Chapter 2

ART AND CULTURE IN THE HISTORY OF ECONOMIC THOUGHT*

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Abstract

Attention to art and culture goes far back in the history of economic thought. In the seventeenth century those activities were viewed suspiciously as likely to be either wasteful extravagances of the aristocracy, or dangerous distractions for the working classes. Eighteenth century economic thinkers offered more positive and thoughtful speculations. Mandeville and Galiani observed that the prices of art works were determined almost entirely on the demand side of the market, often by fashion and the search for distinction. The Enlightenment economic thinkers were intrigued by various aspects of art markets. Hume and Turgot perceived positive social benefits emerging from the arts, and they attempted to understand of what these consisted. Smith picked up some of the hints that were dropped and looked at art markets in a depth that had not been undertaken before. Like some other Enlightenment thinkers, Smith pictured the arts as being mainly about the imitation of perfection.

Jeremy Bentham, with his emphasis on utility as a tool by which both to understand and judge market performance, insisted that the arts should not be distinguished from other forms of entertainment: pushpin, he asserted, equals poetry. Other political economists followed Bentham's lead and steered away from exploration of the economics of the arts. To some extent the void thus created was filled by humanistic writers, novelists, and essayists, notably Arnold, Ruskin, Dickens, and Morris, who were highly critical of the industrialization of the period and the emerging discipline of political economy that they perceived to go with it.

In the "marginal revolution" of the 1870s the Benthamite injunction against special treatment for the arts was largely observed. At the same time, several of the new economists, notably William Stanley Jevons, became "closet esthetes", enjoying their guilty pleasures but not often subjecting the arts to economic analysis.

Disappointingly little concerning the arts and culture can be found in the distinctive American economics of the late nineteenth and early twentieth century. There was almost a reversion to the seventeenth century view of the arts as the corrupt playthings of the idle rich. However, something like a return to the rich speculation of the eighteenth century Enlightenment occurred in the Bloomsbury Group that included the economist John Maynard Keynes. They rejected "Benthamism" and distinguished between the artistic experience and human consumption, and between the "imaginative life" of the mind and the biological activity of humans and other creatures. They discerned complex effects of the arts throughout society and placed arts policy high on the policy agenda.

Keywords

arts policy, cultural policy, art and economics, economics of art

JEL classification: B1, Z1

1. Introduction

What may modern cultural economists learn from this chapter which reviews what earlier, mainly English-speaking, authors have written about the economics of art and culture? They may discover that their subject has roots that are far deeper than they ever imagined. And some of these roots have vigorous life still. "Cultural economics" came on the scene as a full-fledged sub-discipline of economics in the 1960s, marked soon by a journal, an association and canonical texts such as *Performing Arts: The Economic Dilemma* (1966) by W.J. Baumol and W.G. Bowen. In fact, however, many of the topics addressed by these new cultural economists had been under discussion already with greater or lesser sophistication for two centuries or more. The modern economist may find in this disparate literature insights and interpretations that have continuing relevance. Discovery and rehabilitation of some of these early texts may at a minimum reduce the need to reinvent the wheel. It is sobering to reflect on how long economists have struggled over some questions in cultural economics that now seem almost eternal: How to recognize and specify externalities arising from activities in the arts? Are there perhaps negative as well as positive externalities associated with the arts? Many in the eighteenth and nineteenth centuries thought so! Is there something about the arts that distinguishes their production and consumption from those of other goods that occur in society? Or could it be that the arts are simply a complex category of consumption dominated by conspicuous behavior and with its own collection of rent seekers? What forms of patronage work best to sustain and stimulate the arts, if they do indeed have special merit and deserve some sort of payment outside the market? What conditions strengthen the creativity of artists? Can the free market, even under the best of competitive conditions, be counted upon to sustain the arts and culture at levels approaching those that are socially optimal? If not, what is the proper role for the state as supporter, planner, and operator in this field? Is it possible that the best response of the state when faced with entreaties from the arts is to "just say No"? Definitive answers to these questions are not likely to emerge from an examination of the pre-history of cultural economics, but some light may be cast.

The terms art and culture came into common use with their modern meaning only in the late eighteenth century, and then as an evolution from earlier meanings. "Art" moved from signifying a particular skill to "a set body of activities of a certain kind", "a particular group of skills, the 'imaginative' or 'creative' arts" [Williams (1958, p. xv)]. At the same time "art came to stand for a special kind of truth, imaginative truth". "*The arts* – literature, music, painting, sculpture, theater – were grouped together, in this new phrase, as having something essentially in common which distinguished them from other human skills" (pp. xv, xvi). The word "culture" changed in rather the same way as "art" from meaning the "tending of natural growth" to several other definitions including "a general state or habit of the mind", "the general state of intellectual development, in a society as a whole", "the general body of the arts", and "a whole way of life, material, intellectual and spiritual" (p. xvi). It must be remembered that at different times all these various meanings were intended by writers on economics as well as on

other topics over the several centuries spanned by this chapter. The chapter is broadly chronological, beginning in the late sixteenth century and culminating around the middle of the twentieth, i.e. just prior to the emergence of the "modern" sub-discipline of cultural economics referred to above.

2. The earliest years

2.1. Art and culture as luxury, waste and dissipation

Writers on economic topics before the middle of the eighteenth century were deeply conscious of the problem of scarcity and the need for careful allocation of limited resources. In a subsistence economy the price of waste could be starvation and death, and at a minimum waste meant sacrificing an important alternative goal. Sometimes the norm prescribed or implied for allocation of resources was achievement of the good life, sometimes it was national power, and sometimes it was the smooth running of a fast-developing market economy. For the most part economic writers appreciated that resources when wisely used could feed the working class, sustain the state in its various projects or adventures and permit the production of investment goods that would achieve growth in the future. Art and culture had little place in this picture, except in a few cases as means to some worthy end; they were at best an enigma and at worst an annoyance. Could they, critics asked, be any more than the extravagance of the monarchy, the aristocracy and the church, and therefore increasingly inconsistent with modernity? Were they not, as the modern economist might ask, in all respects noxious and demeritorious goods? Some early writers thought so – for various reasons. There was not organized controversy in this literature on this subject as much as uninhibited, undisciplined and somewhat random commentary.

Favorable attention was given from time to time to art and culture in the mercantilist literature when it could be shown that domestic production of artworks would contribute to a more favorable balance of trade, or when it was noted that domestic expenditures on culture sustained employment during a recession. But attention sometimes was also unfavorable. For example, in the 1730s there was a move to limit the number of playhouses in London as a way to reduce the urban vice that was said to be corrupting the nation. In the view of the pamphleteer Erasmus Jones, "the town" was fast becoming "a forge of vanity, a nursery of vice, a snare to the young, a curse to the old, and a perpetual spring of new temptations" [Jones (1736, p. 31)]. The arts were part of "our pretended diversion, viz. horse-races, cockpits, tennis-courts, balls, assemblies, and musick entertainments, &c . . . We are like so many bees in a garden, humming and roving from one flower to another, foolishly endeavouring to keep up our course of pleasure, by a continued succession, and circle of varieties" (p. 32). In this pamphlet commercial activity is presented as the only virtuous activity outside the home, while the notorious revels of the upper classes were the worst sort of vice. "Virtue only deserves the name of business, and none but they that practice it, can be truly said to be employed; for all

the world beside are idle" (p. 33). The arts necessarily suffered here by the division of all human activity into the vigorous and virtuous on one side and the idle and vicious on the other; they were placed unambiguously in the latter category.

Before the emergence of an economics discipline at the end of the eighteenth century, writers on economic topics often focused on the "passions" that supposedly motivated human action in markets as elsewhere. For the most part they perceived an inevitability about these passions that made it difficult to constrain, control, or balance them. However, to complicate the matter the passions – and the vices to which they sometimes gave rise – clearly helped to make the world go round or at least the economy to perform, and it might be dangerous to meddle with them. Bernard Mandeville's recipe for economic growth depended heavily on arousing and harnessing the passions, among which envy, pride and covetousness loomed large. "Would you render a society of men strong and powerful, you must touch their passions. Divide the land, tho' there be never so much to spare, and their possessions will make them covetous: rouse them, tho' but in jest, from their idleness with praises, and pride will set them to work in earnest. Teach them trades and handicrafts, and you'll bring envy and emulation among them . . ." [Mandeville ([1732] 1924, I, p. 184)].

Envy and emulation were seen by Mandeville as the forces that drove the art markets in particular: "the worldly-minded, voluptuous and ambitious man, notwithstanding he is void of merit, covets precedence every where, and desires to be dignify'd above his betters: He aims at spacious palaces, and delicious gardens; his chief delight is in excelling others in stately horses, magnificent coaches, a numerous attendance, and dear-bought furniture . . . His table he desires may be served with many courses, and each of them contain a choice variety of dainties not easily purchased, and ample evidences of elaborate and judicious cookery; while harmonious musick and well couched flattery entertain his hearing by turns" (p. 148). In Mandeville's cynical eyes at least, the arts were not distinguishable in their role in the economy or greater in social importance than extravagant modes of transport, cuisine, and even flattery as means of responding to the demands for emulation.

Mandeville observed that exercise of the various passions through extravagant encouragement of the fine arts was happily less injurious to the health of the individual than the alternatives. Given the choice of "Wine, Women and Musick", the well-advised wastrel following Mandeville's suggestion chose the third. Identification of the fine arts with the luxurious vices rather than with virtues practiced in the market place, and hence seeing them as a waste of scarce resources, guaranteed them low status in the eyes of commentators on economic questions. John Bodin carried out a useful exercise in 1606 to spell out "in what order citizens are to be placed" in the "ceremonies of every city", thereby establishing their social value. He recommended of course that in the front row should stand the monarch, followed by the clergy, senators, generals in the army, and so on. In the back there would be a motley crew, among whom would be the artists [Bodin ([1606] 1962, p. 402)].

2.2. Early reflections on price, patronage and externalities

Bodin, Mandeville, and Galiani were among the first to speculate about the determinants of the prices of art works. The general tenor of their comments was that all luxury goods, unlike subsistence goods which made up most of national product at the time and whose prices reflected their costs, were simply frivolous and their value was socially determined on the demand side. Bodin observed that luxuries rose in price when they were favored by the king because of his patronage and for no reason inherent in the things themselves: "The people conform always to the wish of the king, and consequently esteem and raise in price everything that the great lords like, though the things of themselves are not worth that valuation; for example, the Emperor Caracalla gave an inestimable worth to yellow amber, as history says, because it was like the color of the hair of his sweetheart" [Bodin ([1578] 1947, p. 34)]. Anticipating the comments of Thorstein Veblen on conspicuous consumption more than three hundred years later, Bodin went on to note that: "when the great lords see that their subjects have an abundance of things that they themselves like, they begin to despise them ... This goes to show that the abundance of pearls has caused them to be disregarded, and from the indifference has come the low price" (p. 35). Improvidence among the rich was another reason for the relatively high price of luxuries, including works of art. In the case of precious textiles "The high price comes from the waste; for we are not content to dress the rascals and lackeys with it, but also we cut it up in such a manner that it cannot last nor serve but one master" (p. 36). Since the high prices of luxurious consumption goods were one of their attractive features for those who wished to demonstrate their wealth there were few pressures to constrain costs. "It is true that the excesses helped much to raise the price of food; for the rich, it is found, sometimes did not know how to spend their means; a thing that happened to Aesop, the tragedian, who to sharpen his appetite, had himself served a dish that cost fifteen thousand crowns, full of singing nightingales, starlings, blackbirds, and other birds, which had learned to talk, though such birds were unsavory and not tasty: however, the cost gave them a good taste" (p. 41).

Mandeville concluded that four factors were most powerful in determining the prices of art works: the fame of the artists, the reputation of their owners, their scarcity, and their faithfulness to nature. He wrote:

> The value that is set on paintings depends not only on the name of the master and the time of his age he drew them in, but likewise in a great measure on the scarcity of his works, and what is still more unreasonable, the quality of the persons in whose possession they are as well as the length of time they have been in great families ... Notwithstanding all this, I will readily own, that the judgment to be made of painting might become of universal certainty, or at least less alterable and precarious than almost anything else: the reason is plain; there is a standard to go by that always remains the same. Painting is an imitation of nature ([1732] 1924, I, p. 326).

