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ARTHUR CECIL PIGOU, 1877–1959

WHEN I first “went up” to Cambridge, in 1945, Pigou was already a living legend. The survey lectures on economic principles which he had given for so many years were now being given by his successor in the Chair, D. H. Robertson, and all that remained of his presence was the comment, deeply pencilled into one of the desks at Mill Lane by some departed undergraduate, “Pigou mumbles.” Because of the post-war influx of students, however, he was for the first time in his life supervising undergraduates for King’s College, and sometimes one of them—George Clayton, Frank Davidson, Robin Marris, I. G. Patel, Eric Russell—would repeat some particularly penetrating comment or suggestion he had made on an essay paper. Beyond that, he was a tall, straight figure, eccentrically garbed, glimpsed occasionally walking about the countryside or, when the warm weather returned, reclining in a deck chair on the grass by the porters’ lodge inside King’s front court.

Later, during my six years as a Fellow of King’s College, I naturally saw much more of him; but I never got to know him well. For one thing, he hated to talk shop, an antipathy for which retirement gave an added excuse; I can recall only one such conversation with him, when the *London and Cambridge Economic Service Bulletin* looked like ceasing publication, in which he deplored the loss of the long series which it published. (The only other conversation I recall is one in which we agreed on the demerits of a trashy American “shocker” which we had both borrowed from the Combination Room.) He disliked above all being asked to meet visiting economists (though he was extremely gracious to Alvin Hansen and his wife); and I soon learnt not to try to introduce strangers, no matter how eminent, to him after Hall dinner. On one such attempt, I remember, he dismissed us with “I don’t know anything any more; I’m gaga.” (This was, of course, a pose; not the least remarkable thing about him was his ability to turn out economic analysis of a respectable quality long after his retirement.) Nor did he attend College meetings, or take an interest in College affairs, with the notable exception of his membership of the Electors to Fellowships (on which he served forty years in all). The full extent of his aversion to ceremonial of all kinds was displayed by his discovery, several months in advance, of a previous engagement which prevented his attending the Service in Commemoration of the Restoration of the Windows of King’s College Chapel, an event graced by the presence of the King and Queen and Princess Margaret and preceded by a magnificent luncheon. And he lived up to his reputation for sartorial economy, appearing at the Marshall Library one day in the fifties proudly wearing a suit bought before the First World War.

Nevertheless, he was a familiar and respected figure in the College; and he played an important part in its life, not only as a Fellowship Elector, in which capacity his judgment carried great weight, but much more through his friendships with and interest in the undergraduates, parties of whom he would take to his cottage in the Lake District, and for whom he would organize chess matches. (It was also his doing that the three noisy Chinese geese on the Backs became known to the undergraduates by the names of the three most

talkative members of High Table.) It was always interesting to sit near him at dinner—he had the knack of stimulating entertaining conversation. (He always came in late, which had the dual advantage of avoiding grace and enabling him to pick his company.) My last memory of him in the College is of his presiding over the election of a new Provost following the unexpected death of Provost Glanville—a duty which devolved on him as Senior Fellow—and describing the outcomes of successive votes, not altogether to the pleasure of the Fellows, in the horse-racing terms which he sometimes affected.

Arthur Cecil Pigou was born on November 18, 1877, eldest son of an officer in the 15th Regiment. From Harrow, where he was Head of the School in 1895, he won a Scholarship to King's, where he read for the Historical Tripos, taking a First in 1899. That same year he won the Chancellor's gold medal for English verse, with an ode on Alfred the Great; the last few lines of this ode reflect the idealism which, under the inspiration of Alfred Marshall, led him on to the study of economics:

Hear ye King Alfred's voice, sons of my blood;
Not mine to trace the secret of the years;
I know not what they bring; but this I know;
I would not that King Mammon held my seat;
For things there are more worthy praise than gold
And temples grander than the ordered mart;
And O! far off, as the long centuries roll,
I pray to heaven some voice more clear than mine
May lead this people far from the black slough
Of soulless greed, into more generous paths
Onward and upward, following Truth's bright star
And Reason's light, and that diviner gleam
That dwells a mystery in the hearts of men.

(It was characteristic of his generosity that the medal was sold after the First World War for the relief of starving Georgians.)

In 1900 he took a First in Part II of the Moral Sciences Tripos, with special distinction in Advanced Political Economy. It was typical of the breadth of his interests that in 1901 he won the Cobden Prize for an essay on "The causes and effects of changes in the relative values of agricultural produce in the United Kingdom during the last fifty years," and the Burney Prize for an essay on "Robert Browning as a religious teacher." The latter, Pigou's first published work, is characterized by a certain cool contempt for Browning's philosophical inconsistencies, combined with a genuine admiration for his poetry. It failed to win Pigou a Fellowship in 1901, but he was successful in 1902 with the Cobden Essay, and remained a Fellow of King's until his death on March 7, 1959. In 1903 he won the Adam Smith Prize for an essay on "The Principles and Methods of Industrial Peace," which became the basis of the Jevons Memorial Lectures he delivered at University College, London, in 1903-4 and of his book of the same title (1905). During this time he was also taking an active speaking and writing interest in the controversy over tariff reform, and produced two short books on the subject of tariffs.

