

The Value of Things in the Imaginative Life: Microeconomics in the Bloomsbury Group

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Prolegomena

Let me begin with a methodological preamble or peroration, and a story. When I came to Australia in the autumn of 1960 it was generally agreed by those who welcomed me that I was nuts. I told them that I was looking at economic inquiry in Australia, and their reaction was that there had not been any. Moreover, if there had been any it was dealt with thoroughly by John La Nauze and Sidney Butlin in works already published. My hosts at the Australian National University, where I was an Honorary Research Fellow (Honorary meant unpaid!), were unfailingly cooperative and helpful. And this included La Nauze and Butlin who visited there quite often. But it was clear to me that they all felt sorry for me; I seemed to be working so hard to no apparent end. Perhaps, they thought, I had been sent on this fool's errand to get me out from under someone's feet back home, like the remittance men from Britain who cluttered up Australian society in the nineteenth century. I recall that when I worked in the Mitchell Library there was a handicapped young man at the next desk who was sent each day by his parents to copy the Sydney telephone directory—a form of adult day care I presumed. I think I was placed roughly in the same category. It was significant that during the time I spent on that first visit to Australia I was never asked to give a paper to any conference or departmental seminar on my findings—not even at the ANU where I was ensconced in the Economics Department of the Research School and where everyone had lots of time to listen to papers. I think that those who might have issued the invitations were confident that any presentations would have been embarrassing for them and for me. Why I tell you story is because I fear you will think I have done it again. When you finish reading this you may say to yourselves, as did your predecessors forty years ago, 'that fellow is off the beam; too bad!' Which leads me back to my methodological prologue.

Economics, I believe, is or should be about the production, distribution, and exchange of goods and services—or something like that. Our responsibility as historians of economic thought should be, therefore, to examine all efforts that have been made to understand the processes surrounding these activities wherever the efforts have occurred and have shed some illumination. The progress of economic science, meaning what academic economists do to spend their days, is of course a large part of this story. But it should not be the whole story. I reject Jacob Viner's definition of economics as only 'what economists do'. Others do it too! Professional economists of the conventional sort have, of course, taken the task of explanation of economic activity seriously and have explained a good deal. And undoubtedly they deserve the lion's share of our attention. But not all. The account of economic inquiry can be extended, first of all, by going to other scientific specialities and seeing what they have to say about matters economic: history, mathematics, political theory, philosophy etc. But once again there is more. Some human minds, when presented with puzzles such as those we categorize as economic, do not accept the division of labour that academics consider appropriate

and they set out to find answers outside of a conventional academic discipline. The universe from which historians of economics may select their material is far larger than we often imagine, and our subject would be much richer if we accepted that fact.

As I have watched manuscripts drift through the transom at *HOPE* over the years I have come to conclude more and more that modern economics remains today substantially a captive of what happened to it in the nineteenth century, and the history of economics has just followed along. What happened then was at least as much a sociological as a 'scientific' phenomenon. Soon after the end of the Napoleonic Wars there began the construction of modern science as we know it. Three of the important developments of the period, often neglected by historians of economics I find, were first the capture of science by serious and specialized middle-class professionals: the Darwins, and the Huxleys, and in economics William Stanley Jevons, Alfred Marshall, F.Y. Edgeworth and others we know and love. Whether this capture was altogether a good thing as it is typically portrayed is not a simple question. In any event these sober and serious Victorian scholars replaced that broad-based collection of aristocrats, clerics, and dilettantes that had for long dominated the Royal Society, the British Association for the Advancement of Science, and other bastions of the scientific establishment. The second, and closely related, development was the isolation of individual disciplines from their neighbours, and especially those disciplines that we now call the humanities and the arts. Those supposedly softer subjects remained more closely identified with the clerics and dilettantes from whom 'science' had only recently been rescued. The third development in the nineteenth century in the new science was reductionism, the use of Occam's razor. Never present a complex explanation, this principle said, when a simple one will do, or will seem to do. Across science as a whole the single most widely adopted explanatory principle came to be that of natural selection. In economics when this principle was combined with postulates of utility and profit-maximizing behaviour the vision of a self-regulating system of competitive markets emerged. Obvious questions raised about this system were relatively tractable with the mathematics of the time and there was lots for economists to do. But an important consequence of this development was that all sorts of other economic subjects for attention were foreclosed, to professional economists at least. For others it was a different story.

Now a conclusion I am definitely not drawing from these broad historical generalizations is that we, as historians, should rail against this way that professional economics has evolved. Such a strong normative stance, I fear, blurs our historical judgment. Moreover, who are we to say? Maybe this path of development in economic science will all work out for the best in the end. What I do draw from this history is the conclusion that we as historians who have always been involved very closely with the economics discipline itself have been misled and encouraged to focus too single-mindedly on the doings of the economics profession to the neglect of others who have engaged in economic inquiry of a different sort: poets, novelists, essayists, dramatists, philosophers, politicians, journalists and anyone else interested in economic topics. I suggest that we have been so dazzled by the accomplishments of nineteenth century pioneers of microeconomics, and their followers in the twentieth century, that we have accepted too quickly the tight definition of what is legitimate economic inquiry and the reductionism of the profession. Instead of being detached observers and chroniclers we have been camp followers. It need not be so. Even if the scientific

conventions of tight enclosure did make sense for the progress of economics a century and more ago there is no need for us as historians to accept these limitations today, to sneer at those who are defined as beyond the scientific pale, and to cut ourselves off thereby from rich mines of scholarly material. We have neglected economic thought that has cast light on such matters as the conditions that affect human creativity, the determinants of human behaviour on both sides of the market, and the complex question of what constitutes social progress or retrogression. It is true that such thought is very occasionally treated in our historical literature under headings like 'diffusion of economic science' or 'popular political economy'. But I think these denigrating categories miss the point. This material should be looked at by us respectfully for its own sake, both for what it can tell us about economic questions that still puzzle us and how it has influenced in ways we may not even have noticed the professional economists who will remain our object of study. Recent stirrings within contemporary economics toward behavioural and experimental studies, as well as participation in various interdisciplinary centres and institutes, do suggest pressures to extend the focus of the profession once again. But we should not wait for this development to mature to extend our own horizons. My point is that our definition of economic thought as historians need not, and should not, be co-terminus with that of the economic science we study much of the time. We should open our eyes wide.

