As the world economy began to tank about five years ago, a curious thing happened at the top level of the international art market: It started to boom. At the annual spring art auctions at Sotheby’s and Christie’s in New York and their branches around the globe, deep-pocketed bidders snapped up Braques and Bacons, Klimts and Kandinskys, often at record prices.

Now with the global recession officially over but the American and European economies still shaky, auction records for blue-chip modern and contemporary art continue to be shattered. Just a few months ago, a pastel version of Edvard Munch’s “The Scream” (1895) fetched an astounding $119.9 million at Sotheby’s, by far the highest price ever paid at auction for a work of art, surpassing the winning bid of $106.5 million for Picasso’s “Nude, Green Leaves and Bust” (1932) at Christie’s two years earlier. A week after the gavel fell on the Munch, Mark Rothko’s “Orange, Red, Yellow” (1961) went for nearly $87 million, the artist’s personal best at
auction. Works by 13 other artists also brought record prices at the same sale at Christie’s, which at $388.5 million was the largest haul in the history of contemporary art auctions.

(LEON NEAL/AFP/GETTY IMAGES) - Telephone operators take bids as Pablo Picasso's "La Lecture" (1932) is sold during an auction at the Sotheby's auction house in central London, on February 8, 2011. The painting sold for more than $3.5 million.

(THOMAS SAMSON/AFP/GETTY IMAGES) - French auctioneer Francois de Ricqles sales a photography entitled "Dovima with elephants, evening dress by Dior", Cirque d'Hiver Paris, August 1955 by US fashion photographer Richard Avedon at Christie's. it recently sold for $1.1 million.

Art photography is also bringing skyrocketing prices at auction, with new records set in the past three years for works by Edward Weston, Alfred Stieglitz, Henri Cartier-Bresson, Richard Avedon, Diane Arbus, William Eggleston, Cindy Sherman, Andreas Gursky and others. In 2010, a Christie’s sale of a group of Avedon photographs in Paris set an auction record for a sale of its kind in France; a single photograph, “Dovima With Elephants,” sold to Maison Christian Dior for $1.1 million, a world auction record for the photographer. Last year, at Christie’s New York, Sherman’s “Untitled No. 96” went for $3.89 million, a record auction price for a single photograph. “The global economic downturn briefly introduced insecurity into the market, but then it went right back to where it was before, which is a constantly ascending state,” says Paul Roth, senior curator and director of photography and media art at the Corcoran Gallery of Art in Washington and former director of the Richard Avedon Foundation. “Prices just keep going up and up and up.”
The trend is a narrow one, confined to the stratosphere at the major auction houses and their well-heeled, privacy-loving and therefore largely anonymous clientele.

The boom is less evident, for example, at galleries and art fairs, which have only recently begun to recover from recession-era sales slumps. “The best of the best goes for big, big prices, but when you drop down to the secondary and tertiary levels of the market, it’s not the same thing,” says Douglas Druick, president and director of the Art Institute of Chicago. “It’s not like that moment in the late ’80s where everything — the best and the less-than-best — was rising. Now the market is much more savvy.”

But narrow or no, the great Art Rush of the early 21st century is a phenomenon. What’s happening here? Has art become the new gold, a refuge for super-rich investors fleeing volatile stock markets and wobbly currencies around the world? Some close observers of the art-auction circus think so.

“Art has become increasingly monetized,” says the veteran New York art dealer Richard Feigen. “Wealthy people shying away from securities are now using art as an investment vehicle, an asset class — I mean, financial institutions are lending money on it now. One reason for this is simply the proliferation of money, the increased liquidity of the very rich. . . So we have an increased supply of money and a decreased supply of available art, which produces the kind of prices we’ve been seeing.”

Walter Robinson, former editor of Artnet Magazine, a New York-based industry journal whose parent company operates a subscription service that tracks art-auction sales figures, agrees. “The economic explanation is obvious: that there’s way too many super-rich people in the world,” he says with a laugh. “There’s been a huge increase in capital in the last few years, and most of it’s gone to the ruling class, the upper 1 percent. Art is actually not a very secure investment, but these folks have so much money that the thinking goes, ‘Why not park a few million dollars in fine art?’”

Olivier Camu, international director of impressionist and modern art at Christie’s, concedes that the boom is a reality. “It’s true that the financial crisis does not seem to have had much effect on the art market, certainly not at the top level, because what we’ve been seeing in the past five years or so is that whenever major works of art come on the market, they bring phenomenal prices,” he says in a phone interview from London. “There is really a boom, but it’s been going on for a while, and it’s only for the top-top-top-top. Sometimes it’s not like that because there are no masterpieces for sale.”

For Camu, however, the auction boom has had more to do with the increased supply of major artworks on offer than with financial markets. “It’s not like a wave of scared investors has been unleashed from the stock market. I think if you’re spending $100 million on a work of art, it’s not because you’re hesitant to enter the stock market. A person who does this is very likely to have a diversified portfolio, including stocks, bonds, cash and paintings, and other things, perhaps. Yes, some people say, ‘Art seems to be going up, so why not invest in it as a hedge against fluctuations in the stock market?’ But we don’t encourage people in general to look at art
truly as an investment, although of course it has been that for some people, retrospectively speaking.”

If the wealthy collectors buying trophy art do intend such purchases as investments, they may be in for an unpleasant surprise, Feigen says. “To me, $120 million for that Munch pastel is an outlandish price — insane, in my view. Munch was an important artist, but not a great artist. He was a second-tier artist, and $120 million is crazy for a work on paper. Rothko was a major artist, but he was prolific, so $87 million is not as insane, but still pretty crazy. And now people are paying huge amounts for works by artists of little consequence art historically, like Damien Hirst. So I think the prices are crazy in today’s market, let alone tomorrow. Some of these prices will not survive.”

One important contributing factor in the auction boom is the entry of new collectors from previously little-represented parts of the world, including Russia and the former Soviet states, Asia and the Middle East — in particular Qatar, the world’s richest nation, which is positioning itself as a cultural hub. The Munch pastel is rumored to have been purchased by the royal family of Qatar, which has been on an art spending spree, dropping a reported $250 million in a private sale for a version of Cezanne’s “The Card Players” (1890-92), by far the largest amount ever paid for a work of art.

At a February sale at Christie’s in London, Camu says, 30 percent of the offered lots went to buyers from Russia and the ex-Soviet countries, 27 percent to buyers in Europe, 24 percent in the Americas, 15 percent from the Middle East and 4 percent from Asia. “It shows you quite a balanced picture,” he says.

Another source of fuel for the art boom, Feigen says, is increased media attention in the form of articles like this one, which may tend to spur highly competitive collectors to reach for their wallets. “The very high-end areas of the art market are publicized more than ever now,” he says. “The more the auctions are publicized, the higher the prices go, and the higher the prices, the more the press pays attention. It’s a cycle that feeds on itself.”

Whatever the reasons for the willingness of the global rich to spend such vast sums on art, art-world observers tend to worry less about the causes of the phenomenon than about whether it will continue; they hope and pray it will. “Don’t tip over the apple cart,” Robinson says. “The art world is full of bohemians, people who can’t cut it in the straight world, but we have this thriving mini-industry that’s funded by the spare pocket change of the billionaires. It’s Reaganomics come home to roost, and why not? It’s good for all of us.”