

Billionaire head of SAC Capital prunes his art collection

Art market breaks records in New York

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On November 4 US prosecutors imposed a \$1.2 billion fine on hedge fund SAC Capital Advisors for engaging in insider trading “on a scale without known precedent.” The hedge fund is owned and managed by Steven A. Cohen, who has become enormously wealthy through SAC’s operations. His 2012 net worth was estimated at \$9.4 billion.

Cohen is the sole owner of SAC, so the fine will slightly diminish his wealth, but no charges have been filed against him. Even as the financial penalty was levied, Cohen was dipping his toes into the art market to see what profit might be made by placing \$80 million of his \$700 million worth of artwork up for sale.

In case there was any confusion about his financial status, the *New York Times* noted that “people close to Mr. Cohen, who were not authorized to speak, say that the art sales from his fabled collection are not an effort to raise money for his mounting fines and legal fees. Even after his fines are paid, Mr. Cohen will still have billions of dollars in the bank.”

His art adviser, Sandy Heller, told the *Times*, “We’re in a robust market, and we are actively managing the collection.”

For the superrich, the art market is a prestigious and often lucrative way to play with a portion of their fortunes. Cohen netted a nice profit at a Sotheby’s auction in New York on November 13, getting \$87 million for an estimated \$80 million worth of art.

On this occasion, he wasn’t involved in the top-selling item, which was Andy Warhol’s “Silver Car Crash (Double Disaster).” The latter sold for \$104.5 million, the highest price ever paid at auction for Warhol’s work and the second highest price ever for

contemporary art. Cohen still got a portion of that sale, though, as SAC owns between 4.7 and 5.9 percent of Sotheby’s stock.

The art market is reaching stratospheric heights, as the financial aristocracy searches for some place to invest its ill-gotten gains. A November 12 auction at Christie’s in New York set records for ten individual artists and was the most expensive auction in history, with \$691.5 million paid for the 69 lots. Francis Bacon’s triptych, “The Studies of Lucian Freud,” sold for the highest price of any artwork in history, \$142 million.

The bidding on Bacon’s painting began at \$80 million, then rose to \$100, \$110 and \$120 million. According to Blouin Artinfo: “Remarkably, there were still three bidders when the price climbed to \$120 million, including a young Asian gentleman near the front of the salesrooms. When the bid increased another million dollars ... auctioneer Jussi Pylkkänen quipped, ‘Of course, a million dollars is a lot of money,’ drawing bursts of laughter from the packed salesroom.”

The Christie’s auction also saw the highest price ever paid for a work by a living artist, \$58.4 million for “Balloon Dog (Orange),” by the dreadful Jeff Koons.

The next night’s auction at Sotheby’s, in which Cohen’s work was up for sale, was the most expensive auction ever held by that firm, with sales of \$394.1 million. Some \$1.1 billion was paid by investors for art in two nights. *Wall Street Journal* reporter Kelly Crow tweeted from the Christie’s auction that “millions are just pouring spigot-style” into contemporary art. Crow also commented: “Whenever the wealth boom really began to kick in around 2003 or 2004, the art world went from being kind of a clubby, gentele [sic]

atmosphere to really being a global litmus test for world wealth. For the first time arguably in history, you no longer just had the Europeans and the Americans jockeying for the world's most expensive western artists, but now you also have Russians and Ukrainians and folks from Dubai, China, India, Brazil all combining and fighting for a handful of the few hundred top works that come up to the market at any given year."

SAC's Cohen is familiar with high art prices, having bought Picasso's "Le Rêve" from casino owner Stephen A. Wynn for \$155 million in March, and a Willem de Kooning painting from David Geffen for \$137.5 million in 2006. "Le Rêve" has been in private hands since 1941.

Cohen regularly sells art from his collection, reaping handsome profits at auction. In 2011, he sold a Warhol portrait of the actress Elizabeth Taylor two days after her death, netting a multi-million profit (the sale was said to have been arranged two weeks earlier).

The vast sums of money available to financiers, speculators and assorted Wall Street crooks provide some sense of what the Detroit Institute of Arts (DIA), the population of Detroit and would-be museum-goers everywhere are up against when it comes to efforts to maintain public access to works of art.

In Detroit, unelected Emergency Financial Manager Kevin Orr is proposing the sale or "monetization" of the DIA's collection. Officials assert that the money is need to save pensions, but in reality Orr and the political establishment are focused on satisfying the demands of the financial industry for repayment of bonds.

The DIA's collection is one of the most remarkable in the country, containing about 66,000 works spanning the ancient world to modern times. A centerpiece of the museum is Diego Rivera's stunning *Detroit Industry* fresco, which depicts the city's auto industry and working class.

Within the galleries are many other significant works, such as Pieter Bruegel the Elder's "The Wedding Dance," "Madonna and Child" by Giovanni Bellini and Vincent van Gogh's "Portrait of Postman Roulin."

Christie's has been conducting an appraisal of the collection, while the market estimates that those three works alone would each net over \$150 million. Adding in roughly 100 masterpieces in the collection and

thousands of other significant works, claims are being made that the collection could have a multi-billion dollar value on the market.

No doubt Cohen and other billionaires are giddy with anticipation at the possibility of snapping up such works. Cohen reportedly has built a private museum at (one of his) mansions, housing the work of Manet, Pollock, Monet, Warhol, Damien Hirst and Roy Lichtenstein.

Rather than facing jail for widescale theft and fraud at SAC Capital, Cohen remains free and his fortune stands more or less intact, threatening the fate and accessibility of public art.



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