



Art – the virtualized value

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Art – the virtualized value

It is a matter of common knowledge that art is – or can be – expensive. Moreover, it is also known that specific connoisseurship distinguishes the worthless from the valuable and therefore also regulates the pricing. Public debates on the relation of artworks and their prices are not unusual. However, what are the actual conditions for this evaluation?

Based on Boris Groys' theory of culture as a process of valorization, in which he investigates European avant-garde by the paradigm of *the new* the impetus for producing and collecting art since the 1960s, when pieces of art became highly-rated investment objects, shall be discussed within this paper.¹ A general view on Western history shows that booming economies have become centers of art production and artistic innovation. Studying this phenomenon the following essay will focus on the evolution of money economy. In order to explore artistic *value*, the relationship between monetarism and virtuality has to be investigated.

Money allows to swap everything with everything – as Karl Marx explained² Money can primarily be defined as universal value measure that enables a huge complex of transfers or exchanges of an unlimited number of different things between an unlimited number of partners. Georg Simmel explained money to *have* and to *be* relation in 1900.³ Now, more than a hundred years later financial industry has developed further into computer-controlled high-frequency trading.⁴ This practice, which is also called algorithmic trading, works in timespans as small as microseconds. Hence, those investors who can afford to use this technology are privileged. While these complex processes are quite hard to understand for non-professionals, ordinary people today use online banking or pay by electronic cash as matters of course.

The virtualization of money

Initially, a short overview on the evolution and the characteristics of money should be given here: The oldest form of money used as medium of exchange is called *commodity money*.⁵

Its value results from the commodity it has been made from. Whereas until the 13th century charges had been paid in natural products, money economy began to be established through introduction of coinage.⁶ The nominal value of a mint was – in theory – depending on its commodity value, which means the value of the metal it was made of. In practice, precious metal was clipped and scratched from the coins, so its commodity value was reduced compared to the face value held by legal tender laws. Besides, it is provable that European sovereigns counterfeited mints to finance their war projects such as Philip IV of France

Representative money, however, guarantees a claim on a commodity, for example gold or silver. Historically developed from coinage, the term can be illustrated easily by paper money: In 1609 the Bank of Amsterdam established *bank money* by receiving coinage at their intrinsic value. Gresham's law – “Bad money drives out good“ – explains this effort.⁷ In order to explicate the idea behind this dictum, the economic situation from the 13th to the 17th century as described above has to be imagined. Gresham shows that people try to spend bad money (*debased coins*) while saving good money (coins of high standard), which lowers the value of a country's currency in general. In comparison to that, the money provided by the Bank of Amsterdam, was in accord with mint standards and guaranteed the exact same value, which made it worthier than real coinage. The invention of cashless payment transactions avoided the risks of conveyance and allowed a higher mobility. Whereas the Dutch banking house ensured covering in coins for deposits, the introduction of paper money produced a huge crisis in 18th century France, later known as *Mississippi-Bubble*. Authorities started producing money partly based on the ideas of John Law. He recommended covering banknotes not only by precious metal but also by immovable property. The latter guaranteed “earnings expectations“.

In Goethe's drama *Faust. The Second Part of the Tragedy*, Mephistopheles suggests substituting gold standard from “unexploited resources” for paper money.⁸ Goethe illustrates the magical component of money creation and points out its diabolic nature inspired not least by the French economic collapse. Similar to the situation in France around 1718, the fictional empire suffers from a shortage of precious metals, which has also led to a shortage of coins. The solution of replacing gold by paper is similar in history and literature. This shows the basic principles of money: there has always to be a certain shortage of money.⁹ If the money wasn't tight, it would not be worthy anymore.