And not only real nature, but nature with a positive spin! "It is not nature, but agreeable nature, *la belle nature*, that is to be represented; all things that are abject, low, pitiful and mean, are carefully to be avoided, and kept out of sight; because to men of the true taste they are as offensive as things that are shocking, and really nasty" (II, p. 33).

Galiani had two things to say about the determinants of price in the fine arts. The first concerned the force of fashion. "The power of fashion applies wholly to the beautiful, not at all: to the useful ... The beautiful is of two classes: one is based upon certain ideas, which are engraved upon our mind from the beginning; the other, though it does not seem so, is merely an habituation of the senses, which makes a thing appear beautiful. It is only over this second class, which is considerably larger than the first, that the power of fashion extends" ([1751] 1930, p. 295). Galiani's second observation about the prices of artworks concerned those that could be described as "unique, and monopolies, that is either things for which there is no substitute, such as the Venus de Medici, or those which become unique because there is only one seller" (p. 295). Galiani denied that the price of these goods was either "infinite" or "indefinite" "for I hold that every human thing possesses order and limits, and that the indefinite is no less foreign to them than the infinite. They have these limits, then: that their price always corresponds to the needs or desires of the buyer and the esteem of the seller combined, and forming a compound ratio. Hence it is that the value of a unique thing may sometimes be equal to nothing; and it is always governed by rule, though it may not be the same under all conditions" (pp. 295–296).

Mandeville argued that, at least among the fine arts, painting was concerned mainly with the magnificence and sensibilities of aristocratic patrons. "The painter has nothing to do with the truth of the history; his business is to express the dignity of the subject, and in compliment to his judges, never to forget the excellency of our species: All his art and good sense must be employ'd in raising that to the highest pitch: Great masters don't paint for the common people, but for persons of refin'd understanding" ([1732] 1924, II, p. 35). The arts in general should represent moral principle more than an accurate reflection of nature or events. "There is a grandeur to be express'd in things that far surpasses the beauties of simple nature ... What gentle touches, what slight and yet majestick motions are made use of to express the most boisterous passions. As the subject is always lofty, so no posture is to be chosen but what is serious and significant as well as comely and agreeable; should the actions there be represented as they are in common life, they would ruin the sublime, and at once rob you of all your pleasure" (II, pp. 36–37). Of special relevance to those concerned about the condition of social relations, the arts showed promise of modulating the human passions. In this interpretation by Mandeville the arts began to lose their reputation as always the companion of vice and dissipation and to emerge as, perhaps, a path to virtue. The opera, with the opportunity it presented for moral lessons set to music, was a prime case in point. "There is no place, where both sexes have such opportunities of imbibing exalted sentiments and raising themselves above the vulgar, as they have at the opera; and there is no other sort of diversion or assembly from the frequenting of which young persons of quality

can have equal hopes of forming their manners, and contracting a strong and lasting habit of virtue" (II, p. 40).

3. The eighteenth century: Imitation and imagination in the Enlightenment

3.1. David Hume

A fresh approach to the fine arts appeared around the middle of the eighteenth century in the works of David Hume and Anne Robert Jacques Turgot. Hume rejected what he took to be the prior consensus that all "luxury", including the fine arts, was necessarily wasteful and vicious. He argued that depending on what form it took luxury could be either virtuous or vicious, socially beneficial or pernicious. "Luxury is a word of an uncertain signification, and may be taken in a good as well as in a bad sense. In general it means great refinement in the gratification of the senses; and any degree of it may be innocent or blamable, according to the age, or country, or condition of the person. The bounds between the virtue and the vice cannot here be exactly fixed, more than in other moral subjects" [Hume ([1752] 1965, p. 48)]. In order to make the distinction between vicious and virtuous luxury Hume developed a line of argument that was to become influential in the humanities and the arts in the nineteenth and twentieth centuries, but in its attempt to establish the arts as exceptional would for the most part be rejected by the economics discipline. It was easy enough to demonstrate, Hume observed, that luxurious living carried to extremes was both wasteful and socially pernicious. But how about "innocent" luxury that included partaking of literature and the fine arts? From his historical studies Hume observed that "the ages of refinement are both the happiest and most virtuous" (p. 49). Moreover, achievements in the arts went along with accomplishments in other areas such as the economy and were not competitive with them. "The same age which produces great philosophers and politicians, renowned generals and poets, usually abounds with skilful weavers, and ship-carpenters ... Thus industry, knowledge, and humanity, are linked together, by an indissoluble chain, and are found, from experience as well as reason, to be peculiar to the more polished, and what are commonly denominated, the more luxurious ages" (pp. 50–51). Indeed luxury seemed to provide some of the innocent incentives for economic development to proceed briskly: "where luxury nourishes commerce and industry, the peasants by a proper cultivation of the land, become rich and independent" (p. 56).

But it remained to be explained how luxury actually achieved these good results through time. Hume concluded that the answer lay in the psychological impact the innocent luxuries had on human behavior. "The mind acquires new vigor; enlarges its powers and faculties; and by an assiduity in honest industry, both satisfies its natural appetites, and prevents the growth of unnatural ones, which commonly spring up, when nourished by ease and idleness. Banish those arts from society, you deprive men both of action and of pleasure ..." (p. 50). Hume found the taste for innocent luxuries, including the fine arts, to be closely linked to the level of contribution to private and public life.

> But industry, knowledge, and humanity, are not advantageous in private life alone; they diffuse their beneficial influence on the *public* and render the government as great and flourishing as they make individuals happy and prosperous. The increase and consumption of all the commodities, which serve to the ornament and pleasure of life, are advantages to society; because at the same time that they multiply those innocent gratifications to individuals, they are a kind of *storehouse* of labor, which, in the exigencies of the state, may be turned to the public service. In a nation where there is no demand for such superfluities, men sink into indolence, lose all enjoyment of life, and are useless to the public, which cannot maintain or support its fleets and armies from the industry of such slothful members (pp. 51–52).

The arts, Hume concluded, meaning both the fine arts and all forms of human inquiry, had not only these positive economic externalities; they had political externalities as well and, indeed, were essential to a democracy. "The liberties of England, so far from decaying since the improvements in the arts, have never flourished so much as during that period . . . If we consider the matter in a proper light, we shall find, that a progress in the arts is rather favorable to liberty, and has a natural tendency to preserve, if not produce a free government" (p. 55). The arts and learning were critical to nurturing those psychological characteristics essential for civic virtue. "Here then is the chief triumph of art and philosophy: it sensibly refines the temper, and points out to us those dispositions which we should endeavour to attain, by a constant *bent* of mind, and by repeated *habit"* [Hume (1825, p. 168)]. Hume's general conclusion seems to be that although the arts might be mildly vicious in their detraction from the production of more useful goods and services, they made important contributions by controlling other more damaging vices such as indolence and brutality.

3.2. Anne Robert Jacques Turgot

Like Hume, Turgot was intrigued by the differing rates of progress among nations and he speculated that the explanation might be in "the origin and growth of the arts and sciences and the revolutions which have taken place in them" [Turgot ([1750] 1973, p. 42)]. He concluded that success in the accumulation of what we would call today intellectual capital was the key to economic and political development. In the same way as Hume, Turgot drew his insight more from history than from models of economic and social behavior. In the case of economic growth he wrote: "nature, distributing her gifts unequally, has given to certain minds an abundance of talents which she has refused to others. Circumstances either develop these talents or allow them to become buried in obscurity; and it is from the infinite variety of these circumstances that there springs the inequality in the progress of nations" (p. 43). Turgot used the history of ancient Greece to demonstrate that artistic and intellectual progress lay at the heart of social development. Indeed, the arts usually came first before the humanities. "It was only after several centuries that philosophers appeared in Greece – or rather it was only then that the study of philosophy became the business of particular thinkers and appeared

sufficiently extensive in its scope to occupy them fully. Until then, the poets had been at the same time the only philosophers and the only historians. When men are ignorant it is easy to know everything" (p. 49). It was essential to the maintenance of Greek success that the fine arts retained their position of prominence. "Happy centuries, in which all the fine arts spread their light on every side, and in which the passion of a noble emulation was swiftly transmitted from one city to another! Painting, sculpture, architecture, poetry, and history grew up everywhere at the same time, as we see in the expanse of a forest a thousand different trees springing up, growing, and being crowned together" (p. 50).

No longer in Hume or Turgot is there any suggestion, as there had been in economic writers a hundred years before, that the fine arts are simply a particular kind of wasteful luxury; waste and corruption were a possibility in the fine arts, as they were in all human activities, but no more so. Turgot observed that through history "blind luxury, which, born of vanity, and judging works of art less as objects of taste than as symbols of opulence, is as opposed to their perfection as a civilised love of magnificence is favourable to it" (p. 52). Turgot drew an intriguing distinction between the sciences and the arts. Progress in the former, he suggested, was limited only by the cleverness of a few scientists acting as detectives to discover and proclaim the laws of nature. The arts on the other hand were constrained by the talent, imagination, and training of the entire artistic community: "Knowledge of nature and of truth is as infinite as they are: the arts, whose aim is to please us, are as limited as we are. Time constantly brings to light new discoveries in the sciences; but poetry, painting, and music have a fixed limit which the genius of languages, the imitation of nature, and the limited sensibility of our organs determine, which they attain by slow steps and which they cannot surpass. The great men of the Augustan age reached it, and are still our models" [Turgot ([1750] 1973, p. 52)]. It is not clear that Turgot's distinction between the sciences and the arts can be sustained, but it does provide a case for education in and support for both these areas of human endeavor.

Turgot concluded from his historical studies that patronage of the arts was as critical to their development as was creativity within them. "Immortal names of the Medici, of Leo X, of Francis I, be consecrated for ever! May the patrons of the arts share the glory of those who cultivate them!" (p. 57). He saw troubled times ahead for the traditional patrons of the arts, but he was optimistic that out of turmoil new sources of demand would appear: "do the flowered stems of the fine arts grow when they are watered with blood? A day will come, and it is not far off, when they will beautify all the countries of Europe" (p. 57).

When he concluded that the cultural evolution of mankind helped to explain progress in all spheres including the economy, Turgot was led to explore an anthropological explanation of the emergence of the fine arts. He thought that they began with music, dance and poetry, which had "their source in the nature of man. Created to live in society, his joy manifests itself externally: he leaps and shouts. A common joy expressed itself in swaying movements, in leaps, and in simultaneous and confused shouts. Little by little people became accustomed to leap in a similar manner; the steps were marked

by sounds; and the latter were separated by regular intervals. The ear, with very little experience, and by following nature alone, learned to appreciate the primary relations between sounds. When it was desired to communicate the reason for one's joy in words, these were arranged according to the beat of the sounds. This was the origin of dance, of music, and of poetry, which was at first written in order to be sung" (p. 91). So also did philosophy emerge out of fiction. "The poverty of languages, and the necessity for metaphors which resulted from this poverty, led to the employment of allegories and fables to explain physical phenomena. They are the first steps of philosophy, as can still be seen in India" (p. 92). It was a similar story in the visual arts. "The arts of design, sculpture, and painting have many connections with poetry in the feelings which the artist experiences, and in those which he strives to communicate. They had a natural origin in the desire to preserve historical or mythological records; and genius in this sphere was heightened by that patriotic or religious zeal which sought to express with feeling, depth, and force the ideas and memories which these records were bound to recall" (p. 93).

