

trademark gravelly voice, are striking. A half-century ago, Wall Street was a clubby place whose members traded among themselves as much on the basis of relationships as on the quality of analytical research. Comparative analysis, ranking stocks based on earnings growth or cash flow, was limited to a few backoffice statistical departments.

Compare today's art markets. Much art trades as it has for centuries, through an informal network of dealers and wealthy clients. While the best dealers and the auction houses have a rough idea of price trends within certain schools or individual artists, there's no efficient way to do comparative analysis on a regular basis—although Art Economics' founder David Kusin is trying to change this (*see story, p. 102*).

"The art market is completely under-analyzed and under-researched," says Berger, rubbing his hands at all the opportunities in the inefficiencies. "It's not like Coca-Cola stock, which is being analyzed all the time by Wall Street."

In 1995, the year after he sold his business, Berger put his theories about the imperfections of the art market to the test. Over the next two years he and Bernadette accumulated a huge collection of British art—more than 300 pieces, mostly paintings, spanning more than 600 years. Berger won't say how much he invested in the collection, but its value is reportedly over \$25 million.

#### Why British art?

Berger is a lifelong Anglophile. But more important, his analysis convinced him that British art was cheap relative to French, Italian, American and other countries' oeuvres.

Bernadette Berger recalls what led the Bergers to this conclusion: "We started out in 1995 just buying some paintings for our house, mostly [those of] American and British artists. The prices of the American painters [such as Winslow Homer] were out of sight. Yet paintings of equivalent quality by British painters were much cheaper. The British painters were clearly undervalued."

As a seasoned trader of stocks, Bill Berger knew that if he wanted to take advantage of the attractive prices to build a major position, he'd have to move quickly and quietly. As with traders of stocks and bonds, art dealers

mark up prices when their sensitive noses tell them a big player is entering their markets. To accumulate 300 paintings and other artwork in two years—a new piece every two and a half days or so—they called bids to action houses over cell phones from taxis, elevators, even a Las Vegas casino.

Another financial man who is also a serious art collector, Nicolas Berggruen (*see next story*), believes that art should never be purchased as an investment, but only for its power to please its buyer. Berger doesn't totally disagree with Berggruen's buy-only-what-you-like philosophy, but neither does he play down the thrill of finding bargains.

"Since I am an investment man, I insist upon measuring myself," Berger explains, "and so I am unhappy if I can't buy an artwork at half of what I think someone would pay for it a year from now."

One example of how he adds value is shown by his treatment of one of his most famous paintings—the 1620 canvas, "Three young girls," painted by a follower of William Larkin.

After buying the painting at Sotheby's in June 1996, they spent weeks pulling together information to add to the documentation on the painting, such as trying to uncover the identities of the three girls (they have it narrowed down to two families). All the new information adds to the painting's value. "This shows the true inefficiency of the art market," Bernadette Berger says.

Just as Amazon.com doesn't represent much value at 45 times sales, so Berger scoffs at the prices for what he sees as the art world's equivalent of Internet stocks.

Reacting to the recent sale of Cezanne's "Still Life with Curtain, Pitcher and a Bowl of Fruit" for \$63 million, Berger blasts: "They [impressionist paintings] were badly overpriced to begin with, just as our [U.S.] stock market is now. Does that mean they can double again? They probably will. There's lots of money to fuel this kind of inflation, in stocks or art."

Adds his wife: "You have to do this research yourself. Both industries [art and finance] are full of people trying to sell you something that has no value." ■