The consequences for our little sub-discipline of the history of economics of neglecting the wider manifestations of economic inquiry in favour of only 'scientific' inquiry can only be guessed at. It seems to me the neglect has had at least three effects. First, it has cut us off from many exciting research opportunities. Second, it has caused us to miss occasions for collaboration with other disciplines from which we might receive stimulation and support. And, finally, it has constrained our teaching impact. Teaching the history of economics merely as an introduction to the scientific canon guarantees that it will never attract more than a small following of economics students who want to discover where this discipline came from that is being inflicted on them. A wider focus on economic inquiry, wherever it may exist and in whatever form it may take, has the potential to enlist far larger numbers of more varied students with much richer interests.

One body of non-traditional economic ideas from which historians of economic thought have been vigorously warned off by their economist mentors is what is traditionally called 'creative writing': narratives of all kinds, fiction, poetry, drama. The little work we have done on this material is usually aimed to demonstrate that these creative writers have misunderstood or set out to misrepresent true economic science. The very term 'story-telling' is used as an expletive in economics to represent the other extreme from 'rigour'. To take story-telling seriously, even as an historian, is to cast doubt on your good judgment.

George Stigler often admonished economists and historians of economics to stop sermonizing and make their points by actually doing what they enjoin others to do. I am about to take that advice. But just a wee bit more introduction. Over the last several years I have been fascinated by the Bloomsbury Group, a community of artists and intellectuals that admittedly makes an exceptionally strong case for the generalized argument I have been making here. Nevertheless it should be observed that, beyond the involvement of Keynes, the Bloomsburys have attracted little attention from historians of economics. After all they are mainly story-tellers. I have looked at them from various angles, and I still have a way to go. So I bring you a report from midstream. I have been particularly intrigued by the use they

made of the fictional form when exploring and conveying economic ideas. You may have seen a piece that I contributed to the *Journal of the History of Economic Thought* dealing with their use of the Creation Story as a metaphor for economic development. Here I extend that examination to the attention they gave to the production, consumption and exchange of those goods that they believed were most central to human progress. I hope that, as George Stigler demanded, my account will give you evidence as to whether my larger argument, that historians of economics should spread their wings, makes any sense.

The Bloomsbury Group as an Object of Study

The Bloomsbury Group was simply a collection of friends, some of whom met at university and some later. They enjoyed each other's company and conversation and they interacted and collaborated in various ways, in some cases over more than half a century. The core members included the artists Vanessa Bell, Dora Carrington, Roger Fry and Duncan Grant; the art critics Clive Bell and Fry; the theatre critic Desmond McCarthy; the novelists E.M. Forster, Virginia Woolf, and David Garnett; the historian and biographer Lytton Strachey; the political theorist Leonard Woolf; and the economist John Maynard Keynes. They were never more than an informal association, and members drifted in and out of the relationships at different times and for a variety of reasons. Although some members had close involvements with universities, especially Cambridge, they were essentially public intellectuals and perceived their audience to be not in academe but among the educated middle class. Their style and habits were often careless and problematic for historians: they did not always cite their sources or take seriously the details of publication. They almost all had journalistic careers, and they had the journalist's habits of writing quickly and vividly. This makes reading their works great fun, but it presents challenges when one is looking for a coherent body of theory.

All this said, and despite the authors' frequent disclaimers to the contrary, it seems possible to discern a coherent 'Bloomsbury view' on many important subjects, including price theory. They accepted a kind of rough division of labour in the performance of many tasks that interested them, and they knew to whom to go for a specific function. For example, Maynard was the money man, manager, and public servant; Leonard was the editor; Vanessa and Carrington the main book illustrators; Roger and Clive were the art critics; Virginia, Morgan, Desmond and Lytton the principal literary essayists. Maynard, Clive, Roger, and Leonard were all entrepreneurs (Hogarth Press, Omega Workshops, Post-Impressionist Exhibitions, etc.) as well as social theorists.

The Bloomsburys are interesting to historians of economics for more than the familiar reason, often given, that they nurtured Maynard Keynes. Above all, whereas the microeconomic theorists of the late nineteenth and early twentieth centuries were narrowing their focus and reducing the number of explanatory devices employed, the Bloomsburys were engaged on a relentless search for expansion. Other reasons are that they addressed a range of important questions in economic and social theory that might have been, but were not, taken up by professional economists at the time, and in particular they struggled to introduce psychology into all their projects.

Roger Fry was the member of the Group most committed to a search for a theory of value in the arts. He was trained in science (double first in natural science at Cambridge) and he remained devoted to the scientific method. Karl Pearson was

a fellow of King's when Fry was a star science student at the college, and I speculate that Pearson's *Manual of Science* was mentally at Fry's side throughout his career. He seemed always to be engaged in theoretical speculation of some kind to organize his thoughts on a subject. He reflected in 1920: 'A certain scientific curiosity and a desire for comprehension have impelled me at every stage to make generalisations, to attempt some kind of logical co-ordination of my impressions' (Fry, 1909 and 1920, in Goodwin 1998, p. 86). Fry was often teased by the other Bloomsburys for the force of his arguments. Quentin Bell, son of Clive and Vanessa, reminisced: 'Up to a point Roger Fry's arguments were fair enough, but at a certain time a mixture of charm and what, for want of a better word, I would call "overwhelmingness" would clinch the victory' (Bell 1968, p. 108). Nevertheless, all the Bloomsburys treated Fry's views with the greatest respect, and on the subject of this paper he was for them the acknowledged authority and their spokesman.

In what follows I examine, first, the Bloomsbury thesis that what happens in art markets is fundamentally different from what happens in markets for other goods and services. Second, I discuss their attempts, following this thesis, to construct a new body of theory for the production and exchange of art. And finally, I report some of the policy implications they drew from this theory.

