

November 8, 2001

Mr. S. Clayton Pennington
Editor
The Maine Antique Digest
911 Main Street
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Dear Mr. Pennington:

Regarding James Maroney's article in your November issue, it is extraordinary to observe, given his long and elaborate analysis, how he chooses to ignore one of the most elemental measures of auction success. His premise that an auction sale that exceeds the high estimate represents greater risk defies common sense.

This is all the more puzzling given what he describes as his years at Parke-Bernet—actually, Sotheby-Parke-Bernet, following the American firm's buyout by its London rival, and also his years at Christie's, which he omits to mention. As it happens, Mr. Maroney worked at Christie's as head of the American Paintings department during 1993 and 94--years indicative of "sporadic performance" at the Christie's American Paintings Department, according to his article.

In any event, Mr. Maroney offers a method to quantify volatility in the auction market. He tries to accomplish this by measuring the degree by which, for a given work of art, the hammer price differs from the estimate provided by the auction house. No doubt Mr. Maroney has spent endless hours accumulating and comparing the data needed for his analysis, but it is an effort expended to no real purpose.

In a footnote, he points out that his method gives equal weight to hammer prices that fall below the low estimate and to those that sell above the high. Whether a work sells high or low is of little account, he suggests, since both indicate volatility, implying greater risk. Needless to say, a work that soars in competitive bidding to a high or even record price does not offer greater risk; it offers greater return. Clients who sell above the high estimate are delighted with volatility in the saleroom, and in general they appear unconcerned about the risk of receiving more money than they anticipated. However, as a consequence of his methodology, Mr. Maroney forces himself to draw a peculiar conclusion. He suggests that a theoretical consignor looking to sell a work by Mary Cassatt would be better off consigning to Sotheby's than to Christie's. His conclusion derives from his premise that the Cassatt owner will prefer to avoid volatility, and by Mr. Maroney's analysis, sales of Mary Cassatt at Christie's demonstrate greater volatility. And indeed they do. At Christie's, we presently hold the world record prices for a Cassatt print, a Cassatt pastel, and a Cassatt oil. There may be a client out there who would shy away from the auction house that demonstrates greater upside volatility, but I am yet to meet that person. One of the obvious attractions of selling in a live auction is the potential for achieving a much greater upside return. No other auction house can

match the success that Christie's has achieved in this arena; we are, and have been for a number of years, the largest art-selling entity in the world.

Mr. Maroney goes on to establish that Christie's demonstrates greater volatility with a short list of other American artists (graphically presented in his "Exhibit 4"). Let's take a closer look. In a bar graph, Mr. Maroney shows greater volatility and presumptively greater risk at Christies' for the following artists:

- Thomas Hart Benton (Christie's holds the world auction record)
- Childe Hassam (Christie's holds the world auction record)
- Martin Johnson Heade (Christie's holds the world auction record for any still life by the artist)
- Georgia O'Keeffe (Christie's holds the world auction record for both a work on paper and an oil by the artist)
- Edward Potthast (Christie's holds the world auction record)
- Frederic Remington (Christie's holds the world auction record for both a bronze and an oil by the artist)
- Andrew Wyeth (Christies holds the world auction record for a work on paper by the artist).

For two artists, Christie's shows less volatility, and we have also managed to demonstrate auction success with both of them: Robert Henri, for whom we hold the world auction record, and Edward Redfield, for whom we also hold the world auction record. There is only one artist in his list, Rockwell Kent, for whom we don't hold a world auction record, but it gives us something to strive for.

Mr. Maroney argues that world records don't matter, but of course they do. They have played a role in our achievement this year of a market share of 67% in American art (as compared to Sotheby's market share of 28% for the first half of 2001). At Christie's, we still work on the assumption that achieving a world record price for a consignor is volatility of the very best sort, and I am happy to report that we presently hold world auction records for dozens and dozens of other American artists. Of this volatility, we are justifiably proud, and I am pleased to announce to our clients that we are going to maintain our strategy of continuing to strive for world records and upside volatility. Archaic though it may be, it's been our strategy for years, and we're going to stick to it.

I won't trouble your readers with a point by point rebuttal of the rest of Mr. Maroney's analysis, as one long article is enough. In closing, we may as well return to the beginning, and Mr. Maroney's headline which offers the catchy phrase "Never Mind Bill Gates." When it comes to Mr. Maroney's sort of misconceived analysis, I would suggest that the part that applies is simply "Never Mind."

Sincerely yours,

Eric P. Widing

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