

## Welfare Economics of A.C. Pigou

A.C. Pigou (1877 - 1959) :

Pigou one of the faithful pupils of Marshall was the prominent member of the Cambridge School and later he got his higher education at the Cambridge School. His most important works are mainly, *The Economics of Welfare* (1920), *Essays in Applied Economics* (1923), *A Study in Public Finance* (1928), *Socialism versus Capitalism* (1937) etc.

His Economic Ideas: Pigou went forward with the Marshallian Tradition, but he was more abstract, mathematical and practical in practice. The concept of value of a commodity could not occupy a central place in his thought. The concept of social welfare is a dominating subject in his thought. Pigou considers "social welfare" as a aggregate of individual welfare which depends on the balance between individual

Satisfactions and dissatisfactions.

Pigou went through the examinations of several conditions, such as establishment of monopoly, free competition, taxation and state expenditure, trade cycles and found them as the obstacles in the realisation of the goals of social welfare. So, he suggested State Intervention in the achievement of his goal. The state could play a very significant role in regulating the monopolistic organisations and trade cycle as well.

### Objective of Economic Welfare:

Pigou considers economic welfare as a part of social welfare which can be measured directly or indirectly by money. He advocated the concept of State co-operation, so as to protect the interest of the economic welfare of the poor classes. He believed that the economic welfare of this class of society could be increased only by the shifting of the purchasing power of

from the rich to the poor. Pigou, further felt that "Any cause which increases the share of the real income in the hands of the poor, provided that it does not lead to a contraction in the size of the national dividend from any point of view, increase economic welfare."

### The Concept of Private Net Product and Social Net

Product: Pigou, in his wide analysis of economic welfare, has distinguished between social net product and private net product. The private net product includes, "the contribution that is capable of being sold and the proceeds added to the earnings of the person responsible for the unit of investment, while the social net product is the aggregate contribution made to the national dividend." The effect of short term and long term state intervention in relation of the distribution of national income is another important idea of Pigou.