Markets and Products in the Lives of Human Beings

Fry never provided a full list of those thinkers who had influenced him most in his attempts to understand the valuation of art. His wide experience in the art world as journalist and all-purpose intellectual exposed him to a full range of sources. Nor did he ever provide a concise synthetic body of theory to which he subscribed. Indeed, he insisted that 'I have always looked on my system with a certain suspicion. I have recognised that if it ever formed too solid a crust it might stop the inlets of fresh experience' (Fry 1909 and 1920, in Goodwin 1998, p. 86). I offer now my own synthesis of Fry's theory that I think reflects the culmination of his thinking and a body of doctrine that the Bloomsburys overall were happy to accept.

Fry's most important proposal, set forth in his 'Essay in Aesthetics' and republished in his first collection of essays *Vision and Design* (1909 and 1920, in Goodwin 1998), one of the canonical works of Bloomsbury, was that there is a natural division of human affairs into two parts: the 'actual life' and the 'imaginative life.' Sometimes he made a further division of the actual life into two parts: the 'biological life' and the 'emulative life.' The biological life, he argued, was governed mainly by instinct and by stimuli that had been honed by evolution to make sure that there was adequate attention devoted to food, shelter, personal safety, procreation, etc. Fry was happy to concede the biological life to the principle of natural selection. The Bloomsburys were far from denigrating the biological life; indeed they rejoiced in it. E.M. Forster wrote: 'I believe in aristocracy, though—if that is the right word, and if a democrat may use it. Not an aristocracy of power, based upon rank and influence, but an aristocracy of the sensitive, the considerate and the plucky. . . . I am against asceticism myself. I am with the old Scotsman who wanted less chastity and more delicacy. I do not feel that my aristocrats are a real aristocracy if they thwart their bodies, since bodies are the instruments through which we register and enjoy the world' (Forster 1972, pp. 70–71). But the Bloomsburys concluded that, absent wars and a population explosion, the needs of the biological life would be taken care of very nicely

through normal economic growth in a market economy. Production would increase to take care of all legitimate biological needs and would be distributed reasonably through the price system. In Keynes's judgment 'the economic problem,' meaning the biological problem, 'may be solved, or be at least within sight of solution, within a hundred years. This means that the economic problem is not—if we look into the future—the permanent problem of the human race' (Keynes [1931] 1972, p. 326). By implication, the 'permanent problem' was with the imaginative life. The biological life could be understood adequately through utilitarian principles. There humans responded nicely to calculations of pleasure and pain, and market prices reflected these universal forces. Keynes, of course, knew well the literature of economics where these ideas were developed, and most of the others at least knew John Stuart Mill's works, and they were acquainted, through Cambridge, with Alfred Marshall (Fry even painted the portrait of Mary Paley Marshall, Alfred's wife, that hangs in the Marshall Library).

For an understanding of the emulative life, Fry and the Bloomsburys turned mainly to Thorstein Veblen, whom Roger may have discovered first during his years as curator at the Metropolitan Museum in New York. It appears that, like Veblen, they found the instinct of emulation to be universal among humans. Fry wrote that through one device or another each human 'wishes to express to the outside world that sense of his own importance of which he has continually to remind other people' (Fry 1926, in Goodwin 1998, p. 111). But the Bloomsburys were less cynical than Veblen and more prescriptive about what might be done to make the best of the inevitable characteristics of humankind. They accepted that to be human was to be emulative and, although they agreed that there was need to restrain the waste that is implicit in emulative behaviour, they thought it was possible to channel emulative instincts into constructive action.

It was in the imaginative life where the things that mattered most to the Bloomsburys took place: art, literature, music, science—activities that they described collectively as 'civilization'. But what determined the amount of these things produced and the values ascribed to them in society? They concluded that for the most part these variables were socially determined and the answer lay in the accidents of history, what might be described today as 'path dependency.' No one could predict the progress of civilization from any timeless equilibrium model that might be useful in understanding the biological life. Indeed, a distinctive feature of activities in the imaginative life, Fry argued, was that they did not elicit an instinctive response as did goods in the biological and emulative lives. The nature of the response produced in humans by the progress of civilization was, in fact, a primary puzzle. The greatest inspiration Fry received on this point came from Leo Tolstoy's essay *What is Art?* Tolstoy, a major-league story-teller indeed, argued that true art was not about 'beauty' in the conventional sense; rather, true art communicated 'aesthetic emotion' from artist to audience. But what exactly was this emotion? Fry rejected Tolstoy's claim, made earlier by Ruskin as well, that true art conveyed a deeply moral, and even religious, message. Fry argued that this was confusing the biological life with the imaginative life. 'Art, then, is an expression and a stimulus of this imaginative life, which is separated from actual life by the absence of responsive action. Now this responsive action implies in actual life moral responsibility. In art we have no such moral responsibility—it presents a life freed from the binding necessities of our actual existence' (Fry 1909 and 1920, in Goodwin 1998, p. 75).

The strength of Fry's case for a distinctive treatment of the imaginative life depended on there being a demonstrable difference from the actual life. For this he appealed first to introspection and the common consensus, 'for most people would, I think, say that the pleasures derived from art were of an altogether different character and more fundamental than merely sensual pleasures, that they did exercise some faculties which are felt to belong to whatever part of us there may be which is not entirely ephemeral and material' (*ibid.* p. 76). For Fry, it seems, the distinctive personal and psychological experience of artists and aesthetically-sensitive consumers was a form of verification of his hypothesis of a tripartite division of human activity. Fry was certainly prepared to say that the effect of a rich imaginative life on society was salutary even if the content of the art were not specifically moral: 'do we not feel that the average business man would be in every way a more admirable, more respectable being if his imaginative life were not so squalid and incoherent? . . . this desirability of the imaginative life does distinguish it very sharply from actual life, and is the direct result of that first fundamental difference, its freedom from necessary external conditions. Art, then, is, if I am right, the chief organ of the imaginative life; it is by art that it is stimulated and controlled within us, and, as we have seen, the imaginative life is distinguished by the greater clearness of its perception, and the greater purity and freedom of its emotion' (*ibid.* p. 77).