Like Hume, Turgot suggested that progress in the arts, just as in other parts of the economy, required competition among as many aspirants as possible, a kind of evolutionary struggle that needed the presence of the unfit as well as the fit. For this there must be a sustained demand and "a market for pleasing objects and the employment of second-rate artists, among whom the great artists who shine out from them are formed" (p. 103). He contrasted the conditions for painters in several countries. "The Italians, the French, and the Flemish, and a very small number of Germans and Spaniards, have been the only ones to be successful in this art. The reason for this is that the English pay only for good pictures. By banning images from the churches, they deprived themselves of the means of supporting bad pictures, and even second-rate ones. And in all crafts where bad workers cannot gain a livelihood, and second-rate workers are not comfortably off, great men are not created" (p. 103n). The charge that the Reformation in England had paralyzed the art market and destroyed the industry by terminating the demand for run-of-the-mill pictures became a frequent subject for discussion in Britain thereafter.

Turgot found that conspicuous consumption was not a sound basis for patronage of the arts and was potentially destructive of artistic quality. When this element was dominant the arts were likely to be characterized by waves of fashion and technical virtuosity rather than by genuine creativity. Turgot's words on this point have a strikingly modern ring. "Extravagant luxury, where vanity causes ornaments to be accumulated because it regards them less as ornaments than as symbols of affluence, smothers taste. Men no longer seek for the pleasure which things afford to the senses and the mind; they no longer search their own hearts. They no longer listen to anything but fashion. The sure way to judge badly in any sphere is not to judge with one's eyes. When each individual judges, the multitude judges well, because its judgement is that of a large number of people; but when no one does anything but listen, the multitude judges badly. Another cause of bad taste was often the progress of technique in the arts. Men are always liable to mistake the difficult for the beautiful" (pp. 103–104).

Turgot was above all a social theorist rather than an empiricist and his writings are replete with speculations about the economics of the arts that might have been carried further by others and perhaps subjected to empirical test. Here is one more example. He suggested that the quality of the works of art that were produced at any time were determined by among other things the challenge presented by the materials available to the artist. For painters the challenge grew dramatically when their palette moved from black and white to polychrome materials. Great artists met this challenge successfully while lesser ones fell by the wayside. Similarly the quality of the literary arts depended upon the condition of the language in which writers worked. A complex language weeded out the weak but stimulated the strong. "The multiplicity of abstract ideas which our languages express, and which enter into our analogies, demand great dexterity in their employment. That is the disadvantage of perfected languages" (p. 112).

What economists nowadays think of as "demand" was often called "taste" in the eighteenth century, and Turgot reminded his readers that especially in the arts taste must be sustained consistently over an extended period. Great art was seldom a flash in the pan. "No art whatever can be cultivated during a long succession of centuries without passing through the hands of several inventive minds" (p. 116). A problem for the arts was that they were subject to great waves of fashion, and a variety of causes could lead to loss of demand. "Artistic taste can be lost as the result of a multitude of purely moral causes. The diffusion of a spirit of apathy and softness in a nation, pedantry, contempt for men of letters, eccentricity in the tastes of princes, tyranny, and anarchy can corrupt it" (p. 117).

3.3. Adam Smith

Adam Smith was exceptionally widely read and was thus able to draw from his predecessors and contemporaries when constructing his own analysis of the arts and culture. In the aesthetics that he set forth in *The Theory of Moral Sentiments* ([1759] 1976) he seemed to draw more from Mandeville than from his "never to be forgotten" teacher Hutcheson. But like Hutcheson (1729), Smith was particularly intrigued by the demand side of art markets. Why, he wondered, do people buy art? He thought that "notions of beauty and deformity" that presumably motivated buyers were affected especially by "custom and fashion, principles which extend their dominion over our judgments concerning beauty of every kind" [Smith ([1759] 1976, p. 194)]. These principles applied to all the arts. "Dress and furniture are allowed by all the world to be entirely under the dominion of custom and fashion. The influence of these principles, however, is by no means confined to so narrow a sphere, but extends itself to whatever is in any respect the object of taste, to music, to poetry, to architecture" (p. 195). Humans were naturally unwilling to concede that their responses to works of art were socially rather than individually determined, but it was true all the same. "Few men therefore are willing to allow, that custom or fashion have much influence upon their judgments concerning what is beautiful, or otherwise, in the productions of any of those arts; but imagine, that all the rules, which they think ought to be observed in each of them, are founded

upon reason and nature, not upon habit or prejudice. A very little attention, however, may convince them of the contrary . . .” (p. 195). The dominant place of fashion in the arts gave much importance to successful innovators. “An eminent artist will bring about a considerable change in the established modes of each of those arts, and introduce a new fashion of writing, music, or architecture” (p. 197). Smith cited the authority of “a learned Jesuit father Buffier” on the power of fashion in determining demand: “the beauty of every object consists in that form and colour, which is most usual among things of that particular sort to which it belongs” (p. 198).

Turning from the demand to the supply side of art markets, Smith observed that great artists seemed to develop a notion of “ideal perfection” in the arts and that they pursued and used this ideal as a goal and standard toward which they aspired even while knowing they would never achieve it.

> In all the liberal and ingenious arts, in painting, in poetry, in music, in eloquence, in philosophy, the great artist feels always the real imperfection of his own best works, and is more sensible than any man how much they fall short of that ideal perfection of which he has formed some conception, which he imitates as well as he can, but which he despairs of ever equaling. It is the inferior artist only, who is ever perfectly satisfied with his own performances. He has little conception of this ideal perfection, about which he has little employed his thoughts; and it is chiefly to the works of other artists, of, perhaps, a still lower order, that he deigns to compare his own works (p. 248).

Notwithstanding the fact that great artists recognized imperfection in their work, Smith did observe a dangerous conceit among some of those who had achieved most success with the public. “Great success in the world, great authority over the sentiments and opinions of mankind, have very seldom been acquired without some degree of this excessive self-admiration” (p. 250). If not controlled, this self-admiration could lead to “a vanity that approached almost to insanity and folly” (p. 250).

In the *Wealth of Nations* Smith did not single out the arts and culture as a special topic for attention. However he did touch upon them quite often when dealing with other subjects. On the question of what determined the demand for luxury products of all kinds he was even more cynical than he had been in his discussion of the force of custom and fashion in *Theory of Moral Sentiments*. The desire for emulation was predominant. When he discussed prices for articles made from precious metals he observed that “The merit of their beauty is greatly enhanced by their scarcity” ([1776] 1976, p. 190). Then follows a passage that may have influenced Veblen in developing the notion of conspicuous consumption:

> With the greater part of rich people, the chief enjoyment of riches consists in the parade of riches, which in their eyes is never so compleat as when they appear to possess those decisive marks of opulence which nobody can possess but themselves. In their eyes the merit of an object which is in any degree either useful or beautiful, is greatly enhanced by its scarcity, or by the great labour which it requires to collect any considerable quantity of it, a labour which nobody can afford

> to pay but themselves. Such objects they are willing to purchase at a higher price than things much more beautiful and useful, but more common. These qualities of utility, beauty, and scarcity, are the original foundation of the high price of those metals, or of the great quantity of other goods for which they can every where be exchanged (pp. 190–191).

When he discussed the determination of the supply price for labor, Smith noted the need for compensating differentials in the wages of various occupations to cover such costs as education. He gave artists as examples as well as the learned professions. "Education in the ingenious arts and in the liberal professions, is still more tedious and expensive. The pecuniary recompence, therefore, of painters and sculptors, of lawyers and physicians, ought to be much more liberal: and it is so accordingly" (p. 119). Special compensation for trust was also due some artists. "The wages of goldsmiths and jewelers are every-where superior to those of many other workmen, not only of equal, but of much greater ingenuity; on account of the precious materials with which they are intrusted" (p. 122). On the other side of the ledger "public admiration" was for some artists a substantial part of the compensation they required to carry on their arts: "in poetry and philosophy it makes almost the whole" (p. 123). Yet the theater, opera, and dance also provided Smith examples that were the opposite of poetry and philosophy, where compensation for public obloquy was required to attract artists to these occupations. "The exorbitant rewards of players, opera-singers, opera-dancers, &c. are founded upon these two principles: the rarity and beauty of the talents, and the discredit of pursuing them in this manner" (p. 124).

On the question of productive versus unproductive labor, Smith observed that in general "The labour of some of the most respectable orders in the society is, like that of menial servants, unproductive of any value, and does not fix or realize itself in any permanent subject, or vendible commodity, which endures after that labour is past, and which for an equal quantity of labour could afterwards be procured" (p. 330). These orders included public servants and the military, and "In the same class must be ranked, some of the gravest and most important, and some of the most frivolous professions: churchmen, lawyers, physicians, men of letters of all kinds; players, buffoons, musicians, opera-singers, opera-dancers, &c. The labour of the meanest of these has a certain value, regulated by the very same principles which regulate that of every other sort of labour; and that of the noblest and most useful, produces nothing which could afterwards purchase or procure an equal quantity of labour. Like the declamation of the actor, the harangue of the orator, or the tune of the musician, the work of all of them perishes in the very instant of its production" (p. 331). In this distinction Smith emphasized that the results of unproductive labor did have legitimate value; they were simply intangible and could not lead directly to capital accumulation and growth. At the same time his use of words like "frivolous" and "meanest" to designate the arts harked back to the denigration of the Mercantilist pamphleteers.

In his later life Smith turned more seriously to the study of the fine or "imitative" arts as he called them. An essay by him on the subject was published posthumously

in his *Essays on Philosophical Subjects*. The relationship between the arts and imitation, a subject discussed by Aristotle in his *Poetics*, remained a puzzle for 18th century thinkers. Smith's essay reads like the musings of someone who has not himself had many aesthetic experiences but knows others who have had and wishes to understand them. He extends Hutcheson's (1729) notions that the arts are mainly about imitation, but like Burke ([1757] 1869) he stresses that they are not simply about copying; the arts involve the search for resemblance in a wider sense. "In Painting, the imitation frequently pleases, though the original object be indifferent, or even offensive" ([1795] 1980, p. 179). The interpretation that involves imitation often upgrades the original subject: "art cannot, without degrading itself, stoop to represent any thing that is offensive, or mean, or even indifferent" (p. 179). For imitation to be pleasing it is necessary for there to be sufficient disparity between "the imitation and the imitated object". This is why artistic success is harder to achieve in sculpture than in painting where all the colors of the palette are available to introduce variation (p. 180).

In this essay Smith returned to a point he had made in *Wealth of Nations*, that the arts could be addressed to various audiences, on the one hand to "the prudent and the wise", and on the other hand "to the rich and the great, to the proud and the vain" (pp. 182–183). With the latter "we ought not to wonder if the appearance of great expence, of being what few people can purchase, of being one of the surest characteristics of great fortune, should often stand in the place of exquisite beauty, and contribute equally to recommend their productions. As the idea of expense seems often to embellish, so that of cheapness seems as frequently to tarnish the lustre even of very agreeable objects" (p. 183). Smith used the case of topiary in different countries to demonstrate how relative costs and prices affected demands for works of art by the "proud and vain". In France low agricultural wages had made topiary widely available and therefore no longer able to signal great wealth. In England by contrast "Such ornaments, not having in that country been degraded by their vulgarity, have not yet been excluded from the gardens of princes and great lords" (p. 184).

In the second part of his *Essay on the Imitative Arts* Smith made what would become an heretical assertion for most later economists, that the products of the imitative arts are a distinctive feature of human civilization. Moreover the pattern of artistic production changes with the progress of mankind. Like Turgot he offered an anthropological hypothesis. First came music and dance: "In the progress of art and improvement they are, perhaps, the first and earliest pleasures of his own invention" ([1795] 1980, p. 187). But among the products of civilization these were inferior goods whose relative demand decreased with progress; they were too time-consuming for advanced societies: "In civilized nations, the inferior ranks of people have very little leisure, and the superior ranks have many other amusements; neither the one nor the other, therefore, can spend much of their time in Music and Dancing. Among savage nations, the great body of the people have frequently great intervals of leisure, and they have scarce any other amusement; they naturally, therefore, spend a great part of their time in almost the only one they have" (p. 187). The third of "those three sister Arts" that appeared in civilized societies after music and dance was poetry, an art form that demanded more of the artist and

the listener. "Poetry, however, is capable of expressing many things fully and distinctly, which Dancing either cannot represent at all, or can represent but obscurely and imperfectly; such as the reasonings and judgments of the understanding; the ideas, fancies, and suspicions of the imagination; the sentiments, emotions, and passions of the heart. In the power of expressing a meaning with clearness and distinctness, Dancing is superior to Music, and Poetry to Dancing" (p. 189). Smith proposed here a stage theory of cultural development and a qualitative hierarchy, somewhat parallel to his well-known stage theory of economic growth.

