

## Obituary

Werner W. Pommerehne, *Economist of the Arts*



Werner W. Pommerehne

Few economists have devoted themselves to the serious study of the relationship between culture and the economy. Werner Pommerehne was an outstanding exception: he enthusiastically embraced the opportunity to apply economic analysis to the arts, and in so doing, provided insights into issues much neglected by other economists. A creative and prolific writer, he not only regularly contributed articles on the economics of the arts but also sought to make other scholars aware of the subject's existence through his articles in general reviews of economics.

Werner's appetite for work seemed to have no limit; many readers of this journal do perhaps not know that he excelled in many other fields of economics as well. Above all he was a political economist in the broad sense of the word, making important contributions to the fields of public finance, the theory of economic policy, Public Choice, as well as to areas such as the economics of drugs and the economics of sport.

Pommerehne's work in cultural economics ranged equally wide, covering many different topics and issues. However, all his papers have a distinctive mark: he combined a forceful application of economics with a strong empirical orientation, in several cases using multiple cross-section regressions in an ingenious and so far novel way.

Three principle areas to which Werner Pommerehne made original contributions may be distinguished:

Firstly, he employed a *political economy of the arts* in the sense of explicitly studying political decision-making. Thus he econometrically analysed a unique event in art history, namely a popular referendum on the public acquisition of two Picasso paintings ('Les Deux Frères' and 'Arlequin Assis') for 8.9 million Swiss Francs in the canton of Basle in 1967 (1985b). He succeeded in identifying the major causes of the acceptance of the referendum with a majority of 53.9 percent by an electorate for which at that time Picasso was a very modern and difficult artist to understand.

Pommerehne was also excited by the relationship between democracy and the market in culture (e.g. 1980b). Some economists such as Grampp (1989) enjoy themselves declaring that everything should be left to the market and that no

government subsidies should be given. Werner's balanced and reasoned views about the possibilities and limits of public subsidisation (1987c,d, 1983b) form a pleasant contrast to such economic ideologies. Not that he was against the market: with respect to the international trade in art he took a strong position (1987a) in favour of liberalisation and against the limitations as they exist even in the (purportedly) free trade area of the European Union.

The second area with which Werner Pommerehne was most concerned was *art prices*. He was probably the first to explain the differences in prices received by modern painters to a set of identifiable and measurable factors with the help of econometric estimates (1993a). He was able to reject several dearly and widely held notions, e.g. that prices generally tend to rise upon a painter's death. The same holds for his studies (1988a, 1989a) on the rates of return on investment in art. By extending Reitlinger's (1961) data to 1635–1987 and using Baumol's (1986) framework, but also taking into account the very large transaction costs (particularly auction fees), he dispelled the often propagated view that one can, in general, make huge profits in the art market. Indeed, the average returns are lower than in financial markets, and in addition the risk is much higher. Pommerehne's latest endeavour was to study the impact of museum purchases on auction prices. Preliminary results indicate that museums tend to drive up prices (cet. par.) thus handing supernormal profits to the lucky previous owners.

His third research area was the *supply side* of art exhibited by organisations such as *museums, theatres* and *opera houses*. While not neglecting the demand for art (see e.g. his study of the decline of conventional art relating to the cinema (1987e or 1983b)), he was convinced that the new institutional economics, i.e. the conjunction of the analysis of human behaviour and of institutions, is one of the most fruitful fields in the economics of the arts. His major endeavour was to compare the structure of production and output of public, semi-public and private museums and theatres (1980a, 1987b).

Werner Pommerehne was truly international in character which went well with his interest in art. (Southern) German by birth he enjoyed conversing in several European languages, as well as publishing his papers in journals of different countries and languages. This enabled him to become one of the most effective propagators of cultural economics. This was buttressed by our book on *Muses and Markets* (1989) with translations into German, French, Italian and Japanese, and by surveys of the field (1985a, 1987f). Due to his scholarship and devotion, as well as his charm, he attracted many young economists into the field. His position in the profession was formally recognised by his being elected a Member of the Executive Board of the *Association of Cultural Economics, International* and his membership of the Editorial Board of the *Journal of Cultural Economics*.

I had the privilege and the good fortune of having collaborated with Werner in some of his work in the economics of the arts (and beyond), but above all of being an old and close friend. We have jointly written dozens of articles as well as

'Muses and Markets' and this collaboration was always a source of inspiration and personal satisfaction.

Werner Pommerehne's unexpected and sudden death at the age of 51 on October 8th 1994, robs the economics of the arts of one of its most creative and productive minds.

I deeply mourn Werner's passing away.

He will be sadly missed as a respected economist and as a man.

BRUNO S. FREY  
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