What were the characteristics of works of art that distinguished them from goods in the actual life? Fry continued: 'If, then, an object of any kind is created by man not for use, for its fitness to actual life, but as an object of art, an object subserving the imaginative life, what will its qualities be? It must in the first place be adapted to that disinterested intensity of contemplation, which we have found to be the effect of cutting off the responsive action. It must be suited to that heightened power of perception which we found to result therefrom' (*ibid.* p. 80). For further guidance on this question Fry turned to the young discipline of psychology, and he found there that 'the first quality that we demand in our sensations will be order, without which our sensations will be troubled and perplexed, and the other quality will be variety, without which they will not be fully stimulated' (*ibid.* p. 80). These were ideas that he may have taken from the eighteenth century art critic Roger de Piles. While living in New York Fry travelled to Cambridge to talk at Harvard with the economics-trained psychologist Denman Ross, and he was intrigued by Ross's finding that 'a composition is of value in proportion to the number of orderly connections which it displays' (*ibid.* p. 81). He found that 'the artist passes from the stage of merely gratifying our demand for sensuous order and variety to that where he arouses our emotions' by attending to the 'emotional elements of design': rhythm, mass, space, light and shade, and color (*ibid.* p. 82). These elements became the basis of the Bloomsbury 'formalist' aesthetics.

Fry was never satisfied that he had adequately understood or fully explained what took place in the imaginative life. He played a little with Tolstoy's suggestion that there might be an analogy to the transmission of infection in disease. He read Freud but was cross that Freud had attempted to explain 'the whole nature of the artist in a small pamphlet' (Fry 1939, p. 3, and Fry [1924] 1928). Fry was intrigued by the new device of the radio, and he speculated that the artist might be visualized as the transmitter and the audience the receiver. Fry was sometimes criticized for the vagueness of his notions, most notably by the dyspeptic literary critic I.A. Richards. Richards was particularly angry at the

insistence by writers of Fry's ilk that morality was not an issue for true art. He wrote: 'That these authorities are sadly incompetent is a minor disadvantage. Their blunderings are as a rule so ridiculous that the effects are brief' (Richards 1924, p. 34). Richards also upheld the position with which most economists of the time would have felt comfortable, that activities in the arts are essentially similar to those elsewhere in human life: 'they differ chiefly in the connections between their constituents. . . . our activity is not of a fundamentally different kind. To assume that it is, puts difficulties in the way of describing and explaining it, which are unnecessary and which no one has yet succeeded in overcoming' (*ibid.* pp. 16–17). Here was the essential objection to Bloomsbury microeconomics—there was no such thing as the imaginative life; this could have come from contemporary economists as well as a literary theorist but, so far as I am aware, did not. Fry replied to Richards at length in his essay 'Some Questions in Aesthetics', published in his second collection of essays, *Transformations* (1926). He argued in clarification of his position that 'in all cases our reaction to works of art is a reaction to a relation and not to sensations or objects or persons or events. This, if I am right, affords a distinguishing mark of what I call esthetic experiences, esthetic reactions, or esthetic states of mind' (Fry 1926, p. 3). Despite the series of examples he offered, it is doubtful that Richards and Fry's other critics were mollified.

The Bloomsburys were convinced that the imaginative life could not be understood simply as responses to utilitarian stimuli, coordinated through the market mechanism. The differences from the biological and emulative lives were, to them, very important. On the supply side of the labour market in the imaginative life, artists, writers, and scientists did not typically perceive their activities as onerous and a source of disutility that had to be compensated by utility derived from expenditures of income. Quite the contrary, they were driven to action by an irrepressible urge to communicate—something like Veblen's instinct of workmanship. Yet, at the same time, artists, writers, and scientists were human beings who had their own biological needs and emulative desires. These realities, they believed, had to be kept in mind and dealt with when attempting to understand, and form policy within a society.

Most of the other Bloomsburys took Fry's lead and reflected from time to time on just how the imaginative life is fundamentally different from the biological life and requires, therefore, a different set of analytical constructs. Morgan Forster is a case in point. He too used Tolstoy's notion of art as infection to explain the phenomenon, but he went on from there. Employing his own metaphors he examined the three distinct processes called by Fry vision, design, and transformation; the first two the almost mystical moments when an artist first experienced inspiration and converted this revelation into an artistic conception, and the third the process of transformation into a work of art. Forster mused as follows: 'What about the creative state? In it a man is taken out of himself. He lets down as it were a bucket into his subconscious. And draws up something which is normally beyond his reach. He mixes this thing with his normal experiences, and out of the mixture he makes a work of art. It may be a good work of art or a bad one—we are not here examining the question of quality—but whether it is good or bad it will have been compounded in this unusual way, and he will wonder afterwards how he did it. Such seems to be the creative process. . . . The creative state of mind is akin to a dream' (Forster 1972, p. 111 and also p. 113; that Virginia Woolf too was reflecting on similar questions as early as 1909 can be seen in her

essay 'Art and Life', a review of a book with that title by Vernon Lee (Woolf 1986, pp. 277-80)).

Now before I go on to discuss Bloomsbury models of the imaginative life, let us reflect quickly on what the Bloomsburys were up to in their postulation of a tripartite division of human life. You may respond that whatever it was it was not about economics. These distinctions, you may say, are about wants, and wants are exogenous to economics. The Bloomsburys would have reacted, I think, that this response misses the main point. What could be more important to an economist, they would argue, than to investigate the purpose of human action? And until that question was settled, policies proposed for problems identified were likely to be trivial. The whole notion of utility, the Bloomsburys claimed, was among other things simply a clever device to avoid serious reflection on issues that really mattered. The conception of the purpose of human activities being simply to pile up goods and services so as to increase the quantity of a metaphysical quantity, utility, foreclosed more profound reflection on more fundamental issues. If utility had to be specified as the objective of human action simply to make economics scientific, then the science that emerged was incomplete and misleading. If the Bloomsburys were alive today I think they would take issue with the so-called 'Washington Consensus' that includes a nearly single-minded attention to increasing Gross Domestic Product as the objective of economic development. And they would be alarmed by the policies required to achieve this goal.

