
The economists who are preoccupied with the economics of the arts and culture are, as Bruno Frey says, ‘an unorthodox lot’. Many who work in this small field also tend to have an extraordinary reputation outside it – for example, William Baumol, Mark Blaug and Tibor Scitovsky. Indeed, it could be said that the particular contributions that these eminent scholars have made to the economics of the arts have helped to clarify and explain development elsewhere in the economy. Bruno Frey is another example of an arts economist who has a reputation in other areas too; he is perhaps best known for his work as a political economist and a public choice theorist. Most scholars in economics might not be aware of his excellent work on the economics of the arts.

In the volume reviewed, Frey analyzes the relationship between culture and the market. Relating arts and economics/money as directly as the title of this book does tends to provoke strong negative reactions from the arts world. That the two cannot mix is a myth that Frey tackles head on, and it brings him to many insightful analyses and suggestions. In doing so, he professes to deviate from the theoretical perspective of neoclassical economics and the rational, optimizing *homo economicus* championed there. He incorporates ‘tested and empirical’ insights from psychology, which he calls ‘crowding theory’ (also explored in Frey, 1997). It appears that Tversky and Kahnemann have inspired Frey a great deal here, although no references to them appear in this book. Another important contribution elaborated upon as Frey departs from the psychologically barren neoclassical economic perspective is the idea that goods may have values that accrue to somebody even though this person is not a user. One may value art, for instance, merely for the options it provides even when one would never make use of the options
(a similar argument can be made in respect of the natural environment). Frey elaborates on five such non-user values at length, and analyzes their effects for the arts world. Next to option value, art may have existence, bequest, prestige or innovative value. It is interesting to see how Frey develops these points, which he originally introduced together with the late Werner Pommerehne (Frey & Pommerehne, 1989).

One particular example of the fruitful nature of Frey’s work is where he brings together his insights into political economy and those into the arts. Introducing the distinction between personal and institutional creativity, he investigates the circumstances under which creativity is most likely to blossom. He argues very persuasively that the market does not, as is often thought by many, inhibit creativity (in the arts), but in contrast tends to foster it. Government support rather than commercial assistance tends to be the preferred mode of support for the arts. However, in an analysis that is both characteristically defiant and thought provoking, Frey shows that it matters crucially what form government support takes. Government support can be very damaging for the arts and artistic creativity. It is here, for instance, that Frey argues for a federalist system of government with direct involvement of the electorate where the different bodies of government compete with each other. He does so by analyzing, among other things, the results of the form of direct democracy that exists in his home country, Switzerland. In addition, in order that government policy does not crowd out the intrinsic motivations to create that especially characterize young artists, a government’s policy should promote institutional creativity in particular. Institutional creativity, however, appears not much more than a synonym for what results from a ‘proper’ incentive structure. The systematic analysis of the dynamic effects of such a structure leads Frey to some conclusions that are contrary to the policies pursued by most European governments. Frey aims particularly at lump sum subsidies to cultural institutions.

The creation of copies of famous art works (‘fakes’) is another instance where Frey goes against the mainstream, this time the mainstream in the arts world. The legal and art historian view – adamantly arguing that fakes damage the art – prevails here, but Frey points to the utility that people apparently derive from the fakes. Society at large is also to benefit from a less rigid approach towards fakes as it helps to stimulate creativity; he suggests an institutional setting should be installed that allows the many benefits to society to exist while avoiding the minor harmful effects to some individuals.

Frey claims that arts economics is a field where scholars tend to be very open to new approaches (p. 8). As it should now be clear, Frey wants
especially to incorporate psychological insights into the ‘clear behavioral model’ of neoclassical economics (p. 6). He also aims to ‘transcend the rather rigid limits of orthodox neoclassics’, by taking institutions into account as constraints on people’s behavior (p. 6). Does Frey stretch the boundaries of neoclassical economics, thus making use of its analytical strengths, while making up for its lack of empirical content and realism, or does he break this model? If we seek to reconcile internal tension in Frey’s work – as well as in that of somebody like George Akerlof – we may end up killing off the creativity that emanates from it.

Most of the chapters in this book have been published before – indeed, only the personal survey of chapter 1, and the concluding chapter on art fakes are entirely new. Many of these are articles from the *Journal of Cultural Economics*. It is very useful to have these articles collected so that the coherent argument that Frey has to make, as well as the relation of his work to that in political economics and public choice becomes clear. However, the price of the book is likely to confine its market to libraries and to committed arts economists whose aesthetic and/or moral sensibilities would be challenged by a bundle of photocopies of the original articles.

References


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