Smith explored in some depth the particular imitative powers of the various arts so as to discover why people patronize one art form over another. He found music limited in some respects but still more evocative than painting. "This power of exciting and varying the different moods and dispositions of the mind, which instrumental Music really possesses to a very considerable degree, has been the principal source of its reputation for those great imitative powers which have been ascribed to it" (p. 198). Music simply did not have the dimensions to imitate in any depth. "Instrumental Music, however, without violating too much its own melody and harmony, can imitate but imperfectly the sounds of natural objects, of which the greater part have neither melody nor harmony" (p. 200). Indeed, Smith seemed to wonder whether the metaphor of artistic creation as a process of imitation broke down in the case of music. "That music seldom means to tell any particular story, or to imitate any particular event, or in general to suggest any particular object, distinct from that combination of sounds of which itself is composed ... The subject of a composition of instrumental Music is a part of that composition: the subject of a poem or picture is no part of either" (p. 205).

Smith's observations about the fine arts were less systematic and confident than his pioneering work on the general principles of market behavior. But he was thoroughly intrigued by them, and like Hume and Turgot he was certain that they were a legitimate subject for social inquiry.

4. Classical economics: The shadow of Bentham

Considering the rich and suggestive menu of topics in the economics of art and culture left by Turgot and Hume and especially by Adam Smith, it is surprising how little was done with the subject by political economists in the nineteenth century. J.R. McCulloch's comprehensive review of *The Literature of Political Economy* in 1845 mentioned the arts and culture not at all [McCulloch ([1845] 1938)]. The explanation for this silence may lie at two levels: first, the context of social relations and policy controversies of the time and second, the methodological issues that were arising in the emerging discipline of political economy.

In the nineteenth century many areas of inquiry evolved from being the undisciplined playground of amateurs, aristocrats, clerics and others to become rigorous sciences with accepted rules of procedure, authorities, professional journals and societies, and a

growing presence in university faculties and curricula. This was true of geology, anthropology, and the biological sciences, to mention only a few. Political economy also joined in the search for scientific status, a search that suggested amongst other requirements the need for simple and generalizable models of explanation and prediction. Exceptions had to be kept to a minimum to keep a paradigm viable, and when exceptions were proposed every effort had to be made to keep them inside the disciplinary tent. In the moral or social sciences, of which political economy was perhaps the strongest exemplar, the search for universal "laws" of behavior for the units under study led naturally to the postulation of optimizing and self-interested human beings. Any suggested exceptions to this postulate were in danger of threatening the scientific claims of the discipline. The speculations about the unique nature of aesthetic experience by the Enlightenment thinkers were exactly the sort that if accepted might throw into question the scientific legitimacy of political economy.

The threat perceived by the political economists to the scientific claims of their discipline from the Enlightenment approach to culture and the arts can be seen clearly in the writings of Jeremy Bentham, and especially in his *The Rationale of Reward*, published first in French, and in English in 1825. From his first reading of the *Wealth of Nations* Bentham argued for limiting the exceptions to Smith's powerful market model. He claimed that except for a few very limited cases like patents and copyrights the state should avoid arranging for anyone to receive more than what the free market provided; the correct rationale for reward in almost all circumstances should be that free markets provided it automatically. The world was full of false claimants who argued for special treatment from government over and above what the market would provide. They should be resisted, argued Bentham, even in those special circumstances recommended by Smith such as the colonies and the capital markets. He observed that the arts contained an especially vocal collection of special pleaders who argued that they were distinctly different from other claimants and deserved favoritism. Bentham reported that for the most part he was not persuaded by these claims. He began by making a charge that was repeated often in the twentieth century, namely that public expenditures on the arts were usually regressive in their effects on the distribution of income and wealth. The rich despoiled the poor so that they could indulge their extravagant tastes. He condemned "Expenditure, of money, on articles, for the accommodation or amusement of the comparatively *opulent few*, at the expense of all, including, in prodigiously greater number, the *unopulent many*, who are incapable of participating in the benefit: productions of the *fine arts*, for instance . . ." [Bentham (1962, II, p. 251)].

Poetry was a frequent and symbolic target for Bentham because a case was regularly made for its public support and because it appeared to him to be a quintessential case of an art form that should be able to stimulate its own adequate reward from the joy it was supposed to give to the poet and the patron. "There are some countries in which the relish for literature is confined to such small numbers, that it may, upon the whole, be beneficial to encourage it by factitious rewards. But if we consider how intense are the enjoyments of the man born with poetic talents, the sudden reputation which they produce, and the ample profit they often yield, especially in the dramatic line, it will

be found that the natural rewards attached to them are far from being inconsiderable" (II, pp. 212–213). Bentham juxtaposed the fanciful structure of poetry to the hard facts and essential usefulness of science. "Happiness depends upon the correctness of the facts with which our mind is furnished, and the rectitude of our judgment; but poetry has no very direct tendency to produce either correctness of knowledge or rectitude of judgment. For one instance in which it [poetry] has been employed to combat mischievous prejudices, a thousand might be cited in which they have been fostered and propagated by it" (II, p. 213). He was incensed that the various forms of creative literature, but especially poetry, had appropriated the "imagination" as their point of origin, as if other intellectual endeavors did not have imaginative roots as well. "These, too, are all together placed under the head of *imagination*; as if, in the first place, to the exercise of all *these* branches of art, the exercise of the imaginative faculty were necessary; and as if, in the next place, it were not so to any of the *others*" [Bentham (1962, VIII, p. 76)].

Bentham took pains to point out often that the fine arts were simply "amusement", by contrast with "the arts and sciences of curiosity" that were serious intellectual endeavor. "By arts and sciences of amusement, I mean those which are ordinarily called the *fine arts*; such as music, poetry, painting, sculpture, architecture, ornamental gardening, &c. &c . . ." (II, p. 253). Both amusement and the satisfaction of curiosity did give pleasure and therefore yielded utility to those who engaged in them, and their worth could be assessed from the additions to utility they contributed in relation to the utility that might be received from all other alternatives. In perhaps the most oft-cited and influential words in the history of cultural economics, Bentham expressed surprise that humans were, in fact, inclined so often to prefer the titillation of the fine arts to the truth that emerged from science and the innocent distractions provided by idle amusement. Certainly he could see no case for encouraging one over the other.

> The utility of all these arts and sciences – I speak both of those of amusement and curiosity – the value which they possess, is exactly in proportion to the pleasure they yield. Every other species of pre-eminence which may be attempted to be established along them is altogether fanciful. Prejudice apart, the game of push-pin is of equal value with the arts and sciences of music and poetry. If the game of push-pin furnish more pleasure, it is more valuable than either. Everybody can play at push-pin: poetry and music are relished only by a few. The game of push-pin is always innocent: it were well could the same be always asserted of poetry. Indeed, between poetry and truth there is a natural opposition: false morals, fictitious nature. The poet always stands in need of something false. When he pretends to lay his foundations in truth, the ornaments of his superstructure are fictions; his business consists in stimulating our passions, and exciting our prejudices. Truth, exactitude of every kind, is fatal to poetry. The poet must see everything through coloured media, and strive to make everyone else to do the same. It is true, there have been noble spirits, to whom poetry and philosophy have been equally indebted; but these exceptions do not counteract the mischiefs which have resulted from this magic art. If poetry and music deserve to be preferred before a game of

> push-pin, it must be because they are calculated to gratify those individuals who are most difficult to be pleased (II, pp. 253–254).

Bentham conceded that sometimes the arts had some indirect moral utility (what we might today call a positive externality) when they occupied what otherwise could be idle hands. But this was faint praise indeed. "All the arts and sciences, without exception, inasmuch as they constitute innocent employments, at least of time, possess a species of moral utility, neither the less real or important because it is frequently unobserved. They compete with, and occupy the place of those mischievous and dangerous passions and employments, to which want of occupation and ennui give birth. They are excellent substitutes for drunkenness, slander, and the love of gaming" (II, p. 254). He went on to suggest that it might even be claimed that credit should be given to the fine arts for an increase of pacifism. "It is to the cultivation of the arts and sciences, that we must in great measure ascribe the existence of that party which is now opposed to war: it has received its birth amid the occupations and pleasures furnished by the fine arts. These arts, so to speak, have enrolled under their peaceful banners that army of idlers which would have otherwise possessed no amusement but in the hazardous and bloody game of war" (II, p. 254). But surely this too was no justification for serious attention to the arts. Bentham had thrown down the gauntlet to those interested in the arts and culture to demonstrate that they were more than trivial and that they deserved the scarce time of those concerned with the analysis of public policy.

Bentham emphasized that as far as he could see "quality" in the arts was purely a matter of individual taste. Since the fine arts were all about amusement, how could anyone say – let alone dictate – what would amuse someone else and what would not. No one could state with any authority what is good art and what is bad. "It is only from custom and prejudice that, in matters of taste, we speak of false and true. There is no taste which deserves the epithet *good*, unless it be the taste for such employments which, to the pleasure actually produced by them, conjoin some contingent or future utility: there is no taste which deserves to be characterized as bad, unless it be a taste for some occupation which has a mischievous tendency" (II, p. 254). Those who called themselves art critics "under pretence of purifying the public taste" usually reduced the sum of happiness by depriving "mankind of a larger or smaller part of the sources of their amusement". By declaring some works of art to be inherently inferior to the alternatives and removing them from consideration, critics effectively reduced the choice set of consumers. "These modest judges of elegance and taste consider themselves as benefactors to the human race, whilst they are really only the interrupters of their pleasure – a sort of importunate hosts, who place themselves at the table to diminish, by their pretended delicacy, the appetite of their guests" (II, p. 254). Bentham spelled out clearly the policy implications of his doctrine. No one should declaim to others on matters of taste, nor should the state favor any of "the arts and sciences of amusement and curiosity", one over any other. Rewards might occasionally be offered for the discovery of new knowledge in the sciences that promised direct public benefit, but in the fine arts the market should be counted upon to issue most of the signals necessary to induce appropriate levels of production. "Among rich and prosperous nations, it is not necessary that the public should be at the

expense of cultivating the arts and sciences of amusement and curiosity. Individuals will always bestow upon these that portion of reward which is proportioned to the pleasure they bestow" (II, p. 255).

The contextual circumstances that in conjunction with the methodological concerns expressed in the works of Bentham help to explain the neglect of culture and the arts in the evolving body of classical political economy were of two kinds. The first revolved around the distinction made explicit by Adam Smith between productive and unproductive labor, and the second around a similar distinction made by the Physiocrats between goods that emerged from the "productive" agricultural sector and the goods and services that came from the unproductive urban sector. Under both of these distinctions the arts suffered by comparison. They had their roots in the prejudices of the seventeenth and eighteenth centuries against certain kinds of economic activity, especially those deemed luxurious or vicious, as discussed above. But later they were intended to focus attention on sectors that might or might not yield a surplus of physical products such as buildings or grain that could be added to the total fixed or circulating capital (wages fund) and thereby increase the output of the nation in later periods. Smith defined "productive labour" quite carefully as "the sort of labour which adds to the value of the subject upon which it is bestowed" [Smith ([1776] 1976, p. 330)]. The manufacturing laborer was the most obvious productive laborer for Smith, whereas for the Physiocrats it was the farmer. Recall that the stereotypical unproductive laborer for both Smith and the Physiocrats was the menial servant. Smith included the arts in this category, a depiction clearly intended mainly as an aid in classification, but one that was not complimentary to the arts. Smith had certainly conceded that unproductive labor and its output had value, but the denigration of them in the language used was undeniable. In the circumstances of the times the argument that the arts could not contribute to economic growth was damning indeed. The advice was not lost on his readers in the evolving classical political economy that they would be well-advised to direct their attention and study away from the arts to "productive" activities such as manufacturing, agriculture, and international trade.