In summary, it can be stated that values like silver or gold represented by coinage have become virtualized into a medium of exchange. This process of continuous virtualization of money as well

as value itself is sustained and pushed on by inventing the banknote. Particularly during the 20th century we can observe two significant events having a high impact on global monetary management. The first was the *Bretton Woods* conference held in 1944 with the intention to decide over financial and commercial relations among the world's major industrial states in order to prevent hyperinflation.¹⁰ As a result of *Bretton Woods* the U.S. dollar became the world reserve currency, to which other national currencies of the system were pegged. In return, the U.S. guaranteed a fixed amount of gold for the dollar, which consequently ensured gold covering for the other currencies – the so-called gold exchange standard. Due to a coated inflation since 1945 and the high costs of the Vietnam War, President Nixon abandoned the gold standard finally in 1971. This second important event is known as the *Nixon-Shock*. In consequence of this shock, *fiat money* has been developed (Latin: fiat – “it shall be”). *Fiat money* is what we are using today; it does not have any intrinsic value but it is declared to be legal tender and issued and controlled by the state.¹¹ Paper money and coins or even software serve as a kind of certificate for the declared value.

Arts, patronage and money in the past

What about the coherence of money and art? In order to figure out how investment in art works nowadays it seems to be helpful to go back in history and to compare the relation of arts, patronage and money in feudal regency systems with our current art market. Michael Baxandall's investigation on the relationship of artists and their clients in 15th century Italy shows a change of paradigm, which is very important for subsequent developments.¹² Paintings were – except for a few commissioned works – especially designed for each and every patron. While the medieval ‘artist’ had been paid like a craftsman for his time and the used material, sources written during the period of early Renaissance show a shift from precious material – like ultramarine and gold – towards pictorial skill. Giovanni d’Agnolo de’ Bardi paid Botticelli “two florins for ultramarine, thirty-eight florins for gold and preparation of the panel, and thirty-five florins for his brush” in 1485.¹³ In this context, “brush” indicates the painter’s labor and skill. This “economic basis for the cult of pictorial skill” had become possible in a booming society based on the advantages of money economy.¹⁴ By giving up prohibition of interest, banking industry has been born initiated by Florentine families such as the Bardi, the Peruzzi and later the Medici.¹⁵

In the Dutch *Golden Age* the first flourishing art market was established, which allowed personalities like Rembrandt certain autonomy.¹⁶ In contrast to 15th century Italy, the Dutch painters produced for the open market, as Svetlana Alpers points it out.¹⁷ Due to a lack of land people of all classes invested in paintings. Pictures were cheap and were marketed at fairs. In comparison to Rubens, whose workshop was based on the division of labor, the author drafts Rembrandt’s personality to be the forerunner of the model of an artist, which we are

familiar with in our present culture. According to Alpers' argument, Rembrandt's great effort was to create the label *Rembrandt*, containing an "aura of individuality" in contrast to the manufactured mass product of a pre-industrialized society – a point of view, which I only partially agree on (see below).¹⁸ The interesting fact is that Rembrandt managed his artistic career mostly on credit, which allowed him independence from the patronage system. As written sources show, the artist offered paintings or etchings as payment of his debt.¹⁹ This had been made possible by a system flexible enough to enable these complex money transactions. Rembrandt could establish his wide reputation by dint of his specific manner of etching. He created a demand – as Alpers calls it – on his works in progress. By reworking the plate and modifying the image the print could be sold as new.²⁰ At a sale the artist himself bought the famous *Hundred-Guilder Print*, an impression of *Christ Preaching*, for this excessive price.²¹ According to Alpers, Rembrandt intended to make his own work rare and beyond this to upvalue his profession in general by acquiring pieces of art at high prices.

During Industrialization, producing pictures on stock and merchandising them through galleries has more or less successfully become the rule rather than the exception. Paradoxically the artistic ready-made symbolizes the unique, the singular in opposition to the mass product. Driven by the paradigm of the artist as an autonomous subject creating out of his individuality, the period of the European avant-garde establishes *the new* as an essential category. This is exactly what Groys describes as the reevaluation of value.²² In his model the author differentiates between the so-called *archive* and the *profane*. Ordinary things – out of profane context – are upvalued by reevaluation and become a part of the cultural archive, like Marcel Duchamp's *Fountain* from 1917. Thus, a process of continuous exchange in both directions is launched, where it is also possible to devalue pieces of artworks for example as kitsch and banish them back into the profane world.

