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Financial instruments

Fiddling expenses

Dec 19th 2006

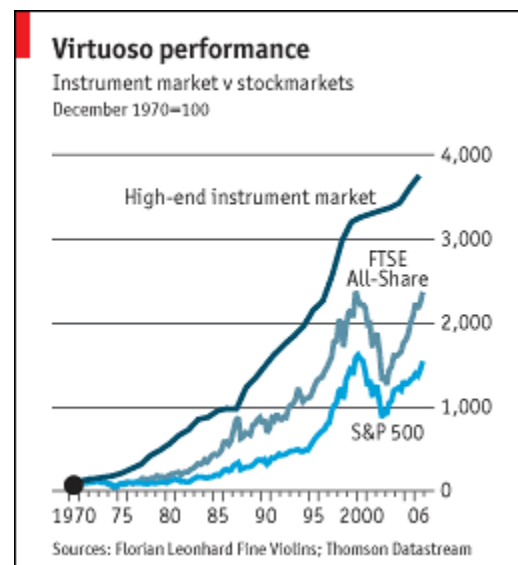
From The Economist print edition

Musicians are finding clever ways to pay for the tools of their trade

"FROM the first note, I knew I had to go for it," explains Jamie Walton, an up-and-coming British cellist, discussing his decision to buy a 1712 Guarneri *filius Andreae* cello for \$1.7m. "I don't see it in material terms—it is a part of my soul." But to raise the money, Mr Walton, aged 32, has ventured into less ethereal realms of the classical music world: he is cobbling together a syndicate of investors over the next two months who will own notional shares in the instrument.

It should be a sound investment. As both professional tool and *objet d'art*, prices of stringed instruments are soaring. A Stradivarius violin fetched a record \$3.5m at auction in 2006; dealers say private transactions have reached well beyond \$6m. According to sales data, during the past 35 years the returns for high-end stringed instruments have vastly exceeded the performance of American stocks (see chart). The cello coveted by Mr Walton has tripled in value in 15 years.

The high prices mean that only the most successful musicians can afford to buy top-rated instruments. Many have long relied on loaned pieces from patrons, charities or orchestras. More recently, European banks, Asian companies and wealthy collectors have moved in, pushing up prices; and museums and foundations have bought instruments for posterity, creating a scarcity. The result is that the best ones are almost inaccessible to talented musicians, who are turning to investors to buy and loan them instead.



It is not easy to structure deals. "There are strings attached," explains Jason Price of Tarisio, an online auction house for instruments. For example Bein & Fushi in Chicago, which has organised around 25 such transactions, worth \$35m, requires musicians to perform annually for patrons, giving new meaning to an investors' roadshow. Robert McDuffie, an American violinist, agreed to private concerts when 15 investors purchased his \$3.5m fiddle in 2001, granting him 25-year usage rights. Players typically pay insurance (around 1% of the value) and maintenance but no rent, explains Nigel Brown, who organises investment trusts such as Mr Walton's.

Prices may go higher still; the number of virtuosos is on the rise as teaching improves, and Chinese orchestras are keen to equip their ranks. Further fuelling demand is the need for talented players to distinguish themselves from the pack, says Ariane Todes, editor of *The Strad*. But it is as much artifice as art. To most ears there is little difference between a Strad and a good modern maker, admits Ruggiero Ricci, a master violinist. He sold his famed Guarneri *del Gesù* violin for \$3m in 1999 after buying it in 1957 for around \$35,000.