Nevertheless, the distinction between productive and unproductive labor did attract some powerful criticism soon after it was formulated by Smith. For example, James Maitland (Lord Lauderdale) pointed out in 1804 what he took to be some of the absurdities that flowed from the distinctions proposed by the Physiocrats: "it is impossible to subscribe to the opinion, that the labour of the manufacturer and the artist are totally unproductive of wealth" [Lauderdale ([1819] 1962, p. 141)]. He also took issue with the application to art markets of the Smithian theory that under competition price would gravitate naturally toward the cost of production, which in the case of the arts would mean the subsistence wage of the artist: "it is impossible to believe that a painter, whose works have sold for thousands of pounds, and the value of which has been known to have increased for a century after his death, added nothing more to the value of the canvas than the value of his sustenance and an equivalent for the expence of his education" ([1819] 1962, p. 142). Lauderdale argued that in the arts unlike most other occupations talent imposed barriers to entry and that prices of works of art over time

and under competition would reflect increasing rents to artists of rare talent. He found Smith's distinction of unproductive from productive labor just as unsatisfactory as that of the Physiocrats. "It appears, therefore, impossible to contend, that the labour of the manufacturer and artist, or even the labour of that class whose services perish at the moment, are not, as well as that of the husbandman, to be considered as productive of wealth" (p. 153). One wonders if perhaps Lauderdale's place in the aristocracy, where in the early nineteenth century the arts were valued more than in other strata of society, caused him to react so critically to the treatment of the arts and culture in the growing literature of political economy.

Despite the cogency of the criticism of it, the distinction between productive and unproductive labor did not die easily. It was still alive and well in John Stuart Mill's *Principles* in 1848. Mill denied that "unproductive" should in any way be interpreted as a "term of disparagement" or as casting a "stigma" on certain goods and services [Mill ([1909] 1964, p. 44)]. Yet his disclaimer is contradicted by the tone of the examples he uses. In the case of the theater he seems to suggest that it would be better if people stayed home and saved their money; the only net gain to a nation from expenditures on performances that he could see arose if they were held abroad and there were foreign remittances:

> . . . but what is gained by an actor is a mere transfer from the spectator's funds to his, leaving no article of wealth for the spectator's indemnification. Thus the community collectively gains nothing by the actor's labour; and it loses, of his receipts, all that portion which he consumes, retaining only that which he lays by. A community, however, may add to its wealth by unproductive labour, at the expense of other communities, as an individual may at the expense of other individuals. The gains of Italian opera singers, German governesses, French ballet dancers, &c are a source of wealth, as far as they go, to their respective countries, if they return thither (p. 50).

It is no coincidence that in a body of economic theory that emphasized cost of production as the most powerful determinant of value, in attempting to understand the economics of the arts as of other segments of the economy the focus should be on the labor that produced the artworks rather than the artworks themselves.

This is not to suggest that in all of nineteenth century classical political economy there was no commentary at all on intriguing questions in the economics of the arts; rather it is to indicate that comments were few and that the negative heuristics conveyed to scholars about study of these topics were substantially stronger than the positive ones. David Ricardo had established early on that the arts provided some of the best examples of those exceptional goods that although produced with labor could not reliably be reproduced. Their value as a result was demand-determined. His oft-repeated discussion in *Principles of Political Economy and Taxation* ([1817] 1948), in which artworks are grouped for analysis with various other extravagances, ran as follows:

> There are some commodities, the value of which is determined by their scarcity alone. No labour can increase the quantity of such goods, and therefore their value

> cannot be lowered by an increased supply. Some rare statues and pictures, scarce books and coins, wines of a peculiar quality, which can be made only from grapes grown on a particular soil, of which there is a very limited quantity, are all of this description. Their value is wholly independent of the quantity of labour originally necessary to produce them, and varies with the varying wealth and inclinations of those who are desirous to possess them.

These commodities, however, form a very small part of the mass of commodities daily exchanged in the market [Ricardo ([1817] 1948, p. 6)].

John Rae, ever the speculative thinker, struggled in his *Statement of Some New Principles of Political Economy* ([1834] 1965) with the question of why people in fact demanded products of the arts. He was unhappy with the implicit suggestion that interest in the arts was just like any other consumer demand, and a luxurious one at that. He suggested that

> There is a pleasure in the sight of certain shapes and colors, and arrangements of them, which is quite independent of their cost; there is a fitness also; in the texture of certain fabrics, to preserve from the extremes of heat and cold, to add to the beauties of feature or form, and to correct their defects, that, of itself, gives pleasure; there are pleasures too which the mind creates to itself, out of the associations of these ... The sight of statues, paintings, flowers, is also capable of affording a high degree of gratification to many minds. The degree of pleasure thus experienced is different in different individuals, and it is scarcely possible to ascertain what its exact amount is in any one; hence the difficulty in most cases, of determining what is, or is not, luxury [Rae ([1834] 1965, p. 272)].

Finally in this overview of classical political economy in the nineteenth century, we can refer to John Stuart Mill. Mill's positions on social and economic policies regarding the arts are reflected in his social theory. He was concerned about how practitioners of the arts could survive in a modern market economy, and especially one like that of Britain where there had been very limited respect for the arts. He looked with special concern at the condition of creative writers: "although the highest pecuniary prizes of successful authorship are incomparably greater than at any former period, yet on any rational calculation of the chances, in the existing competition, scarcely any writer can hope to gain a living by books, and to do so by magazines and reviews becomes daily more difficult. It is only the more troublesome and disagreeable kinds of literary labour, and those which confer no personal celebrity, such as most of those connected with newspapers, or with the smaller periodicals, on which an educated person can now rely for subsistence" [Mill ([1909] 1964, p. 397)]. He urged that more attention be given to this problem of sustaining the arts where a tradition was lacking and times were hard. He observed that in the sale of many artworks by fashionable artists there was substantial producer rent, and like many after him he wondered if this could somehow be extracted to support artists who were not so fortunate [Mill ([1909] 1964, p. 443; 1986, p. 1240)]. Using a variety of arguments, he advocated public education in the arts at all levels. Above all the quality of life of the people would be improved thereby. "The races and

nations whose senses are naturally finer and their sensuous perceptions more exercised than ours, receive the same kind of impressions from painting and sculpture: and many of the more delicately organized among ourselves do the same. All the arts of expression tend to keep alive and in activity the feelings they express" [Mill (1984, p. 254)]. In addition cultivation of the arts would lead to a more moral and tolerant citizenry: "There is, besides, a natural affinity between goodness and the cultivation of the Beautiful, when it is real cultivation, and not a mere unguided instinct" (p. 255). And finally he argued that the arts could instill quality control in a people, help to demonstrate the possibility of sublime accomplishment and reveal "the Good made perfect". This was because "No other human productions come so near to perfection as works of pure art" (p. 255).

5. Humanist critics

While political economists in the nineteenth century shied away from a sympathetic approach to the arts and culture, others moved in to fill the void, in particular poets, novelists and essayists who came to constitute a community of criticism. The result was a widening gulf between the evolving discipline of political economy on the one hand and the humanities and the arts on the other. Some of the subjects addressed by the critics could be described today as positive externalities of the arts and culture; others involved more profound speculations about the place of the arts in national life. Many novelists and poets worried in particular that the capitalist market economy was squeezing aside the arts and culture in favor of more prosaic goals [Grampp (1973)]. For example, Thomas Love Peacock complained that the nineteenth century had become the age of the "huckster" (*l'épicier*) in which all goods were produced in response to consumer demand without regard to their inherent merit, in the "literary market" as elsewhere [Peacock (1926, pp. 294, 297)]. The "march of mechanics" [progress of technology!] had been accompanied by "the days of political economy", and the result was "what we call *l'esprit épicier*. Applied to literature, to the arts, to the mode of living, and manifesting itself in manner, style, and taste, by something obsolete, vulgar, and awkward, tinged with the ridiculous, this spirit has created what we call *le genre épicier*" [Peacock (1926, pp. 295, 300)]. Despite all his talk of freedom, the huckster was essentially authoritarian. "His ruling passion is the love of 'order', because he has observed that in the days of political disturbances there has been a fall of a per-centage on his operations. The apprehension of anarchy, or, to speak more correctly, the fear of diminished sales and falling prices, has made him a fanatic of 'l'ordre public' . . . For him, order is a positive result which must be obtained at any price, without regard to the causes which may have produced a feverish over-excitement in any portion of society" [Peacock (1926, pp. 300–301)]. Because of his fear of disorder the huckster was the enemy of the artist and the intellectual, indeed it "had never happened to him to have an idea in the course of his life" (p. 301).

Three humanist critics of political economy went beyond such denunciations to make notable contributions to the relationship of the arts to the economy: the poet and essayist Matthew Arnold, the prominent artist, critic, and art historian John Ruskin, and the leader of the Arts and Craft movement, William Morris. We turn to them in the following sections.

5.1. Matthew Arnold

The main question raised by Matthew Arnold was a direct challenge to the political economists: Were the arts and culture more than merely a distinctive collection of goods amongst which consumers might make a selection for their amusement? Were they not in fact essential to healthy and successful social development? Arnold addressed squarely what was becoming one of the most frightening questions in nineteenth century political economy: Could economic development continue without causing destructive conflict between owners of capital on one side and labor on the other? Poets and novelists before him had often addressed environmental degradation and sufferings of the working class caused by the new factory system;[1] Arnold asked the follow-up question of how society could be held together where these sufferings persisted while the franchise was increasing steadily through the reform acts of 1832 and 1867. What was to stop those without property from taking it away from those who had it, either legally through Parliamentary action or illegally through violence in the streets? What was to stop democratization from degenerating into anarchy? After all, the French Revolution was only a few decades behind and the revolutionary year of 1848 even more recent. The answer to the threat of anarchy, Arnold suggested, lay in civilizing the population and more specifically in extending "culture" throughout the populace, defined in his influential book *Culture and Anarchy* ([1869] 1903) in Enlightenment terms as the "study of perfection", "turning a stream of fresh and free thought upon our stock notions and habits" (pp. xi, 7). He argued that culture is "possessed by the scientific passion as well as by the passion of doing good" (p. 8). It would lead human nature toward "a harmonious perfection, a perfection in which the characters of beauty and intelligence are both present", "a human nature complete on all its sides" (pp. 19–20, 25). Arnold's definition of culture seems rather close to what is meant today by the results of a "liberal education". Culture would not come painlessly or without hard work and cost. Contrary to Bentham there must be expert critics who would endeavor to learn and propagate "the best which has been thought and said in the world" (p. xi). They must guide others in their quest for culture.