Meanwhile, the Cambridge Economics Tripos had been established in 1903, and Pigou, who had been lecturing on economics for the Moral Sciences Tripos

since 1901, was appointed to the Girdlers' Lectureship in 1904. When Marshall retired in 1908 Pigou, who was carrying much of the teaching load, was appointed his successor to the Chair, though he was barely thirty at the time. His Inaugural Lecture, "Economic Theory in Relation to Practice," contained a powerful statement of his own version of the Marshallian view of what economics is about—that it is for its fruit-bearing and not for its light-bearing qualities that economic knowledge is worth pursuing. "If it were not for the hope that a scientific study of man's social actions may lead . . . to practical results in social improvement, I should myself . . . regard the time devoted to that study as misspent. . . . If I desired knowledge of man apart from the fruits of knowledge, I should seek it in the history of religious enthusiasm, of passion, of martyrdom and of love; I should not seek it in the market-place."

How far Pigou's life-work conformed to the ideals laid down in his Inaugural Lecture, and reiterated on later occasions, is one of those questions which it is unkind to ask and difficult to answer fairly in an obituary. His major work on the economics of welfare undoubtedly carried those ideals into practice, in the sense that it created the apparatus required for, and largely carried out, the exploration of cases in which the operation of the competitive system offered scope for improvement by wisely designed social intervention. But his intellectual bent, and the chronological drift of his work (in method, at least), was towards a mathematical formalism whose justification is easier to make out in terms of light than of fruit. It is somewhat ironical, too, that the reports of two of the three bodies of public inquiry on which he served—the (Cunliffe) Committee on the Foreign Exchanges (1918–19), and the (Chamberlain) Committee on the Currency and Bank of England Note Issues (1924–5), the third being the Royal Commission on the Income Tax (1919–20)—paved the way for the restoration of the gold standard at the pre-war parity, that act of blind traditionalism which did so much to aggravate Britain's economic and social problems in the inter-war period.

Towards the end of his life, indeed, he became disillusioned with his original methodological position. In his presidential address to the Royal Economic Society in 1939, after a scathing description of the abandonment of free trade in 1931, he concluded: "In view of these things, the hope that an advance in economic knowledge will appreciably affect actual happenings is a slender one. It is not likely that there will be a market for our produce. None the less, by a sort of reflex activity, we cultivate our garden. For we also follow, not thought, but an impulse—the impulse to inquire—which, futile though it may prove, is at least not ignoble." The fact that protection was the proximate cause of his disillusionment is revealing, both by contrast with the other features of the 1930's which younger economists found much more disturbing, and as an indication of the ardour with which he had defended free trade in writings and speeches thirty years before.

From the problem of industrial peace, Pigou moved on to a study of the cause of unemployment, a study which soon expanded to embrace the whole problem of economic welfare. The result was *Wealth and Welfare* (1912), which contained the essence of his major contribution to economics. In this work, Pigou defined economic welfare as depending on the size, distribution,

and variability of the national dividend, and systematically analysed the ways in which the competitive system fell short of the ideal, the methods by which improvement might be achieved, and their economic effects, inventing for the purpose the fruitful concept of divergence of marginal private and marginal social net product, and deploying in the argument a mass of institutional information.

The remainder of Pigou's long working life can be regarded as largely occupied with strengthening the foundations laid in *Wealth and Welfare* and elaborating the superstructure erected on them. As to the foundations, the passage from welfare as states of consciousness to economic welfare to the national dividend is fraught with philosophical difficulties, and the notion of national income itself is beset with conceptual problems, to which the dozen pages devoted to these topics in *Wealth and Welfare* gave scant recognition; in later versions, much more space was taken up with elaboration, though without fundamental concessions. In addition, the book contained a major theoretical error, the proposition that both increasing and decreasing returns create a divergence between marginal social returns in different industries, requiring bounties in the one case and taxes in the other. The nature of the error—the confusion of rent with real cost—was pointed out by Allyn Young in 1913, but with characteristic stubbornness Pigou did not accept the criticism until the second edition of the *Economics of Welfare*. The problem of the laws of return continued to bother him—he returned to it in articles in the late twenties—but he played virtually no part in its solution through the elaboration of the theory of the firm, his own concept of the “equilibrium firm” being simply an evasion of the issues. (Incidentally, the impression widely held among American economists that Pigou was willing to accept correction only from English, that is, Cambridge or King's College, economists, is erroneous. He was unwilling to accept correction from *anyone*—perhaps because he got his Chair so early—but when finally convinced that his critic was right, as with Young and later with Keynes, he admitted it unreservedly.)