Trying to explore the area of value and money, these thoughts are central. Especially the idea of continuous exchange is similar to money economy. According to the works of Jochen Hörisch and recently Joseph Vogl, who both analyze the money system from the perspective of literature, the trust in money has replaced religion in some way.²³

Arts, patronage and money in the 20th century

Since the 1970s *fiat money* is circulating around the globe. Earning expectations for the future create the value of assets, investment objects, prices and money itself. As Robert Hughes shows in his documentary "The Mona Lisa Curse", a great shift within the art world took place in 1973, when taxi tycoon Robert C. Scull and his wife Ethel sold fifty works of Pop Art from their collection with tremendous profit at Sotheby's New York.²⁴ Scull had bought Jasper Johns' *Double White*

Map for \$ 10,200 around 1965 but resold it for \$ 240,000, which was not only the record price of the evening but also the biggest sum ever spent on a work of a living artist.²⁵ Robert Hughes calls this event “a shift from aesthetics towards money”.²⁶ As shown above, art has already been known as an asset in 17th century Netherlands. The new quality reached here is not that pieces of art are traded as commodities but rather the dimension of profit in the face of time. Average profit among works of top-artists was 29.4% p.a. observed during the period from 1979 to 1989.²⁷ According to the economic situation, contemporary art offers new opportunities as a secure investment. In Damien Hirst’s *For the Love of God* money was part of the media mix of platinum and diamonds, which it has been made from, as the artist himself was engaged in the consortium that acquired the most expensive contemporary artwork ever.²⁸

Judging the role of the art collector/patron in the 20th century has to be done very carefully. Scull himself described buying art as “involvement”.²⁹ From an economic point of view the aim of every investor is to ensure making profit. Like money multiplying its worth, art offers the expectation of a high resale value after some years. Harald Szeemann worried about the fact of pushing prices by collectors or institutions as part of the game particularly within the American art system.³⁰ For the highly rated American artist Jeff Koons or the British artist Damien Hirst the workshop-practice of a Rubens became *modus operandi* rather than the practice of a Rembrandt who worked by his own hand.

Data processing and information technology has been the pace-setter for today’s money economy. We all benefit from its advantages through a global network which works as a huge *machine désirante*:³¹ Every time and at every place almost everything is available via the Internet, everybody can participate due to the innovations of the Web 2.0. Instead of communicating from *one-to-many*, content is provided from *many-to-many*. Following Walter Benjamin’s thoughts on mechanical reproduction, it can be assumed that for the collector incorporating the unique, the singular by purchasing it in order to stand out from the mass of art-consumers, like visitors of galleries or museums, might be a reason for art being this highly-paid status symbol.³² In this context, Tasos Zembylas introduces Thorstein Veblen’s concept of conspicuous consumption according to which wealth is used to manifest social power.³³

“*May I help you*” by Andrea Fraser addresses these main issues in the art world. Realized as a lecture performance in 1991 during Allan MacCollum’s exhibition at the American Fine Arts, Co., New York,³⁴ actors address the visitors directly by means of a 20-minutes lecture about the presented pieces based on Fraser’s script:³⁵

“I would say that this work is the apotheosis of abstraction.
It’s an abstraction that implies an absolute simplification
and reduction within a language of well balanced purity.
It has extraordinary colors and formal intensity.
[...]

It's sublime – almost transcendent. It's distinctive, disinterested, gratuitous, refined, restrained, sober, calm, guileless, good, simple, certain. It's perfect. It has such tact, such grace, such quiet self-assurance. It's . . .

She pauses again, then moves closer to the work. She looks at it for a moment. As she looks her expression becomes increasingly peaceful as if, in looking, all of her wants are satisfied.

... so far away from the passions that ordinary people invest in their ordinary lives. This is art. This is culture.”

The first character speaking to the audience represents the typical art critic, whose speech tends to be exclusive, evaluating, creating its own mystery not approachable for any ordinary person. It shows the elitist quality of contemporary art. The second character appearing in Fraser's monologue continues:

“I always tell my clients that the criterion for buying an artwork should be whether you would want it in your home. Loving something means having it with you.

Your collection expresses the texture and quality and even the smell of your life. It permeates everything about you, from the condition of your teeth to the way that you love.

You're branded by the objects you love. They mark you as the property of your culture, the property of your class.”