The type of beneficent cultured citizen that Arnold claimed was essential for a healthy, advancing society was in his view in sharp contrast to the grasping self-interested creatures modeled by the economists, and to whom he gave a scornful name

[1] Creative writers in Great Britain in the nineteenth century who deplored the industrialization that was taking place and the evolving science of political economy that they associated with it included Robert Southey, Samuel Taylor Coleridge, William Wordsworth, Thomas Love Peacock, Anthony Trollope, William Cobbett, Thomas Carlyle and, most notably, Charles Dickens; see Grampp (1973).

that was to remain with them, Philistines. "The people who believe most that our greatness and welfare are proved by our being very rich, and who most give their lives and thoughts to becoming rich, are just the very people whom we call Philistines" (p. 17). He described two bundles of behavioral pressures operating within humans that, following Heine, he called Hebraism and Hellenism. Hebraism included conscience, obedience, duty, and subjugation of self, some of the qualities treated by Adam Smith more than a century before in *The Theory of Moral Sentiments*; Hellenism involved spontaneity, curiosity, intellectual flexibility, and appreciation of beauty, subjects dealt with in *The Wealth of Nations*. "The uppermost idea with Hellenism is to see things as they really are; the uppermost idea with Hebraism is conduct and obedience" (p. 123). Arnold saw human history as mainly a struggle between these two sets of forces: "by alternations of Hebraism and Hellenism, of a man's intellectual and moral impulses, of the effort to see things as they really are, and the effort to win peace by self-conquest, the human spirit proceeds; and each of these two forces has its appointed hours of culmination and seasons of rule" (p. 134). A healthy individual or society, Arnold insisted, maintained a proper balance between these two bundles of behavioral characteristics. Bennett (2005) sees the ideas of Plato and of the Romantic poets Goethe and Schiller behind Arnold's conception of culture. It is not hard for the economist to see as well the economic thinkers of the Enlightenment, all of whom had been concerned about what should be the context in which a society, economy and polity could operate smoothly. The political economists of Arnold's day had begun to believe that the economy could reasonably be explored as separate from the society and polity, and that if the natural proclivities of humans were left untrammeled, optimal social and political as well as economic results may well emerge from free markets. Arnold seemed to be following up some of the hints we find in the early Smith that the recipe for economic efficiency may not be that simple. Moreover, there may be a case for concluding that markets for art and culture are truly exceptional, both in how they operate and in their effects on society overall. Contextual preconditions are necessary for the smooth performance of a market economy, and these could require institutions and actions remote from the conventional concern with technical efficiency such as the cultivation of the arts and culture through a liberal education. This was a message that not many nineteenth century political economists wished to hear, or with which they were prepared to engage.

5.2. John Ruskin

Another message about the relations of the economy with culture and the arts that was profoundly disagreeable to nineteenth century political economists came from John Ruskin. Whereas Arnold had questioned one emerging sacred principle of classical political economy, that it was reasonable to focus on market interactions without attention to the cultural context, Ruskin disputed another, that utility functions of consumers are stable for the most part and that wants should be treated as exogenous to economic analysis. Arnold's concern was essentially macro, about the stability of the entire social and economic system, whereas Ruskin's was micro, about the happiness of the individ-

ual in society. Like Arnold, Ruskin was insulting to the political economists of his day seemingly by design. Although he published works with titles like "The Political Economy of Art" [1857; published in Ruskin ([1880] 1905)] he took pleasure in reporting that he had read not a word of political economy, except for *The Wealth of Nations* in his youth. Like Arnold he also constructed his own vocabulary when needed and made no effort to connect with political economists who might have had an interest in his subject. Also like Arnold, Ruskin was happy to reject laissez faire as a policy principle. Indeed, he looked to an authoritarian and interventionist leader to make society a better place. Ruskin's policy norm was formation of the happy individual who had "perfected the functions of his own life to the utmost" [Ruskin ([1862] 1905, pp. 84, 105); see also Moore (2005)], but he proposed to make this individual happier not by piling more and more goods and services upon him but by training him to make a better selection among alternatives and to appreciate more those goods that he could afford. Ruskin believed that by this approach political economy truly became a moral subject, and the science–ethics dichotomy in political economy that Mill had pointed out no longer existed. For Ruskin the notion that value depended upon cost of production was absurd, and he anticipated the marginal utility revolution of the 1870s by insisting that wealth was relevant only to the way in which goods were used. He insisted that "wise consumption is a far more difficult art than wise production" ([1862] 1905, pp. 98, 104). The natural conclusion Ruskin drew from his theorizing was that the community had a responsibility to make sure of the "life availing" qualities of the goods that were consumed and to educate consumers to make the best use of them. The artist and the art critic both had important roles in this process, and the market could not be counted upon to guarantee the maintenance of the artist and critic. He was an early and energetic advocate of public support of arts education, of distinguished public buildings, of museums (to protect old art), and of a national arts purchase fund (to provide demand for new art). He returned to and agreed with Adam Smith's theme that vanity, if not constrained, could become the mistaken determinant of what was produced in the arts. The omnipresence of bad taste and ostentation were all the proof Ruskin needed of the necessity of public intervention in the arts on a grand scale.

Even though Ruskin's writings on the economics of art were denounced, deplored, or ignored by most of the economics profession in his own time and thereafter, they lived on in the thinking and literature of the labor movement in Britain and America. To give only one example, the popular economics textbook for workingmen by Henry Clay, *Economics: An Introduction for the General Reader*[2] began with this observation: "No study of Economics, therefore, it seems to me, is worth making which does not include some consideration of the relation of the economic organization to political and ethical aims and standards; which does not, in other words, indicate what light Economics can throw on Ruskin's question, 'What is wealth?' " [Clay (1918, p. viii)]. In his final chapter on "Wealth and Welfare" Clay turned again to the question of what constituted

[2] First edition 1918 published and republished many times both in England and the United States.

6. The marginal revolution

6.1. The marginalists' treatment of arts and culture

The marginal revolution of the 1870s was about the construction of general laws in economics, and about the Benthamite urge to postulate simple and universal principles of human behavior, rooted in utility calculations, that could be used to model the economy. So where in this new vision of economics stood the arts and culture? Not very prominently! Special attention to the arts and culture, as to other particular segments of the economy, did not fit well with the philosophy behind the new marginal economics. The search for exceptionalism in the arts, as in other areas, came into direct conflict with the search for generality.

Several observations may be made about the treatment of the arts and culture during the early years of neo-classical marginal economics. First, the marginalists made far more references to the arts than did their classical predecessors, but less as interesting and exceptional special cases than as manifestations of the general case. Favorite illustrations from the arts used in presentations of economic theory stressed the unique and non-reproducible nature of many artworks. Examination of these cases demonstrated that the price of all consumption goods was demand rather than cost determined. For example, Carl Menger wrote: "A large number of goods cannot be reproduced (antiques, and paintings by old masters, for instance) and thus, in a number of cases, we can observe value but no possibility of reproduction. For this reason, any factor connected with reproduction cannot be the determining principle of value in general" [Menger ([1871] 1950, p. 147)].

Second, there was greater willingness among the marginalists than among the classical economists to posit the possibility of positive externalities emanating from the arts. A moderate position on the salutary effects of the arts on social relations – the Arnold assertion – came to be seen as quite reasonable. Characteristically Alfred Marshall wrote to a correspondent in 1900: "the growth of towns makes it doubly urgent to supply wholesome thoughts & suggestions, lest unwholesome should prevail; and to turn music & painting & other fine arts to account in filling the void in man's life caused by the want of the free light & freshness & beauties of nature" [Marshall (1996, II, pp. 270–271)]. Third, there appeared more prominent economists with deep personal commitment to the arts who were prepared to testify to positive externalities from their own experience. Finally, over time the marginalists lost many of their inhibitions about commenting on the arts; some of their observations were prescient, others were absurd. None of the main neo-classical texts had a separate chapter, or even part of a chapter, devoted to the economics of culture and the arts. The references to the subject were widely scattered throughout. A closer look at the writings of two of the most prominent revolutionaries, Alfred Marshall and William Stanley Jevons, may be illuminating.

6.2. Alfred Marshall

In a taxonomy of wealth taken from F.B.W. von Hermann, Marshall claimed that all goods related to the arts may be placed in various categories. Conventional artworks are "material", "personal" and "internal"; "the faculty of deriving recreation from reading or music" is "internal" but "non-material". "The laws which govern the birth of genius are inscrutable" except that more genius per capita comes from the higher orders than from the working class [Marshall ([1920] 1964, pp. 45–46, 176)]. Marshall argued that the demand for artworks has roots in some fundamental set of preferences that will ultimately prevail over the pressure of fashion. "For though the crudest and most ridiculous fashions in art and in literature will be accepted by the people for a time at the bidding of their social superiors, nothing but true artistic excellence has enabled a ballad or a melody, a style of dress or a pattern of furniture to retain its popularity among a whole nation for many generations together . . . traditional instincts played a great part in preserving the purity of the industrial arts in Oriental countries, and to a less extent in medieval Europe" ([1920] 1964, p. 177). Education in the visual arts as distinct from the rest of the arts, Marshall thought, was desirable for the progress of the economy, but less so than education in other more practical areas. He suggested that education in art stood on a somewhat different footing from education in hard thinking: for while the latter nearly always strengthens the character, the former often fails to do this. Nevertheless he believed that the development of the artistic faculties of people was in itself an aim of the very highest importance, and was becoming a chief factor of industrial efficiency: "We are here concerned almost exclusively with those branches of art which appeal to the eye. For though literature and music contribute as much and more to the fulness of life, yet their development does not directly affect, and does not depend upon, the methods of business, the processes of manufacture and the skill of the artisans" ([1920] 1964, p. 177).

6.3. William Stanley Jevons

With Jevons we see the appearance among economists of a new phenomenon: the closet artist or aesthete, the economist who either has a separate life as an artist or acknowledges having had a profound aesthetic experience while seeming unwilling to incorporate the artistic dimensions of life into economics. For Jevons music was the fine art that mattered most. But he saw all the fine arts as capable of enriching the lives of the working class beyond their own expectations and therefore yielding positive externalities. He envisaged the arts as being initially unlikely to interest the masses and needing to be administered rather like a dose of tonic. The arts imposed on unsophisticated people in this way would, Jevons believed, ultimately have the aesthetic impact that he himself had experienced. But this aesthetic experience could not be anticipated by those who had not already experienced it, and therefore the arts would not sell well in the market to begin with and would have to be delivered for a while below market rates.

An unpublished manuscript by Jevons entitled "On the Functions of Music" makes it clear that he himself had had aesthetic experiences that he tried to put into words. He wrote that his own response to music was similar to "the contemplation of subjects of Interest, Beauty or Sublimity, and consists of a gentle excitement, an engrossment of the thoughts by agreeable subjects and a general removal of the mind from its ordinary course of duties and frailties, and its continual mixture of slight pleasures and pains" [Jevons quoted in Mosselmans and Mathijs (1999, p. 151)]. Jevons evidently felt that his reaction to music was rather like intoxication or a drug-induced euphoria, suggesting that the experience might be more like an addiction than a conventional act of consumption:

> When rising to an unusual pitch, the feeling of which I speak becomes an intense delight; it absorbs the attention completely, and causing it to forget ordinary affairs and thoughts, elevates it to a region of pleasurable sensations nowhere else discovered. It is indefinite however, leads to no conclusion, suggests it may almost be said no leading or strong thought or purpose and even of one's future path in life, or unavoidable duties happen to occur to the mind in the midst of this sort of intoxication, they appear smoother than ever before, the difficulties have entirely vanished and oneself feels such a sort of confident moral strength, as will only too soon be found to disappear when this state of feeling has ended and the petty or great difficulties of life are once again visible in all their reality (pp. 151–152).

Indeed, it seems that Jevons experienced something like guilt after a musical "trip" was over. "Who that has attended a concert, play or other public performance, has not experienced this sudden and almost disgusting revulsion of feelings at its termination when the music has finally ceased & no longer rivets the attention, and a dreamy progress home, and a renewed circle of duties and the sorrow are all that seem to await one" (p. 152). He was unwilling to probe deeply into what had taken place during his aesthetic adventures and he agreed with Bentham and some other early economists that the aesthetic experience could not be improved by the application of reason or through the services of scholarly critics:

> To investigate its cause would be to enter one of the most difficult and least certain of metaphysical subjects and be quite beyond our purposes. It will suffice to say that it does not depend in any particular degree on knowledge ... the essential nature of Poetry it is universally acknowledged to be almost impossible to define, and lastly the sense of beauty or of melancholy arising from a simple succession of sounds, that is to say an air or melody, is equally inexplicable (p. 152).

Had Jevons lived longer and continued to pursue his interests in the arts he might be remembered today as the father of cultural economics. He certainly made some promising beginnings on topics that would concern his successors thereafter. In 1878 he followed up his interest in the external consequences of "the amusements of the people" and concluded that one of the most promising "methods of social reform" would be encouragement to "good moral public amusement, especially musical entertainments".

