The Money Is All Bottled Up
By JONATHAN KARL
June 18, 2008; Page A13

Investing in Liquid Assets
By David Sokolin
(Simon & Schuster, 288 pages, $26)

The Billionaire's Vinegar
By Benjamin Wallace
(Crown, 319 pages, $24.95)

In 1962, a wealthy banker placed an order with a New York wine merchant for 20 cases of some of the finest wine on the planet: 1961 Mouton-Rothschild and 1961 Chateau Petrus. The gentleman was outraged, however, when the wine arrived and he discovered that the Petrus cost $120 per case, as opposed to $100 for the Mouton-Rothschild. He sent the Petrus back -- except for one case. More than 30 years later, he sold that one case back to the same wine merchant, outraged this time at himself for not buying more in 1962 -- because the wine was now worth $120,000.

Or at least that is how David Sokolin tells the story. Mr. Sokolin is the son of the dealer who supposedly sold the wine to the "wealthy banker" back in 1962, and he has since taken over the family business. In "Investing in Liquid Assets," he argues that a portfolio of fine wines will outperform a portfolio of fine stocks. He may be right, at least some of the time, but he is not exactly a disinterested observer: He makes his living off of wine investors. You can learn a little about wine investment in his book, but it is ultimately a piece of salesmanship.

Take the story of the "wealthy banker." Mr. Sokolin says the man sold back his one case some 30 years after the original 1962 purchase for $120,000. The problem is that, back in the mid-1990s, 1961 Petrus sold for about $25,000 to $35,000 a case. Today, more than 45 years after the original purchase, you can buy a case of 1961 Petrus from Mr. Sokolin's company for $117,000, or even less from other merchants.

Whether the story is fictional or simply exaggerated, the point is sound: Loading up on 1961 Petrus 45 years ago was like buying Apple Computer stock in 1989 -- a good move. The values of what Mr. Sokolin calls "investment-grade wine" have steadily increased, especially since the mid-1980s, as personal wine cellars have proliferated and the major auction houses have gone into the business. Today the Liv-ex 100 Index serves as a Dow Jones Industrial Average of fine wines, tracking the prices of 100 of the most collectible ones. Over the past four years it is up more than 150%.

Mr. Sokolin says there is a good reason for the surge: As demand for fine wine rises, the supply goes down, because people are drinking the stuff. Even when investors seem to be paying top dollar, Mr. Sokolin says, "the market still generally goes higher over time," because the best wines are "diminishing assets, constantly being consumed."

It is true that every time somebody drinks a bottle of a particular wine, there is one less bottle of it on the market. But every year there are new vintages, potentially re-stocking the supply of high-demand wine, especially when critics announce, as they often do, a new "vintage of the century." As the price of that 1961 Petrus goes through the roof, why not buy the 1990 Margaux? Or the 2005 Lafite? The universe of collectible wines expands even if the supplies of individual wines contract.

And Mr. Sokolin neglects to consider several matters that cut into your profits. Auction commissions run to 20%, and then there are shipping and storage costs. Even if the value of your wine jumps 30%, you may just break even.

You also have to wonder whether wine prices will continue their upward trajectory. Buying a fine Bordeaux five years ago was a great investment, but today it may be like buying Internet stocks in 1999. In a rare break from his breathless advocacy, Mr. Sokolin admits that high prices may not last. "The core client base of many Bordeaux chateaux has shifted to investors and rich collectors," he notes, leaving loyal customers behind. Ultimately, he says, "only collectors and investors are trading the wine among themselves and no one is consuming it, meaning no one is decreasing the supply."

But even assuming that prices keep going upward, there is another problem that Mr. Sokolin barely addresses. The higher the price of a wine, the greater the incentive to counterfeit. How can you be sure that bottle of 1961 Petrus you buy today is the real thing?

In "The Billionaire's Vinegar," Benjamin Wallace recounts the fascinating story of the bottle of 1787 Chateau Lafite -- purportedly from Thomas Jefferson's wine cellar -- that sold for $156,000 to Malcolm Forbes back in 1985, a wine that shattered the record for the most expensive ever sold but also turned out to be a fake. This is a captivating tale, even if you care nothing about wine. The villain is a mysterious wine lover named Hardy Rosenstock, who fooled the giants of the wine world with his forged bottles.

As it turns out, another one of Rosenstock's "Jefferson" bottles, a 1787 Chateau Margaux, found its way into the hands of David Sokolin's father, William. In a story that Mr. Sokolin neglects to mention in his own book, his father brought the bottle in 1989 to the Four Seasons in New York to show it off to some friends, but he bumped up against something at the restaurant and broke it. Gasps of horror filled the room, and William Sokolin ran home, his broken, leaking bottle in hand. No worries, though. The insurance company paid his client, the bottle's actual owner, $197,625 for the loss. Another new record for another fake bottle.

At the end of Thomas Jefferson's life, he could no longer afford to ship in the top Bordeaux from France. "He abandoned his earlier habits of ordering straight from the chateaux," Mr. Wallace writes, "even expressing a willingness to buy an imitation-Bordeaux merchant's blend. Thomas Jefferson was drinking cheap table wine, and very happily so."

And what could be wrong with that? As America's first great wine connoisseur knew, wine is ultimately for drinking, not investing.

Mr. Karl is senior national security correspondent for ABC News.