Let me conclude this section by recounting the essence of a short story entitled 'The Other Side of the Hedge' by Morgan Forster that is an allegory of some of the questions I have just been discussing. Forster, who was always a mild sceptic in Bloomsbury, believed that, desirable as it might be, it would not be easy for humanity to shift its emphasis from biological and emulative objectives to imaginative ones. Forster introduced a long-distance runner who comes across as the quintessential utility-seeking economic man. In a foot-race that is surely a metaphor for life, this man outpaces his ill-disciplined brother who 'wasted his breath on singing, and his strength on helping others'. The runner appreciates that he 'had travelled more wisely, and now it was only the monotony of the highway that oppressed me—dust under foot and brown crackling hedges on either side, ever since I could remember'. The runner tires, lies down, and by chance crawls through the hedge next to the road, away from the race. There he finds himself in another world—in Roger Fry's imaginative life to be sure. 'The blue sky was no longer a strip, and beneath it the earth had risen grandly into hills—clean bare buttresses, with beech trees in their folds, and meadows and clear pools at their feet.' But the adjustment to these new sights was not easy for the runner, trained as he was to the habits and experiences of the market economy. He exclaims 'I was bewildered at the waste in production, and murmured to myself, "What does it all mean?" . . . Every achievement is worthless unless it is a link in the chain of development'. For the first time the runner becomes aware of the futility of emulative competition but experiences difficulty in discovering an alternative economic norm. 'This is perfectly terrible. One cannot advance: one cannot progress . . . Science and the spirit of emulation—those are the forces that made us what we are.' The person who guides the runner through the new land regrets its under-population. 'For our country fills up slowly, though it was meant for all mankind.' The runner, despite the evident attractions of the imaginative life, continues to yearn for the old ways. 'Give me life with its struggles and victories, with its failures and hatreds, with its deep moral meaning and its unknown good!' Ultimately, relieved to be free of the

tensions that were created by exposure to the imaginative life, the runner decides to pass back through the hedge, away from the imaginative life and into the rat race once again of the biological and emulative activities on the road. There, at last, utility maximization provides once again a straight-forward guide to life. As he leaves, the gatekeeper of the land beyond the hedge observes: ‘This is where your road ends, and through this gate humanity—all that is left of it—will come in to us’ (Forster 1947, pp. 39-48).

Are these large questions raised by Fry, Forster and the other Bloomsburys about the meaning of economic activity and of economic progress relevant to economics and to the history of economic thought? I think so, but in the end, I have to admit, it is a matter of taste.

A Bloomsbury Model of Value and Price

The nearest thing to a canonical work of Bloomsbury microeconomics is Roger Fry’s *Art and Commerce*, published by the Woolfs’ Hogarth Press in 1926. But in order to gain a full picture of what the Bloomsburys thought on this topic this work must be supplemented by some of their other writings. Most of the Bloomsburys insisted repeatedly, to the intense annoyance of their critics, that their ideas were never fixed, always in flux, always subject to challenge and improvement. But on this topic of valuation in the arts there was substantial unanimity and consistency over time. What follows, then, is my attempt, based on Bloomsbury texts and some inference, to construct a model of how they believed markets for the products of the imaginative life did work, and might work better with some public intervention.

Although they knew it was a long way from reality the Bloomsburys did conceive of an ideal art market system, somewhat analogous to the perfectly competitive markets of the neoclassical microeconomist; this ideal system, they thought, would yield the results they desired for the imaginative life. There the demanders of works of art, literature, and science would purchase abundant and increasing quantities, inspired by the aesthetic emotion communicated by artists and writers. Some of these art works would perish quickly; others would be accumulated as a kind of artistic capital. To the extent that a society with such a market system produced and accumulated art works as a substantial proportion of its total output, it became ‘civilized.’ Here the genuine ‘aesthete’ determined both what art would ultimately be produced, and how much. Following Fry’s account in his ‘Essay in Aesthetics’ the Bloomsburys denied vociferously that the response to art by the aesthete was a search for utility. Utility explained only an instinctive response in the biological life, and was not what they had in mind. Reception of aesthetic emotion, by contrast, permitted the recipient to achieve an aesthetic state of mind, something different in kind from the satisfaction of consumer wants. Confusion of the aesthetic emotion with utility, they believed, led to serious misunderstanding of the imaginative life and to mistaken public policy. Keynes went so far as to say in 1938, ‘I do now regard that [the Benthamite tradition] as the worm which has been gnawing at the insides of modern civilisation and is responsible for its moral decay’ (Keynes 1949, p. 96). Theirs would be a market system on a higher plane, with more exalted norms, and on a grander scale.

The success of any market system for the arts was not, however, automatic; it would depend on the market institutions that had emerged over time and on the social context in which they were embedded. On the supply side there was need for firms that could successfully channel the energies of those free spirits

who are the artists and writers. On the demand side there had to be a sophisticated populace willing to pay for the education of the potential customers of the artist, and to tolerate these aesthetically sensitive consumers. By implication, moreover, a market for products of the imaginative life sufficiently robust to sustain the numbers of artists and intellectuals required for civilization could exist only in societies where total output of goods and services was large enough to sustain biological needs and yield some surplus.

