By 1964, Sir Austin Robinson had achieved all the hallmarks of success as an economist. A professor at Cambridge, he was the editor of the *Economic Journal* and an active advisor to the British government. But for several months in 1964, Robinson behaved more like a historian. When handed a historical research project, Robinson became entirely engrossed, transforming himself into a fastidious researcher who kept not only reams of notes but also the receipts of his document requests from archival visits.

It helped that the topic he was researching was one of great personal interest. Commissioned by the *Oxford Dictionary of National Biography* to write an entry on his late friend and colleague, the Cambridge professor and founder of welfare economics A. C. Pigou, Robinson began by rereading a few of Pigou’s books. Robinson was soon sifting through student newspapers from Pigou’s days as a Cambridge undergraduate in the waning years of the nineteenth century. Robinson kept digging. He read back issues of Pigou’s high school’s newspaper. By coincidence, he had grown up in the town of Pigou’s birth on the Isle of Wight off England’s south coast, and he wrote to family contacts to investigate his friend’s early childhood. In a matter of months, he was compiling elaborate genealogies, tracing Pigou’s family back several centuries, the precise handwriting of his notes spilling over dozens of pages.

One question in particular motivated Robinson’s searches and inquiries. In a letter to another aging friend of Pigou’s, he noted: “What puzzles me so greatly is how the vigorous extrovert
pro-establishment Pigou of his undergraduate days . . . became the hermit unwilling to engage in serious argument about economic things with his colleagues, and increasingly removed from the real world of affairs.”4 For even though Robinson had known Pigou for decades, in his research, he had discovered an entirely new Pigou: a Pigou who bore little resemblance to the serious recluse Robinson had come to know.

Robinson was intrigued by Pigou both as an economic thinker and as a person in history. These are also concerns of this book. But whereas Robinson’s ardent in chasing down Pigou’s story stemmed in part from a desire to better understand a departed friend and teacher, this book is motivated by broader intellectual goals. For one, it seeks to understand Pigou because of his great and underappreciated influence as a thinker. In the years after Robinson’s research, Pigou slipped into the shadows of history. Caught temporarily between the well-remembered Alfred Marshall and John Maynard Keynes, Pigou has remained a comparatively ancillary figure in the historical imagination, seen either as Marshall’s loyal student or as Keynes’s rival: the economist Keynes was most concerned to address in formulating his own, now famous, theories.

Yet Pigou himself is a figure of great importance in the history of economics and of economic thought. When he died in 1959, Robinson described him in the Times as “the outstanding economist of his generation.”5 In addition to his involvement with the formation of welfare economics, Pigou was the originator of externality theory, the idea that there are costs—like those arising from pollution—that are not explicitly accounted for by the market. His contributions made him a monumental figure in the history of environmental economics, and today his legacy is both palpable and visible. “Cap-and-trade” policies and carbon taxes both rely firmly on Pigovian ideas and, indeed, carbon taxes are perhaps the most famous form of what are now known as “Pigovian taxes” enacted on socially harmful activities. Given his influence, understanding Pigou in his own world is a worthy project in and of itself. But Pigou’s life also offers an entrée into an even larger historical topic, a lens through which to survey the pressures and triumphs of being an economist during a formative period of the discipline’s history.
In particular, it offers a window on how economists—as scientific and political actors—theorized and mediated the relationship between the state and what would come to be called the market. Pigou started his career as a reform-minded Liberal. Though committed to free trade and sympathetic to laissez-faire ideas, he also saw the government as an instrument that could improve societal welfare. In his early work, he sought to provide scientific justifications for progressive government policies. But this was to change by the end of the 1920s. Like many of his generation, Pigou was left profoundly disillusioned in the wake of World War I. His comfortable Liberal worldview was shattered, and the old party of William Gladstone, free trade, and progressive reform was crumbling. Until he died in 1959, Pigou, like other Liberals of his age, would struggle to come to terms with the new political and social reality that emerged out of the war. Though he served on several government committees, during the 1920s, Pigou gradually retreated from public life to academic theory in an effort to provide an “arsenal of knowledge” that could be harnessed by policymakers. But as he grappled with the rise of the Soviet Union, the Depression, World War II, and the success of the British Labour Party, he moved toward a new conception of welfare: one that had noticeably different implications for how the individual was to be reconciled with the social and how the state ought to engage with the market. Much more than his contemporary, John Maynard Keynes, through the 1930s and 1940s, Pigou drifted toward positions closely associated with the Labour Party. In this way, his story exposes the connections between late nineteenth century reformist liberalism and the agenda of the Labour Party in the middle of the twentieth century. By the time the postwar Labour government lost power in 1951, Pigou had fully—and very publicly—endorsed the welfare state.

Changes internal to the economics discipline also played a substantial role in shaping Pigou's work and thought. Pigou lived through at least two periods of radical transition in the discipline. During the first, in the early 1900s, he was a pioneer, a new breed of economist who helped usher out the age of political economy and usher in that of economic science. As this new discipline spread throughout Britain, Europe, and the United States, Pigou's work was adopted as part of the new orthodoxy of economic thought.
that increasingly was leveraged by national governments. In those heady days, he worked as a vigorous advocate, imbued with the certitude of the convert and the optimism of youth. But in the subsequent period of transformation in the 1930s, Pigou found himself in an entirely different position. During this time, though he was an established “giant” of his field, the contours of his discipline were swiftly becoming unfamiliar to him. As mathematical and statistical modeling, Keynesianism, and Austrian influences revolutionized the practice of economic science, Pigou found himself on the wrong side of major shifts within the discipline. He not only represented, but also was partly responsible for, an “old” mode of thought and only begrudgingly accepted the developments that were leaving many of his own contributions behind. As Pigou ceased to operate on the cutting edge of the academy, he slowly turned his attention to a new audience, the public, which ironically, would offer him great consolation by the end of his life.

