

The Crusty Professor

IAN KUMEKAWA HAS written a useful guide to the thinking on welfare economics of the British economist Arthur Cecil Pigou, who held the Cambridge chair in political economy—preceded by Alfred Marshall and followed by John Maynard Keynes.

Part exposition, part biography the book illuminates economic thinking in the 20th century, and the role of Cambridge in particular. In pre–World War I Cambridge intellectual circles, as in Keynes’s own thinking, there was an interest in applying ethics and ethical judgments to the study of economics, which drew on a strong tradition of liberal paternalist reformism. Kumekawa neatly traces the trajectory of that thought from optimism about solving social problems through knowledge and science in the pre-1914 world to increasing doubt and pessimism following the first world war and profound bitterness after the second.

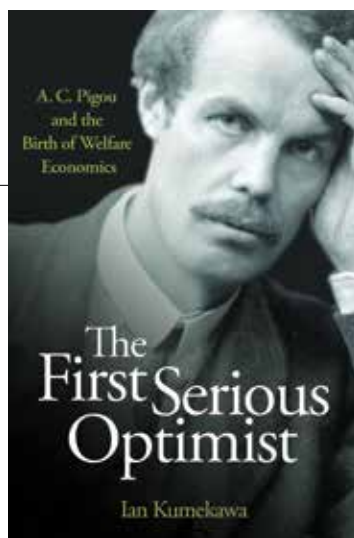
Like Keynes, Pigou was a pacifist, but he experienced the horrors of war while working for the field ambulance service and when conscripted he seems not to have wanted to register as a conscientious objector. The Great War transformed him

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from a gregarious and convivial bachelor don into an increasingly lonely figure. By the 1930s, he felt that the new Cambridge of Keynes was overtaking, deriding, and ignoring him, and he never really recovered from Keynes’s unfair portrayal of him in the 1936 *General Theory* as a straw man for outdated classical economics.

Pigou believed in the consensus of the great and the good, and sometimes even sacrificed his strong views on issues such as free trade in the interest of harmony. Keynes’s position as a combative public intellectual appalled him. He thought that dissenting reports were “ungentlemanly.”

Kumekawa rightly presents Pigou’s analysis of taxes as the best way to deal with externalities as relevant for today’s environmental issues.



Ian Kumekawa

The First Serious Optimist: A. C. Pigou and the Birth of Welfare Economics

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Carbon taxes are a fine example of a Pigovian tax, which matches producer costs, for instance through pollution.

The book does not present a sympathetic portrait of Pigou the man. Kumekawa explains that “though Pigou set out to help the poor, he did not respect them,” and he “saw broad segments of the population as totally unfit to make even minor decisions.” It was high 19th century paternalism at its worst (and misogyny too—there is a chilling account Pigou’s attempt to freeze Joan Robinson out of a Cambridge lectureship).

Surprisingly, Kumekawa misses the strand of Pigou’s thought that is most relevant today and that anchored his thinking about damage control and the protection of resources. More than his contemporaries, and perhaps surprisingly for a childless bachelor, Pigou cared deeply about intergenerational fairness. Current generations’ strong incentive to pass along costs to their successors drove much of his thinking in welfare economics. He argued in his 1932 *Economics of Welfare* for intervention by the state, which is the guardian of those who are not present. “(...)the State should protect the interests of the future in some degree against the effects of our irrational discounting and of our preference for ourselves over our descendants.” That surely is a modern message, even if delivered by a crusty Edwardian professor. **FD**

HAROLD JAMES, historian, Princeton University and IMF