Although the Bloomsburys did not use modern terms, they did see a number of challenges to sustaining a satisfactory set of market institutions for the arts, potential market failures as it were. The first was that the instinct of emulation would eat up the available surplus after the biological needs had been answered. Then, it might appear falsely that the society was too impoverished to afford an imaginative life. This was essentially the message delivered some decades later by John Kenneth Galbraith to American readers in *The Affluent Society* (1958). The second challenge was that much of the surplus could disappear into producer rents. This would occur in the arts with sudden shifts of fashion that caused the price of an artistic product to rise above the normal price, or the price that permitted wage payments to the artist that covered only biological needs (a concept similar to the economist's minimum average cost). Sometimes shifts in fashion followed the discovery of a new and highly successful way of conveying aesthetic emotion; at other times shifts in demand were simply speculative, when purchasers attempted to outguess the market. The deleterious effects of rent payments were two: first, effective demand was drained away from the wider artistic community to successful artists in the form of the producer rents (a term not used by Fry, even though the idea is clear); and second, some exceptionally creative artists were diverted into rent-seeking and stultifying repetitive reproduction away from their dynamic and progressive careers. Thus, according to Fry, Guardi in search of rents had wasted a fine talent painting the same scenes of Venetian canals again and again for grand tourists, John Singer Sargent had frittered away his career on portraits of society ladies, and Gainsborough had been led into painting mainly the emulative prizes of the British aristocracy: their houses, their horses, their game parks, their wives, and their dogs.

The third potential market failure identified by Fry and the Bloomsburys was inadequacy of information. They believed that, in part at least, the capacity to receive aesthetic emotion, and therefore even to recognize it, was an acquired art and subject to improvement. Since many potential demanders in the art markets did not have either the experience or the time to fully develop their aesthetic sense prior to a purchase, they held back and were in need of guidance. A healthy market, therefore, required a community of sophisticated and responsible critics to guide purchasers. These critics could act like the financial advisers in capital markets and help the purchasers identify 'fundamentals'.

Because the Bloomsburys believed that something approaching an ideal art market had never in fact existed, and might never exist, rather than speculate very much about such a happy state, they attempted to understand better art market phenomena in the real world from a study of their surroundings and of history. There they discovered that even with market failures the arts and literature had prospered to a surprising degree in many times and places. They suggested two general explanations for this satisfactory condition. First, goods of the imaginative life had often been combined with, or in effect piggybacked upon, other goods and activities in the biological and emulative lives of humans. Second, various

institutions and classes of individuals had played unexpectedly important roles in advancing the arts. These roles required some explanation.

It was an article of faith with the Bloomsburys that the products of the imaginative life need not always have conventional forms: easel painting, for example, or novels with recognizable plots. They themselves experimented with everything from kinetic scrolls to streams of consciousness, and they were delighted to discover that they had had innumerable predecessors through time: for example, armourers for primitive chieftains had concealed their aesthetic emotions on the shields of their patrons; artists for the Medieval Church had worked out an implicit pact with their sponsors that permitted them to communicate their emotion through the decoration of sacred objects so long as they avoided blasphemy. Fry observed that the hosts for art as it had hitch-hiked through history were typically a large category of decorative items that he called 'opifacts'—'any object made by man for other purposes than the necessities of life' (Fry 1926, in Goodwin 1998, p. 112). These joint goods responded to some instinct in either the biological or emulative lives of humans but in some cases were constructed so that, incidentally, they could also transmit aesthetic emotion. This combination of roles was not in Bloomsbury eyes in any way reprehensible. Indeed they thought it should be studied sympathetically and understood because it was likely to remain essential to sustain the imaginative life for some time to come. In fact, new variants of opifacts with artistic potential were always appearing. One that fascinated Fry in his own time was the advertising poster. This served the obvious practical purposes of conveying information and drumming up sales of whatever they displayed. But posters could also be works of fine art, as numerous art lovers have found in our own time. Other examples of opifacts with an aesthetic dimension were ceramics intended for household use, and clothing that conveyed the emotion of the artist-designer. The problem of valuing separately the art embodied in such joint goods by the stealth artists was not addressed by the Bloomsburys.

Although a vision of a perfect art market shines through quite often in their writings, perhaps because they were so immersed in the day-to-day complexities of the markets in their own time they preferred to focus much more on the particularities of imperfections in these markets. But here too they generalized. They found that, over time, a few social groups, classes, and institutions had through their patronage on the demand side of the market been overwhelmingly important in the production and exchange of art. The only way to make sense of contemporary market phenomena, therefore, was to understand the market behaviour and objectives of these actors. Through most of human history three had been especially critical: the monarchy, the aristocracy, and the church. In their extensive historical writings the Bloomsburys paid close attention to all three. But in the present day, they concluded, they had become largely irrelevant. They had lost their economic power and their market presence, and they had been replaced in the art market by new classes and new institutions. Three of the new ones, at least, deserved close study. The first Fry called 'the snobbists', meaning those who purchased art not for its own sake but as speculators in anticipation of future gain. What distinguished a snobbist from a simple speculator in any market was that his intended gain was not in cash but in repute, meaning 'exaltation in one way or another of his personal worth either in his own or still more in others' eyes' (Fry 1926, in Goodwin 1998, p. 113). Snobbists were likely to be *nouveau riche*, a quality nearly unknown before the industrial revolution. For his emulative life the snobbist looked for not only what was currently fashionable but what was likely to

become à la mode before long. The snobbist's demand, Fry found, was driven entirely by the instinct of emulation, but it was not therefore necessarily worthless to society. It could assist in the progress of civilization so long as snobbists could be led to the purchase of genuine art and therefore support of the genuine artist. If snobbists, perhaps through subtle direction and advice, purchased mainly genuine art and not other merely inconsequential opifacts, their demands could be added to those of the genuine aesthete and the purchaser of joint goods to sustain vigorous art markets.