Wealth and Welfare was followed in 1913 by a book on *Unemployment*, the problem from which Pigou had started. Then came the war. For Pigou, as for all that pre-war generation of Cambridge men, the war was a shock, and a source of intense personal strain. He remained at his post in Cambridge, carrying more and more of the lecturing load as well as part-time responsibilities at the Board of Trade, the recipient of offensive letters urging him to join up and let Foxwell (his rival for the Chair in 1908) take over his professorial duties while the war was on; but he spent most of his vacations in voluntary ambulance work at the front, first in France and Belgium and then in Italy, and what he saw sickened him. There can be no doubt that this experience was responsible for transforming the gay, joke-loving, sociable, hospitable young bachelor of the Edwardian period into the eccentric recluse of more recent times. In the words of his colleague and life-long friend C. R. Fay, “World War I was a shock to him, and he was never the same afterwards.” On the professional side, war turned his attention to problems of war economics, and especially war finance.

After the war, Pigou rewrote *Wealth and Welfare* into the first edition of

The Economics of Welfare (1920), incorporating in it not only a great deal of material and ideas accumulated during the war, but also large selections from his pre-war work on labour problems. The incorporation took the form of the addition of two new parts to the earlier structure, one on "The National Dividend and Government Finance" and the other on "The National Dividend and Labour." The former became *The Political Economy of War* (1921) and later *A Study in Public Finance* (1928), being dropped from the second edition of *The Economics of Welfare* (1924); the part entitled "The Variability of the National Dividend," one of the three pillars in the architecture of *Wealth and Welfare*, was also dropped, in anticipation of the completion of *Industrial Fluctuations* (1927). The third (1928) and fourth (1933) editions of *The Economics of Welfare* differed in no important respects from the second.

In the 1930's, Pigou turned his attention once more to the problem of unemployment. His *The Theory of Unemployment* (1933) was one of the main objects of Keynes's derision in the *General Theory*; Pigou was deeply offended by the *General Theory*, more on Marshall's account than on his own, and in his *Economica* review hit back strongly against "this macédoine of misrepresentations," at the same time professing to find little positive merit in the book ("We have watched an artist firing arrows at the moon"). But this assessment changed radically with the passage of time, though he continued to deplore the tone of Keynes's criticisms of his predecessors. In the Preface to *Employment and Equilibrium* (1941) he recognized that Keynes had "rendered a very great service to economics by asking important questions"; in *Keynes's General Theory: A Retrospective View* (1950) he admitted that his original review had failed to grasp the significance of Keynes's conception; and in *Alfred Marshall and Current Thought* (1953) he concluded that Keynes's error lay in attacking the long-run analysis of the *Principles* rather than the short-period analysis of the *Evidence* where Marshall "would, I like to think, have agreed that Keynes had detected him in a serious mistake." His own methods of monetary analysis became identifiably Keynesian, except that he continued to use velocity rather than liquidity preference; and his writings, especially *Employment and Equilibrium* and *Lapses from Full Employment* (1945), helped to elucidate the substance and the limitations of the Keynesian Revolution. Indeed, to many young economists, Pigou is famous chiefly for his contribution of "the Pigou effect" to the counter-revolution.

The foregoing account of Pigou's life and works has perforce concentrated on the main stream, without reference to the many subsidiary inlets and branches along the way. No complete bibliography of his work exists, but the King's College Library catalogue lists nearly thirty books and over a hundred pamphlets and articles. Of these, mention should perhaps be made of the *Memorials of Alfred Marshall* (1925) compiled with filial devotion to his master, and of *Socialism versus Capitalism* (1937), which weighed the balance more heavily in favour of the former than he perhaps intended. The very volume of this output, maintaining such a high average standard over such a long period, entitles him to recognition as one of the giants of the Cambridge School and a formative influence on modern economics. Beyond that, *The Economics of Welfare* was an important contribution in its own right; as F. H.

Knight remarked in his review of the first edition, it shifted the argument from the choice between conflicting systems of economic organization to the methods of improving on the existing, functioning system. That was at once its originality, in the period when Pigou first developed it, and its obvious limitation during the troubled inter-war period which followed its publication. Now that the Keynesian Revolution has been digested, and the political divisions of the thirties and forties have been reconciled in a system of welfare capitalism, economists are becoming increasingly occupied with policy problems of the kind with which Pigou was concerned, and in whose analysis he was the pioneer.

HARRY G. JOHNSON