This book is a study of Pigou and his times—in economics, in Britain, and in the world. It is concerned both with situating Pigou in the many contexts in which he lived and worked, and with relating those contexts to one another. In this specific hybrid mission, the book is unusual. But it exists nonetheless in a long and increasingly rich tradition of scholarship on Pigou. After all, Robinson was hardly the only person to have developed curiosity about Pigou. Pigou’s life has, over the years, inspired some mystery, no doubt partially fomented by his decision to burn the better part of his papers just before he died. Even the books of his library were scattered, donated in a cascading series of gifts to King’s College, Cambridge; the Marshall Library of Economics at Cambridge; and the University of Nottingham. Such concern for privacy bred suspicion, and for a brief moment in the 1980s, there were rumors that he had been a Soviet agent; his twin passions were, in one fanciful account, socialist economics and mountain climbing.

Pigou’s work has also provoked considerable scholarship. And with rising awareness and fear of climate change, many of his ideas are experiencing a renaissance. Over the past decade, his work has garnered an increasing amount of attention, both among economists and in the popular press. In 2006, N. Gregory Mankiw, the
Harvard economist and former advisor to President George W. Bush, announced in the *Wall Street Journal* the formation of what he called the “Pigou Club,” a list of individuals who had publicly endorsed higher Pigovian taxes. Over the next few years, Mankiw identified a host of “members” spanning the political spectrum from Al Gore to Republican Senator Lindsay Graham. The past Chair of the Federal Reserve, Paul Volcker, has been claimed as a “member,” as have Nobel laureates Paul Krugman and Gary Becker. Over the past few years, Pigou’s name has repeatedly graced the pages of the *Economist*, the *New York Times*, the *Financial Times*, and the *New Yorker*. Figured as a thinker who sought to correct social problems like pollution or inequality through the remedy “least invasive” to the market, Pigou has acquired significant nonpartisan appeal, a rarity for an economist in an increasingly polarized world.

Pigou’s current status as politically moderate is striking in light of the long history of politicization to which his work has been subjected. Starting in the 1930s, he served as a lightning rod for Keynes and subsequent Keynesians. Despite Pigou’s relatively greater emphasis on labor and unemployment, for Keynes and his followers, he was a straw man that represented the most extreme form of the so-called classical tradition of economics, which stressed the self-corrective nature of the market. By 1960, the year after his death, Pigou was under attack from the right. The most notable of his opponents was Ronald Coase, who, more skeptical of government action, made the opposite of the Keynesian claim—that Pigou’s theories actually painted the market as deeply flawed. Only a few years later, Pigou was lauded by right-leaning economists for a minor theoretical point he made—subsequently dubbed the Pigou Effect—that was understood to vindicate laissez-faire policies and offer a way out of Keynesian conclusions.

This litany of invocation and opposition from across the ideological spectrum in part speaks to the fluid way liberal thought of the late nineteenth and early twentieth century has been interpreted up to the present. Pigou’s work in particular often carried strong implications about the proper relationship between the state and the market, a notoriously contentious subject. But the reception and varied use of Pigovian ideas also speak to the
complicated and multifaceted nature of Pigou’s oeuvre. One of this book’s contentions is that, in important ways, Pigou was more sympathetic to commitments associated with the British Labour Party than were many of his Liberal contemporaries, including Keynes. In this way, it challenges the old Keynesian understanding of Pigou as conservative. But political judgments such as this one need to be advanced cautiously and tempered with nuance. Over the course of his adult life, Pigou wrote constantly, on subjects ranging from Nietzsche’s moral philosophy to the price elasticity of milk. The result is that simple characterizations of Pigou or his work as “laissez-faire” or “statist,” or even “left” or “right,” cannot do justice either to the man or to his ideas.

Recent scholarship on Pigou’s life and work has recognized this complexity. Over the past two decades, there has been a surge of interest in Pigou among historians of economic thought, and this book draws liberally from the long and blossoming tradition of analysis and contextualization of Pigou’s economics. More than much of that literature, however, this book seeks to answer general historical, rather than economic, questions. Drawing inspiration from a growing attention to economic thinking in historical scholarship, the book advances arguments with reference more to history than to economics. For unlike Robinson, the author is an economist neither by training nor profession. And though The First Serious Optimist addresses the full range of Pigou’s voluminous intellectual output—he wrote twenty-six books—it does not pretend to offer the rich economic analysis that Pigou’s extensive body of work deserves. Its goal is instead to offer a portrait of an economist in his wider contexts.

What follows is the story of the three-way interaction between an economist, his world, and his ideas. It is a personal story of major shifts in economic thinking, told both from the perspective of the innovator as well as from that of the aging thinker of a fading era. It investigates how politics, deeply held values, and personal connections came to shape the development of economic thought. By chronicling and explaining Pigou’s reactions to changes around him, this book aspires to develop richer understandings of A. C. Pigou as a person and of his own seminal work. And in the process of situating Pigou in context, parts of that very context may be
defined and elucidated. Hopefully, then, this book offers a glimpse not only of a major intellectual figure but also of what it was like to be an economist in the first half of the twentieth century, a time when economists were increasingly mediating the state’s relationship with the market and the economy as a whole.