The second social class, after the snobbists, that had gained a prominent place in contemporary art markets Fry called variously 'the classicists' or 'the plutocrats'. These were the new men of great wealth, with many of whom the Bloomsburys had close relations: Pierpont Morgan, Isabella Stewart Gardner, Samuel Courtauld and Lord Lever, to mention only some of the most prominent. These collectors bought the works only of highly reputable and fully certified dead artists. Like the snobbists, in buying art they were making a public statement and seeking to gain repute. They did not trust their own taste and were by nature rather risk-averse. Typically they insisted on scholarly approval of their prizes. Unlike Thorstein Veblen and the American muckrakers, the Bloomsburys were not deeply cynical about or condemnatory of the plutocrats. Indeed, they saw them as welcome custodians of the artistic capital of society, and they observed that for the most part they performed this function rather well, especially when guided by such skilled consultants as the Bloomsburys themselves. Fry advised Mrs Gardner and Pierpont Morgan, and participated in the cataloguing of the great Lever collection (Fry 1928). Fry and Keynes were instrumental in steering the Courtauld wealth toward the Courtauld Gallery and Courtauld Institute. Indeed, Fry, Keynes, and Clive Bell were among the first of their generation in the arts community to recognize and treat the plutocrats not as predators in the art market but as prized cash cows accessible to the private sector for the support of functions for which others, including the state, were neither enthusiastic nor well-equipped to sustain.

A well-functioning market for the work of dead artists, Fry believed, would be dominated by plutocrats advised by shrewd and well-informed critics. It would settle quickly at relative prices reflecting the relative merits of the artists. The price level in the markets for old masters would be socially determined, influenced on the supply side by the degree of destitution of the social classes that felt compelled to sell, in his day the aristocracy facing death duties, and on the demand side by the new-found wealth of the demanders, currently the plutocrats, as well as the strength of their instinct of emulation. In these markets neither utility nor cost of production had much relevance.

The final new institution in the contemporary art markets that Fry believed deserved close study was the modern manufacturing corporation. On the one hand the corporations had the power to stultify the arts by constraining their designers from expressing aesthetic emotion. New designs reflecting genuine artistic creation were expensive, and all novelty was notoriously risky. Safety lay in pandering to the execrable taste of the 'herd' of common people and to endless repetitive production. But the corporations had exhibited some exciting exceptions to this policy, and with the potential of new materials and under the pressure of international competition there was reason for hope. Fry was particularly intrigued about the possibility of establishing high-tech design laboratories that he recommended to government be created through a novel public-private partnership.

From Theory to Policy

I will not dwell at length on the policy prescriptions of the Bloomsburys. I will simply say a little to demonstrate how seriously they took their theory and how it gave them policy directions that were at times divergent from those that flowed from neoclassical economics. For them the overriding policy question to be addressed was what should be done to insure that a substantial number of the best workers in the imaginative life remained engaged at their highest and best use so that civilization could be advanced? The most obvious possibility was for the state to support and control the community of artists, writers, and scientists. But in Bloomsbury such a policy was anathema. Roger Fry had watched closely as the government had misused the ‘Chantrey Bequest’ (Fry 1903), an endowment left by a philanthropist to the state for the support of British art, and all of the Bloomsburys developed deep suspicions of a government that had botched the prosecution of World War I. Virginia Woolf personified their views in the lazy and incompetent bureaucrat Hugh Whitbread in *Mrs. Dalloway*. As World War II loomed, Morgan Forster compared the British cultural achievement to date through minimal involvement by the state with the German dependence on government. ‘Now, Germany is not against culture. She does believe in literature and art. But she has made a disastrous mistake: she has allowed her culture to become governmental, and from this mistake proceed all kinds of evils. In England our culture is not governmental. It is national: it springs naturally out of our way of looking at things, and out of the way we have looked at things in the past’ (Forster [1951] 1972, p. 31).

The alternative to public intervention on the supply side of markets in the imaginative life was for society to nurture a large enough private demand for the products of the imaginative life for suppliers to cover their biological needs, at least, from sales of their wares. But where could this demand come from? The Bloomsburys explored a range of possibilities. Clive Bell argued in his polemical book *Civilization* ([1927] 1973) that society should arrange for the sustenance of a community of sensitive demanders of the products of the imaginative life. Members of this community would develop both artistic standards and techniques of enforcing quality control that would require their full attention; they would have an important responsibility and needed total ‘leisure’ to fulfil it: ‘The existence of a leisured class, absolutely independent and without obligations, is the prime condition, not of civilization only, but of any sort of decent society’ (*ibid.* p. 152). Bell made it clear that the maintenance of a class of leisured demanders of the elements of civilization was not costless and might require an inequitable distribution of the social product. Using a politically incorrect metaphor he suggested that this amounted to a form of economic slavery (as in ‘wage slavery’). ‘Civilization requires the existence of a leisured class, and a leisured class requires the existence of slaves—of people, I mean, who give some part of their surplus time and energy to the support of others. If you feel that inequality is intolerable, have the courage to admit that you can dispense with civilization and that equality, not good, is what you want’ (*ibid.* p. 146). At the time Bell’s notion was derided by critics as nothing more than disgusting snobbery and elitism. On reflection, and with the inflammatory language put aside, Clive Bell’s scheme sounds today rather like the system of liberal education in the United States that has, in fact, been heavily subsidized by society and has undoubtedly become a major source of support for the arts and humanities at the grass roots by educating and inspiring a

growing element within the population of sympathetic readers, viewers, and listeners.

The only three times and places in history when, the Bloomsburys believed, societies had autonomously and voluntarily arranged themselves in the way prescribed by Bell so as to stimulate the imaginative life and the progress of civilization from the demand side, were ancient Athens, Renaissance Italy and nineteenth-century France. The Bloomsburys attempted to learn as much as they could from the histories of these experiences, but it became clear to them quite quickly that to make progress in their own time and place they needed to understand better the peculiarities of the markets that were around them. Here they drew upon the market theory that had been developed mainly by Fry.

Many of the specific policy proposals the Bloomsburys made were designed to deal with the various potential failures in the art market that Fry had identified analytically. They found that there were problems on both sides of the market but probably fewer on the supply side. For the most part artists and intellectuals were self-starters and needed only reasonable coverage of their biological needs to take on their artistic labours with a will. But artists were also free spirits, impatient with the conventional discipline of the workplace. It was necessary, therefore, to experiment with new kinds of firms in the modern market economy that would preserve artistic freedom and the social environment in which artistic creation was possible while at the same time remaining profitable and viable. To this end they established the Omega Workshops, the Hogarth Press, the London Artists Association, and other experimental organizations.

