DERIVATIVE WORK

or

Not the worlds of art and finance coming together again!

or

THE ARTWORK AS 'PORTFOLIO MANAGER'

in which

Jonathan T. D. Neil explains the value of an artwork about value and the post-financial crisis meaning of the d-word in art

Since 2008 the word 'derivative' has taken on a new valence in the discourse of art. Formerly a dismissal of art that smacked too much of other, more important art (or of art that seemed to gain traction through its relationship or proximity to other, more famous art – in this, derivative art is akin to the celebrity's entourage), today one can't utter the word without invoking its status as culprit for the global financial crisis.

Derivatives, as most of us now know, are securities contracts that commit one or more parties to a transaction, the value of which is based upon, or derived from, the value of some underlying asset. Mortgage-backed securities were at the root of the 2008 crisis. Stocks and bonds and currencies can also serve as the underlying to a derivative; so can commodities of various sorts, including art.

We don't see wide use of art as the underlying in the formation of derivatives, however. Art funds come closest to this type of offering, insofar as they give investors the chance to own 'shares' of a fund whose value is determined by the portfolio of art that it manages. What any individual investor 'owns' in this case is not a work of art but a claim to a certain amount of the value that each work of art in the portfolio contributes to the whole. A more orthodox derivative with art as the underlying could be constructed from the increasing use of art as collateral. Banks, auction houses and other boutique money shops are loaning money against the value of collections of art owned by ultra-high-net-worth individuals, and it's not too hard to imagine those same firms packaging those loans into securities and selling them to investors as a means of hedging their own exposure.

There are two ways in which derivatives backed by works of art consistently strike defenders of art as odd or unsavoury. First, conceptually, such instruments strip the work of art down to a single attribute: price. From the perspective of the derivative, everything else that one might say or know about the work of art is irrelevant. The derivative instantiates a complete divorce between discourse and price, and in the faux puritanical world of art's autonomy, this amounts to some kind of sacrilege. Second, practically, the ownership of works of art is largely organised around commitments to art's singularity (the work of art as an embodiment of its associated discourse, not its price) and thus to possession of that singularity. Owning a derivative based upon a work of art or a collection of works of art divides ownership from possession and thus from the proximity to singularity that, in this logic, gives ownership meaning.

There is a word for such separations (of discourse from price) and divisions (of ownership from possession), and that's 'financialization'; though it may be regarded as the categorical undoing of art, it may also present conditions for its formal advancement in the present.

Such is the potential of Real Flow, an enterprise of sorts established by Diann Bauer, Victoria Ivanova, Suhail Malik and Christopher Kulendran Thomas. Real Flow debuted at Prem Krishnamurthy's new Lower East Side space K. (pronounced *k-period*) at the beginning of March. According to its own *Prospectus*, Real Flow is a 'portfolio manager' that offers art 'instruments' modelled on financial instruments. *RF1501*, Real Flow's initial offering, includes two series of items: *X001* through *X004*, which, on the occasion of the debut at K., took the form of four mostly monochrome abstractions that fall somewhere between the work of Brad Troemel and Ian Wallace – that is, they signify as absolutely *of* the contemporary international style in painting; and *Y001* through *Y004*, the 'Certificates of Ownership' for *X001–X004*.

With regard to the paintings *X001* through *X004*, what this structure allows for is one party, be it a museum or collector or anyone, really, to 'acquire' the works in order to display them or store them or do with them whatever one would like and is allowable with respect to the moral rights of the artist (which, according to Malik, is Real Flow itself in this case, but it needn't be in the future). The cost of this acquisition is simply the carrying costs (shipping, insurance, installation, conservation, etc) associated with the work, plus 20 percent, which is the 'management fee' charged by Real Flow. A different party is then free to purchase one or more of the certificates of ownership, *Y001* through *Y004*, whose value is informally linked to the *X*-series but the trading of which does not require the physical exchange of those works.

Real Flow, *Art Is the Sublime Asset*, 2015
Prospectus for financial instruments, 12 pages
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In other words, ownership need not entail possession, and discourse, all that can be said, written and represented about the *X*-series, need not affect nor be affected by price. As stated in its *Prospectus*, 'Real Flow operationalizes financialization's futurity to reconstitute the present of art, its future present and our future.' Indeed, one of the claims made by Real Flow is that the form of the *X*-series works – in this case, abstract paintings of the international contemporary style – is arbitrary. Whatever the 'present of art' or its 'future present' might bring in terms of manifest aesthetic tendencies, whatever tastes prevail, so will go the offerings that Real Flow may 'operationalize'.

A certain amount of this must be taken as tongue-in-cheek, but like the readymade, a certain amount of it is deadly serious. Real Flow's contribution must be viewed as part of a now century-long strategy on the part of artists to internalise within the form of art the dominant modality of its production, consumption and circulation. In 1915, that modality was the commodity; in 1965, it was administration, or at least conceptual art's aesthetic fetishisation of it; and in 2015, why not the security, or the derivative?

As Malik has pointed out elsewhere (see his 'Ontology of Finance' in the most recent issue of *Collapse*), the global derivatives market is, on one view, nearly ten times as large as global GDP, or, on a less inflationary scale, equivalent at least to the GDP of many of the world's biggest national economies, such as those of the US and Germany. In this context, it is not at all unreasonable to claim, as Malik does, that capitalism is simply a special case of finance, that finance is in fact the more general or generic concept and holds greater and broader explanatory purchase on the operations of culture and society, let alone the economy.

Which brings us to Real Flow's second offering: *1502_Zn*. As described in the *Prospectus*, the *Z*-series, potentially infinite in number, operates something like a forward contract on the sales of the *Y*-series of contracts. Above and beyond the direct trading of *Y*-series Certificates of Ownership, the *Z*-series would allow parties to buy and sell claims to the projected profits (or losses) of those trades. For example, owners of a *Y*-series Certificate could hedge their ownership by entering into a *Z*-series contract along the lines of a put option, call it *Z001*, giving them the right but not the obligation to sell the *Y*-series Certificate (the underlying) at a set price on some future date. But of course the counterparty to that *Z*-series contract could in turn enter into a different *Z*-series contract, call it *Z002*, with an entirely different party, which takes *Z001* as its underlying, in essence a speculation on another party's speculation, the chains of which are in principle endless.

Were contract-based artist resale royalties ever to come into wide use, we could see the institutionalisation of something like the *Z*-series in the contemporary marketplace. By giving an artist a claim to a share of (potential) profits garnered by the reselling of his or her work, those claims could be sold on by the artist to another party, who could then sell them on to another party, who could sell them on, and so forth. These rights themselves could be bundled into a further security, and a new marketplace for art-backed derivatives could come into being. But what contract-based resale royalties would do externally, the *Z*-series, and Real Flow, attempt to do internally: to make the derivative a condition of art's very possibility, to install the derivative financial structure as twenty-first-century art's operating system.

Real Flow's trademarked tagline is 'Art is the sublime asset', which invokes both the aesthetic, adjectival notion of what kind of thing art is as well as the active, verbal notion of what happens to it and, really, all material culture when the environmental conditions of capitalism become ever more financial. Real Flow doesn't want a sublime art, it wants *to sublime* art, and not by financializing it, but by offering finance art – that is, finance as a formal resource for art. If the readymade was nothing but the commodity form offered in the place of art, then Real Flow's instruments are nothing but the finance form offered as art.

Real Flow, 2015 (installation view at K., New York). Photo: Sebastian Bach

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