Here, the difference between you and the others is expressed very openly. The discourse addresses an art buyer directly, whose expectations are illustrated. Subsequently, art as simple investment object is denied in a polemic way.

“You know, some people come in here and they want to invest and then they haven't got the time. Imagine! They haven't got the time to be personally interested.

On the one hand investment and on the other, total incompetence. If you stuck a piece of shit on the wall it would be all the same to them as long as someone told them the shit was worth money. That's the *nouveau-riche* approach.”

In his study *Distinction. A Social Critique of the Judgement of Taste* the French sociologist Pierre Bourdieu reveals aesthetics as a category of power.³⁶ Fraser uses this model for introducing her characters as representatives of different social classes. Here the “art lover” expresses his or her disapproval of the “*nouveau-riche* approach”.

In the 1960s the newly created style of Pop Art coincided with the art hype. Pop Art has been interpreted as an attempt of democ-

ratizing art by producing pieces, people understood. Especially for Andy Warhol making business was part of his artistic concept.³⁷ The technological progress since the 1990s made it possible for everybody owning the technical equipment and an internet access to broadcast himself by writing, sharing links, pictures, videos, podcasts or music. Warhol's vision of 15 minutes fame for everyone seems to have become reality. While publishing in traditional media was once only possible from one to many, nowadays the formula is from many to many.³⁸ In this context the website of the British leading gallery owner Charles Saatchi should be mentioned.³⁹ The official site representing the gallery contains a prominently placed online store, which offers catalogues, merchandising articles, artist's editions and works of art. Additionally there exists *Saatchi Online* which is a platform organized as a marketplace for (young) art accessible to everyone. Its advertising Janus-faced slogan "Discover. Get discovered." invites investors as well as emerging artists. A series of online competitions, so-called *Showdowns*, are initiated here. The winner of each *Showdown* gets the opportunity to be shown at Saatchi Gallery. "Economy of attention", a term, which is circulating in social media platforms, describes the principle of the internet: Publicity leads to profit. While prices of the Top 100 Artists remain astronomically high, a growing discount price segment can be observed, which is established through online platforms and in analogue life as well. An example is the *ArtMart*, a one-week event, taking place annually at Künstlerhaus Wien.⁴⁰ Visitors/clients are in a gold-rush mood by discovering art at € 80 the piece. Programmatically open-door policy is implemented to consume and to purchase one out of the 2,500 affordable art works. Regarding the number of art events – what does this mean for perception in general?

Robert Hughes refers in "The Mona Lisa Curse" to Walter Benjamin and in succession to the pessimistic view of Theodor W. Adorno by criticizing the presentation of Leonardo's Mona Lisa in the Metropolitan Museum, which reduces the masterpiece to a facsimile of itself.⁴¹ The motivation of the visitors *to have seen* rather than *to view* the panel makes the difference. While the mode of reception can be discussed, it is unquestioned that Mona Lisa represents fine arts – it is a convention. Following the argumentation of Groys, culture is generated by producing interchangeable and benchmark setting value measures. It is a dynamic process in which values become negotiated perpetually.

Benjamin's aura has not been destroyed, neither through mass reproduction nor through the masses themselves. The artistic mission to demolish the artwork's aura has at least created something I would call aura 2.0. The attempts to 'democratize' artistic production in terms of questioning the masterpiece or the original in the 1920s and in the 1960s only have worked for a short time – for a moment of shock. So the pricing of an archived artwork, its value is part of our knowledge and affects our perception on the one hand. On the other hand it also attracts and encourages more and more people to get involved by becoming artists, collectors or art historians. Joseph Beuys has once put the phenomenon into a very short and simple formula: Art = Capital⁴².

**Anmerkungen**

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- 8 Jochen Hörisch, Kopf oder Zahl. Die Poesie des Geldes. Frankfurt am Main 1996, pp. 130 – 132.
- 9 Ibid., p. 130.
- 10 Cf. Zoche 2011.
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- 16 Tasos Zembylas, Kunst oder Nichtkunst. Über Instanzen ästhetischer Beurteilung, Wien 1997, pp. 97, 98.
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