Another source of potential market failure that the Bloomsburys addressed was lack of reliable information throughout art markets. In particular potential demanders, including snobbists, classicists, aesthetes, government leaders, and even the working class 'herd,' needed guidance about what was genuine art. These demanders insisted upon assurances that they would not lose money or face before they made an artistic purchase. Often the basic aesthetic sense of potential demanders was entirely sound, if it had not been corrupted by the institutions and practices of modern society. But still they needed confirmation—and this the Bloomsburys set out to provide over their extensive careers as journalists, historians, and critics. In this role they were similar to the competent financial analyst that Keynes applauded as a stabilizer of capital markets and a source of comfort to hesitant investors. An especially creative device the Bloomsburys developed for improving art market information on the demand side was the Contemporary Art Society that gave a kind of Good Housekeeping Seal of Approval for hesitant purchasers to works of art by emerging artists. Coming in the 1920s just before the formation of the Book of the Month Club that had the same objective for literature, the Contemporary Art Society was a genuine innovation.

Closely related to their concern for improvement in the quality of information in the art market, the Bloomsburys were committed to arts education. Here they saw a need on the supply side of the market, and shortly before he died Fry made a plea for the first university-based 'arts studies' tripos (curriculum) at Cambridge (Fry 1939, chapter 1). But they also saw arts education as a means to sustain the demand for the arts over time, the weakness of which had always been one of the greatest obstacles to the progress of civilization. The Bloomsburys were conscious of the mistakes that could be made in arts education and they called for experiments with new methods as the first step in reform. They formulated an interesting point about arts education that they actually put to Arthur Pigou through

the Cambridge historian Goldsworthy Lowes Dickinson. Since education was thought of as bringing about technological progress by making labour and production more efficient, why could education not be seen also as making consumption more efficient? If education could raise the production function, why could it not also raise the utility function? There was no satisfactory response from Pigou.

On the problem of rent-seeking in art markets that Fry found could be a serious drag on the progress of civilization, the Bloomsburys came up with a creative solution that happened to be consistent with their aesthetic theory as well—anonymity for the artist. The aesthetic significance of anonymity was explored by several Bloomsburys. For example, Morgan Forster argued that great literature became an entity on its own and no longer had any meaningful relationship with its author. ‘As it came from the depths, so it soars to the heights, out of local questionings; as it is general to all men, so the works it inspires have something general about them, namely beauty. The poet wrote the poem, no doubt, but he forgot himself while he wrote it, and we forget him while we read. What is so wonderful about great literature is that it transforms the man who reads it towards the condition of the man who wrote, and brings to birth in us also the creative impulse. Lost in the beauty where he was lost, we find more than we ever threw away, we reach what seems to be our spiritual home, and remember that it was not the speaker who was in the beginning but the Word’ (Forster 1972, p. 83). Fry thought the economic benefits of anonymity could be even more pronounced than the aesthetic ones. With anonymity in markets, if the works of one anonymous artist suddenly gained fashion, the increased revenues received through higher market prices could be spread among the less-favoured artists in the firm where the successful artist worked. Moreover, since the rents would no longer follow fashion, artists would no longer be distracted from career paths and would respond as they should to artistic criteria only. The commitment to anonymity was implemented at the Omega Workshops, where the only identifying mark was the symbol of the last letter of the Greek alphabet. Fry also held a celebrated ‘no-name exhibition’ at Omega that enraged the critics who thought this must be one of those inside Bloomsbury practical jokes. The Omega experiment came to an end in part because the artists who were favoured by fashion (including Bell and Grant themselves) became increasingly weary of seeing their rents distributed to the fellow artists who were not so favoured.

The final aspect of Bloomsbury policy toward the arts that may be noted is their attitude toward the various players they encountered there. They were often outspoken and harsh in their criticism but they were seldom doctrinaire or dismissive. All sinners, they thought, might be redeemed: government, plutocrats, snobbists, aesthetes, even the working-class herd. Moreover, there was no single road to virtue. That they themselves would not accept any final solution but insisted on remaining open for suggestion did not endear them to many of their more authoritarian contemporaries. But it makes them seem appealing in our own day.

Conclusion

The Bloomsburys did not set out to confront early twentieth century microeconomics and this is one reason they do not appear more often on the historian of economic thought’s radar scope. Indeed they did not care very much at all about academic controversies of any kind. They constructed their aesthetic and

microeconomic theories mainly because these tools promised to enlighten problems that intrigued them and to answer some of the questions that puzzled them most: in particular they wanted to know what actually does take place in the imaginative life, and how civilization can be promoted. That Roger Fry was trained in natural science undoubtedly helps to explain why he, and they, moved so often from the particular to the general. Their lives as wide-ranging public intellectuals helps to explain their eclecticism.

Bloomsbury aesthetics had rather wide impact. Formalism is now part of our vocabulary, and Roger Fry's first essay has been in print for almost a century. But Bloomsbury microeconomics has left a much smaller footprint. Its influence can be seen directly in the work of a few second-generation Bloomsburys, such as Kenneth Clark, whose enormously popular book and TV series *Civilization* reads like a Bloomsbury manifesto. But little progress was made in extending the promising approaches taken by Fry. Why? The answer would seem to be that such an extension would have meant a head-on confrontation with modern microeconomics. To have pursued Fry's speculations about the act of creation and transmission of an aesthetic emotion would have threatened the notion of utility maximization and would have required close collaboration of economics with psychology, dangerous heresy then and now. To have extended Fry's price theory based on the behaviours of various changing social groups would have required cooperation of economists with the discipline of sociology and experiments with very complex modelling. This too would have meant swimming upstream through rough waters.

Have I made my point that pay dirt for historians of economics lies outside the standard bibliography of professional economics? I hope so! I offer Bloomsbury only as one piece of evidence. If I am right, there are many exciting new people and ideas out there for us to explore in the years ahead. If I am wrong, I will come back to Australia in another 41 years with another screwball proposition.

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