He distinguished very firmly between serious music and what he described as "the mixture of inane songs, of senseless burlesques, and of sensational acrobatic tricks, which make the staple of a music-hall entertainment" [Jevons (1904, pp. 2, 4)]. No advocacy of consumer sovereignty here! He knew what the working classes needed among the arts even if they did not know themselves. Jevons speculated that neglect of the arts for the masses might be the result of a conspiracy by the ruling classes who feared the consequences of a liberating culture. He wrote: "Now I believe that this want of culture greatly arises from the fact that the amusement of the masses, instead of being cultivated, and multiplied, and refined, have been frowned upon and condemned, and eventually suppressed, by a dominant aristocracy. Amusement has been regarded as in itself almost sinful, and at the best as a necessary evil. Accordingly, villages and towns have grown up in the more populous parts of the kingdom absolutely devoid of any provision whatever for recreation" (p. 6).

Following up on this conspiracy theory Jevons abandoned laissez faire policy as well as consumer sovereignty theory. He urged governmental attention to the arts as a high priority for public policy: "Among the means towards a higher civilisation, I unhesitatingly assert that the deliberate cultivation of public amusement is a principal one" (p. 7). To buttress his case Jevons claimed that the fine arts and culture would keep the working classes away from various temptations that might be personally and socially destructive, and would yield positive therapeutic effects.

> What some seek at the cost of health, and life, and reputation, from alcohol, and from opium, that they might obtain innocuously from music, if they could cultivate true musical taste. Of course there is some nervous waste even in the enjoyment of music, and it is greater as the attention is more excited. Tedium must usually follow an entertainment of two or three hours; but so soon as tedium approaches, the attentive attitude of mind is destroyed, and the corresponding nervous waste ceases. The music, in short, holds the mind enchained just so long as there is energy of thought to spare; in the meantime the body remains in a perfect state of repose (p. 10).

Jevons went so far as to charge that the authorities in Britain, in contrast to those on the Continent, had responded to the demands of the aristocracy and had sabotaged public arts by tolerating within them criminals of every kind – especially pickpockets ands prostitutes. He asked indignantly: "Why do we tolerate a state of things under which a young man cannot seek an hour's recreation without meeting an evil magnet at every turn?" (p. 25).

Another public policy topic in the arts that interested Jevons was what he called "museum economy", an area in which he found himself a pioneer. He endeavored to arrive at some conception of the purposes in creating public collections and of the means by which those purposes may be most readily attained. "Although the subject has hardly received any attention as yet, I believe it is possible to show on psychological or other scientific grounds that much which has been done in the formation of Museums is fundamentally mistaken" (p. 53). He was deeply critical of British museums and the theory

on which they were based. "There seems to be a prevalent idea that if the populace can only be got to walk about a great building filled with tall glass-cases, full of beautiful objects, especially when illuminated by the electric light, they will become civilised . . . The well-known fact that the attendance at Museums is greatest on wet days is very instructive" (p. 54). He complained that most museums were over-crowded and chaotic: "a great multitude of diverse things is not only useless but actually pernicious, because it tends to destroy that habit of concentration of attention, which is the first condition of mental acquisition . . . It does not seem, however, to have occurred to the creators and managers of Museums, that so far as education is aimed at, a certain unity of effect is essential" (p. 55). Although Jevons' extended commentary on museums does not in the end consist of much more than shrewd insights and unsupported opinions, he was surely a pioneer in suggesting that these institutions be opened to scientific study.

For the most part the marginal revolutionaries based their economic theory around the general proposition that a competitive market system in which certain conditions hold will yield the maximum human welfare from a given endowment of resources and technology. In principle the determining wants on the demand side of product markets were the demanders' own business. As Jevons put it "In the science of Economics we treat men not as they ought to be, but as they are" (1905, p. 38). In practice, however, the implementation of this principle was not so straightforward. These Victorian moralizers might agree that in theory pushpin equals poetry but they did not really believe it. They had their own prejudices about what goods were morally superior to others and they did not try to conceal their views. They spoke of a "natural" sequence in which consumption would (should?) take place over the course of economic growth, and this came to be treated as self-evident. Food, clothing, housing was the presumed sequence, and if a consumer announced that a glass of gin and a lottery ticket were high priority consumer goods to precede food and clothing, this would undoubtedly be deemed unacceptable. The vocabulary used to describe consumption often revealed the approved hierarchy of values. Menger referred to "needs" and "requirements" rather than to "wants"; he also distinguished between "true" and "imaginary" goods, the latter being especially common among the demands of people at lower "levels of civilization". These included the following items of which he clearly did not approve, even though they were demanded freely in the market: "most cosmetics, all charms, the majority of medicines administered to the sick by peoples of early civilizations and by primitives even today, divining rods, love potions, etc. For all these things are incapable of actually satisfying the needs they are supposed to serve" [Menger ([1871] 1950, p. 53)]. He also disapproved of goods that were produced "when non-existent human needs are mistakenly assumed to exist". In this category he included "medicines for diseases that do not actually exist, the implements, statues, buildings, etc., used by pagan people for the worship of idols, instruments of torture, and the like". Menger concluded optimistically that "As a people attains higher levels of civilization, and as men penetrate more deeply into the true constitution of things and of their own nature, the number of true goods becomes constantly larger, and as can easily be understood, the number of imaginary goods becomes progressively smaller" (p. 53).

public purchase of great works of art at times when important private collections were being dispersed.

7. The arts in American economics

If treatment of the arts as truly exceptional – as a component of the economy that must be analyzed separately and with its own conceptual apparatus – could be found anywhere in the late nineteenth and early twentieth centuries, surely it would be in the work of those who would later be called the American Institutionalists. Typically these economists were in open revolt against the marginal revolutionaries of the 1870s and against Benthamite utilitarianism as an explanation for economic behavior and as a way of measuring changes in human welfare. They objected by and large to the universalizing strategy of picturing economic agents on both sides of the market as maximizing well-understood quantities like satisfaction and profit, and minimizing pain and cost. They postulated a much more complex system in which human behavior and its objectives are heterogeneous and not easily understood. Accordingly they examined many different types of economic agent, from the captain of industry to the trade union leader, the farmer, and the housewife confined to the home. They attended to behavioral drives that ranged from the instinct of workmanship through the propensity for emulation and the parental bent. They studied particular segments of the economy that especially interested them: agriculture, higher education, and the family, to mention only three. But how about the arts and the market institutions that sustained the arts in a competitive economy? Were the arts really distinct from other segments of the economy? Was pushpin, indeed, different from poetry? What made the arts tick? Rather surprisingly on these questions the Institutionalists had little to say.

In Thorstein Veblen's discussion of the arts in his *Theory of the Leisure Class* ([1899] 1934) there was a move backward to the cynical and dismissive tone often heard in the commercial pamphlets of the seventeenth century. Veblen described works of art from the past as having been intended mainly to demonstrate the wealth and power of the patron, something that had been accomplished most effectively by making art works novel, wasteful, idiosyncratic and expensive. Aesthetic considerations were usually subsidiary or absent. "The canon of beauty requires expression of the generic. The 'novelty' due to the demands of conspicuous waste traverses this canon of beauty, in that it results in making the physiognomy of our objects of taste a congeries of idiosyncrasies; and the idiosyncrasies are, moreover, under the selective surveillance of the canon of expensiveness" [Veblen ([1899] 1934, p. 153)]. He grouped the arts and culture loosely within the large body of wasteful and unproductive activities pursued by those concerned mainly with wealth and power. As in Bentham, the arts were arrayed with games and sport, but now for different reasons. For Veblen pushpin equaled poetry not for Bentham's reason that they were both just items in a consumer's choice set, but because they were both intended mainly to demonstrate someone's conspicuous leisure, past or current. Demonstration of the capacity to waste time on either pushpin or poetry was

what both these activities were all about; neither contributed to improvement of human welfare in any real sense. "Such immaterial evidences of past leisure are quasi-scholarly or quasi-artistic accomplishments and a knowledge of processes and incidents which do not conduce directly to the furtherance of human life" (p. 45). In effect Veblen revived the notion put forth by Bodin and Mandeville that the arts are something with which the idle rich rather than humans in general are mainly involved, and must be, therefore, wasteful and without redeeming social value.

Some of the later writers in the Institutionalist tradition showed more regard for the arts, and they developed the implications of a rejection of the Benthamite calculus for the valuation of art. John Kenneth Galbraith had a lifelong interest in the arts and even wrote a book on *Indian Painting* during his time as ambassador in New Delhi [Galbraith and Randhawa (1968)]. He was much devoted also to "the building of bridges between economics and the arts" but he encountered many obstacles. In the 1960s he inaugurated a seminar at Harvard on the Economics of the Arts [Galbraith (1986, pp. 137, 144)]. He reported that his "artist friends saw it – to the extent that they saw it at all – as a rather philistine performance; nothing could so surely degrade art as an association with economics . . . My fellow economists saw my enterprise as essentially frivolous, possibly even eccentric" (p. 144).

Galbraith's views on various topics in cultural economics were presented in a chapter entitled "The Market System and the Arts" in his book *Economics and the Public Purpose* (1973). He explained the inattention to the arts among economists as a result of the necessarily anachronistic character of most artistic production. Firms producing art works were operated still by independent entrepreneurs and not by managers bent on the division of labor. Indeed in the large corporations the word "artist" was used as a term of contempt for someone unwilling to submit to discipline. At the same time the inability of most large corporations to make use of the artist constructively was reflected in their typically poor standards of design. "The automobile industry, the mass producers of furniture, the household appliance industry, the container industry and numerous others amply illustrate the point" [Galbraith (1973, p. 63)]. Galbraith focused mainly on how economic aspects of the arts had become different from the norm in the modern economy. For a start, since the arts were typically anathema to the "technostructure" of the large firm, when they were found to have some commercial value they were often hived off into small independent companies. Second, modern art works, even though necessarily the result of creative change, were typically resisted by demanders who had been trained to be very conservative; most modern demanders had been conditioned by their culture to reject artistic change. They came to accept and to celebrate change in due course, but only after a struggle. Galbraith's contributions to thinking on the economics of the arts never went beyond shrewd observations and provocative speculations of this kind, and he never proposed an agenda for research as did the Bloomsbury Group, discussed next.

8. Keynes and the Bloomsbury Group

More than any economist before or since, John Maynard Keynes spent much of his life close to, and at times even embedded within, a community of artists and writers. He experienced the arts first hand. The core of this community was the Bloomsbury Group, but his contacts and interests extended well beyond this collection of close friends. Keynes did not himself make significant contributions to the vigorous and original thinking within Bloomsbury on the place of the arts in society and the economy. But by word, and most importantly by deed, he demonstrated that he was fully aware of and in sympathy with it [Moggridge (2005)]. Why did he himself not take this body of thought and inject it into the economics of his time, where he was such a prominent figure? We can only speculate. It may have been because of his concentration on the more critical issues of the decades in which he lived: international conflict, depression, and the need to construct a new and viable world order. Or it may have been that he inferred the likely lack of receptivity to the Bloomsbury way of thinking within the economics discipline and could not confidently see a road ahead in that direction.

There were at least five topics on which Bloomsbury thinking might be categorized as relevant to cultural economics today:

(i) the place of the arts in human life, including economic life;
(ii) the character of the artistic experience, both for artists and for their audience;
(iii) the use made of the arts by artists and others to shape behavior in society and the economy;
(iv) the nature of the demand for and supply of art works in art markets; and
(v) opportunities for experiments with policy change and institutional reform.

8.1. The arts in human life

The Bloomsburys denied vociferously the view in much of the economics literature to date that artists were simply the producers of superior goods that were consumed only when incomes rose, or that they produced merely luxuries for times when other more important wants had been filled. The Bloomsburys believed the exact opposite, i.e. that everyone in society of any class or economic station could and should be engaged in or at least exposed to the arts. In fact they were persuaded that modern society, being the result of economic progress, was more likely to stultify than to stimulate the artistic impulse in humans. The arts, they insisted, were an essential element and building block in the achievement of true human civilization; the arts were a cause not a condition or consequence of that peculiar and precious set of civilizing circumstances that only liberated humans can produce. Indeed, "the economic possibilities for our grandchildren" toward which Keynes looked ahead wistfully in 1930 consisted necessarily of "the arts of life as well as the activities of purpose" [Keynes ([1930] 1972, p. 332)].

