes. The Tax Policy Center in Washington points out that the incoming president plans to reduce the tax benefits of charitable giving — which could include donating art to museums.

"If they change that in a meaningful way it could have a significant effect on people's desire to make a generous gift," said Howard Rachofsky, whose stellar collection of American, European and Asian postwar art is a promised gift to the Dallas Museum of Art. Though the museum has formally accepted the gift, Mr. Rachofsky said, "There are agreements in place based on the existing tax codes, but if they were to change dramatically then those agreements may have to be modified."

Otherwise, Mr. Rachofsky predicts Mr. Trump's effect on the art world will be "neutral," while also noting, "The only thing that will be certain this year will be uncertainty."

This dichotomy — the financial security of the 1 percent contrasting with more general geopolitical nervousness — looks set to be the default mode of the art market for some time. As a result, both amateur and professional buyers, mindful of art's reputation as a financial safe haven, are concentrating on the proven so-called investment grade names of the postwar and contemporary periods.

"Collectors seemed to be congregated around blue chip galleries, acquiring selectively and focusing on more established artists," said Heather Flow, an adviser in New York, describing the dynamic at last month's Art Basel fair in Miami Beach. "The

uncertainty and instability globally seems to weigh more heavily on collectors' minds than the prospect of a tax bill that could boost the after-tax income of the top 1 percent of highest-earning Americans," she added.

The risk of speculating in young art was underlined in October when a 4-foot-high 2010 silver abstract by the New York painter Jacob Kassay sold for 25,000 pounds, or about \$31,000, at a Sotheby's day auction in London. Back in 2011, when the market for Mr. Kassay was at its zenith, another 4-foot silver abstract from 2010 sold at a Phillips evening sale for \$257,000.

With young abstraction no longer the force it was, the art market has settled into a more predictable cycle of auctions and fairs offering works by the reassuringly familiar.

"We haven't been buying living artists. We've been focusing on names like Picasso, Josef Albers and Yves Klein," said Javier Lumbreras, founder of the Artemundi Global Fund, a five-year closed-end art fund in New York that liquidated in 2015, producing an average net annual return of about 17.1 percent for investors, according to its website. (Mr. Lumbreras said he would be offering a new, modified fund to investors in the spring.)

Artemundi said it maximized its returns — made during a period of steady, post-crash price rises — by buying and selling through low-fee private transactions, rather than public auctions. Such auctions usually extract double-digit commissions from both buyer and seller for works priced under \$1 million.

An increasing number of private collectors are taking a similar approach. "The auction houses have created some huge margins at the midlevel," said Mr. Rachofsky, the Dallas collector, who last year discreetly sold several six-figure works priced through dealers charging single-digit commissions. "A lot of that trade is going to migrate to the private side."

That assertion seemed to be confirmed last month with the surprise move of Brett Gorvy, Christie's chairman and international head of postwar and contemporary art, who joined forces with the New York private dealer Dominique Lévy. Lévy Gorvy's inaugural show, pairing postwar landscapes by Willem de Kooning and the

Chinese-French painter Zao Wou-Ki, will open in New York on Jan. 18 and later travel to Hong Kong.

Many in this sector seem to agree on the probable effects of the new United States administration. Morgan Long, senior director of the Fine Art Group in London, said she thought Mr. Trump's policies would "look after the interests of the 1 percent."

But what about the 99 percent, and the new art that is not being recycled in the great moneymaking machine of today's market?

These will be the concerns of the 14th edition of the Documenta quinquennial, which is shaping up to be one of most talked-about art events of 2017.

Adam Szymczyk, 46, a Polish art critic and Documenta's director, has taken the bold step of holding the event in the beleaguered city of Athens, as well as its traditional venue of Kassel in Germany. The Greek component of this sprawling multi-artist project will formally open in April, with the Kassel phase scheduled for June.

Documenta's curatorial ambition is to show art that reflects the current reality of the contemporary world. Among the material already available on the Documenta website is a film about a butcher in Aleppo made by Abounaddara, a collective of Syrian filmmakers.

"We are interested in something that extends beyond the dimensions of an exhibition," Mr. Szymczyk said. "This has the possibility of offering statements that aren't bound by dominant narratives. It's about telling stories in a different way, opening up minds to a different way of living."

This influential event could usher in a new phase of didactic art. Alternatively, thanks to dominant narratives like Mr. Trump, art could be about to get a lot more interesting.

A version of this article appears in print on January 2, 2017, on Page A14 of the New York edition with the headline: In the art market, a bit of uncertainty.