The Bloomsburys were among the first to praise the extraordinary artistic accomplishments of non-western peoples, denying thereby the assertion that the arts could flourish only at high levels of income. One of the first illustrations in the celebrated

book *Civilization* by Roger Fry's friend and disciple Kenneth Clark (1969) is not of a Michelangelo or of a Da Vinci but of an African mask owned by Roger Fry [Goodwin (2005)]. Fry also held two exhibitions of the drawings of children – one of drawings by children of artists and the other of drawings by uninhibited inner-city children – at his Omega Workshops (1913–1919) to demonstrate that before they had extensive exposure to the modern economy the children's capacity for artistic expression was at its peak [Collins (1984, pp. 144–145)].

8.2. The character of the artistic experience

One of the contributions for which the Bloomsbury Group became best known was a "formalist" theory of aesthetics, expressed originally in Fry's "An Essay in aesthetics" ([1909] 1998) and extended by Clive Bell in his extremely popular book *Art* ([1914] 1947). Fry and Bell claimed from the evidence of introspection that the aesthetic experience was fundamentally different from the satisfaction achieved from consumer goods and services. In effect they insisted upon exceptional status for the arts and set out to explain why. They conceded that the Benthamite utilitarian model might be appropriate for understanding the satisfaction of biological needs of humans and others animals. But, using the term "imagination" to refer to the activity of the human mind as Hume and others had done before, they argued that an understanding of the "imaginative life" required more powerful analytical devices than the felicific calculus. Indeed, many of the Bloomsburys concluded that the simple application of Benthamite principles to the arts had impeded the development of a richer and more truly enlightening body of theory. Keynes made this point in his posthumously-published memoir "My Early Beliefs". He wrote: "we were amongst the first of our generation, perhaps alone amongst our generation, to escape from the Benthamite tradition". And he continued: "It can be no part of this memoir for me to try to explain why it was such a big advantage for us to have escaped from the Benthamite tradition. But I do now regard that as the worm which has been gnawing at the insides of modern civilisation and is responsible for its present moral decay" [Keynes (1949, p. 96)].

A few highlights of the efforts of Bloomsbury to move beyond the Benthamite paradigm may be mentioned. The original impetus for inquiry came from an awareness among these artists and writers that their responses to works of art seemed fundamentally different from those experienced during their consumption of food or other conventional goods and services. Roger Fry in a brief autobiographical fragment talked about how on reflection he saw himself "always groping my way towards some kind of a reasoned and practical aesthetic" [Fry ([1920] 1998, p. 87)]. For Fry the groping led first to rejection of the notion of beauty inherent in an artwork. He was inspired by an essay of Leo Tolstoy that portrayed art as the communication of "aesthetic emotion" rather than some sort of production and consumption of a good or service. Fry and Bell went on to speculate that the "form" of an art work rather than the content helped to determine the effectiveness of artistic communication. Some of the Bloomsburys reached out to such pioneer psychologists as Sigmund Freud and Wilfred Trotter to help them

understand the aesthetic experience; others, including Keynes, looked to philosophy and especially to the ethicist G.E. Moore. Regardless of their success in developing a new understanding of the artistic experience, high on the priority list of the Bloomsburys was always a desire to demonstrate the exceptional nature of the arts, a task that had been largely ignored by thinkers in the English-speaking world since the eighteenth century.

8.3. The arts in society

Most economists by the twentieth century had come to view the arts and culture as merely a rather uninteresting dimension of human consumption, perhaps to be viewed as luxurious and with or without externalities depending on your judgment, but unlikely in any case to have much impact beyond themselves. By contrast the Bloomsburys were fascinated with the ways in which the arts and culture through the course of history had conditioned and helped to interpret society, polity, and economy [Goodwin (2000)]. On this topic the artists, the novelists, and the social scientists in the Group could find common ground. Great works of religious art and literature fascinated them in particular. They were intrigued especially by Old Testament stories such as the accounts in the Book of Genesis of Adam and Eve in the Garden, and of Noah enduring the flood. These art works, they believed, contained hidden but intentional messages that affected human behavior. From the account of the Fall in the Garden readers, or viewers of pictures, could infer that hard labor under difficult agricultural conditions was the inevitable lot of man and was partly at least the result of female miscalculation. From the Noah story, as from Marxian doctrine that the Bloomsburys so much abhorred, readers were intended to conclude that catastrophe – a flood or a revolution – must precede fundamental improvement in the human condition. They were fascinated also by classical mythology that played such a prominent role in English public school education. The myth of Cupid and Psyche strengthened the portrayal of the unreliability and fecklessness of women; by contrast the stories of Pan and of Daphne and Apollo warned of the need to protect the natural environment. The connection between works of art and literature and social and economic affairs was explored by nearly all the Bloomsburys but especially by the artists Duncan Grant, Vanessa Bell and Roger Fry, the novelists Virginia Woolf, E.M. Forster and David Garnett, the biographer Lytton Strachey, and the political theorist Leonard Woolf. In the writings of Keynes there were repeated references to biblical and mythological characters and events. For example, he noted that "the old Adam" in humans keeps them from spending money when expenditures are needed, and the delusion that struck King Midas still causes humans to hoard rather than to circulate gold [see also Skidelsky (1992, p. 425)].

8.4. Art markets

The Bloomsburys paid close attention to various aspects of the art markets, but they found the conventional models in economics unsatisfactory to explain them. On the supply side they found that price was seldom the most important determinant of supply

– artists were as anxious as anyone for a decent living but for the most part they seemed impelled more by internal psychological pressures than by financial reward to produce their best work. The Bloomsburys came to believe that the main challenge for those concerned about the health of art markets should be to generate sufficient demand of the right kind to sustain the artists. Here again they found that price was not the most powerful independent variable. Roger Fry led the movement within the Bloomsbury Group to examine the demand for the arts in its various components and to probe the psychological circumstances of all the actual or potential providers of support for the arts. Fry and the others identified a number of distinct categories of demander to whom they gave, with their typically irreverent style, names such as "snobbists" (following Thackeray), "Philistines" (following Arnold), "Classicists" and "the herd" (following Trotter) [Goodwin (1998)]. The Veblenian instinct of emulation played an important part in the demand for art, but there were also the church, the monarchy, the landed aristocracy, big business, and an aesthetically-sensitive component of the middle class. In the Bloomsbury decomposition of the demand for works of art and in their attention to the psychological motivations of the various components, it is not hard to see a methodological precursor to the later Keynesian identification of the components of aggregate demand in the *General Theory of Employment Interest and Money* ([1936] 1947). There is even a parallel in the compensating role for the state proposed in both cases; public support should be introduced in the arts or the macro-economy, the Bloomsburys insisted, when private alternatives had been exhausted.

8.5. Policy reform

The topic of policy reform was where Keynes's leadership was so important. Most of the Bloomsburys felt a strong sense of social responsibility – perhaps inherited from their Victorian families – to respond to policy challenges as they saw them and not just to sit on the sidelines and theorize. Roger Fry's unceasing travels across Britain lecturing to large audiences on art and Virginia Woolf's commitment to the "Common Reader" were manifestations of their sense of social obligation. They were advocates above all of private sector solutions to problems when these seemed possible.

The Bloomsburys concluded from their extensive personal experience that most artists were ill-equipped by training and emotional make-up to set up or operate firms that could effectively market their products to the complex mix of potential demanders. Accordingly they set out to experiment, often collaboratively, with a range of innovative market devices. The Hogarth Press and the *Nation* magazine, the latter directed by Keynes, were two publishing outlets designed to insulate the writer as much as possible from intrusive business and editorial pressures. The Omega Workshops started by Roger Fry and the London Artists' Association managed by Keynes attempted to secure a regular minimum income for those artists who were willing to limit their outlets and trade off some sales opportunity for economic security. One of the most interesting private sector experiments (with which Keynes was involved as well) was designed to take account of the role of the critic, a matter about which the Bloomsburys felt strongly. The Con-

temporary Art Society was established in 1909 with Fry and Bell among the founders, to provide seals of approval to living or recently deceased British artists through certification by critical authorities. They hoped thereby to "educate the artistic opinion of the country" and engender confidence in inexperienced buyers of art. CAS members paid annual subscriptions and certain designated experts made purchases with CAS funds or made gifts of the works of artists whom they favored; these works were then exhibited, publicized and passed along on loan to local museums. Like the Book of the Month Club founded a few years later in the United States, the CAS was a pioneering attempt to correct what was perceived to be a unique market failure in art markets. The founders appreciated that it typically took years to establish an artistic reputation and by this time an artist could be impoverished. The CAS would correct an information gap and thereby help to assure support for those artists who deserved to survive.

Education and research in the humanities and the arts were desiderata for the Bloomsburys that they hoped could be accomplished by activities in the public and private sectors. Education in the liberal arts was justified on the ground that it was training for life, just as much so as vocational education. Technical education was justified typically on the ground that it increased the output of goods and services from a given set of resources. In exactly the same way education in the arts and literature was justified for its capacity to enable humans to experience a better life through gaining access to the best in the arts and literature. Research in the arts and literature was predicated on the proposition that there *was* a legitimate distinction between good and bad art and writing, and that good quality could be discerned and explained by trained people after sustained study. Just as education made possible extension of the *breadth* of use of the arts and literature, so research could increase the *depth* of this use. To the extent that enough people with resources perceived the social significance of education and research in the arts and culture, their nurture could be left to the market and private philanthropy. To the extent that the private sector proved inadequate, however, it would be necessary for the government to intervene.

The best-known public sector policy initiative with roots in Bloomsbury was the British Arts Council, established after World War II as a public funding mechanism with Keynes and Kenneth Clark as chairmen [Moggridge (2005); Goodwin (2005)]. By channeling public support for the arts mainly through private sector intermediaries the Council hoped to strengthen public support for the arts but lighten the heavy hand of governmental bureaucracy.

It may not be too much to speculate that if Keynes had successfully introduced the ideas of his Bloomsbury friends on the economics of art and culture to the economics profession, as he did his ideas on macro-economics, the result might have been just as revolutionary. Indeed the two approaches are strikingly similar. Both call for more contact with the discipline of psychology, and with other disciplines too, for explanations of how human actors behave in different market situations. At a time when applied micro-economics was beginning to assert its pervasive explanatory power because of the generality of its models, this call for a return to particularities and the evidence of experience would have been heresy. But the explorations started by this new line of in-

quiry might have been stimulating beyond a narrow focus on the economics of the arts and culture; they might have extended at least to the sub-field of industrial organization where the theory of the firm seemed of limited usefulness in the arts, and to the sub-field of public economics where it might have been conceded that the arts as an area of economic activity had established its exceptional nature and deserved scrutiny beyond conventional considerations of externalities and public goods. The parallels between Keynesian macro-economics and the Bloomsbury intimation of a cultural economics also go beyond economic theory. The richness of the Bloomsbury array of policy experiments in the arts is reminiscent of the recommendations of the young Keynesians as they explored ways to increase and manage aggregate demand.

9. Conclusion

By Keynes's death in 1946 attention to the economics of art and culture had not gone far. As this chapter has shown, there had been promising starts on important questions made by eighteenth century Enlightenment thinkers and in the twentieth century by the Bloomsbury Group, but they were not followed up. The development of a distinctive sub-discipline to address this subject was held back initially by suspicions of luxury, vice, and conspicuous consumption and subsequently by claims that all significant questions could be answered satisfactorily by the simple application of the emerging tools of marginalist micro-economics. All the same, numerous issues had been raised that remain before the economics profession still, notably whether positive externalities generated by the consumption of art justify public support. Those who today address either theoretical puzzles in cultural economics, or policy challenges, would do well to begin by reviewing the efforts of those who went before.

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