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In 1936, Maynard Keynes published his *General Theory of Employment, Interest and Money*, probably the most scathing critique of laissez-faire economics ever formulated. One of the main targets of Keynes' blistering attacks was the then leading Cambridge economist A C Pigou (1877-1959), cited (rarely approvingly) 83 times in *General Theory*.

Pigou epitomised perfectly the prevalent conservative attitude to public policy: left to their own devices, competitive markets always produce the most perfect of all possible worlds. 'Involuntary unemployment' in Pigou's worldview is an oxymoron: in a competitive labour market the only reason for individuals not to supply their labour is that they prefer enjoying leisure time to working. And yet comparing this most conservative establishment figure to our present-day Tory policy-makers shows the precipitous decline in the standards of public discourse.

Let's take, as an example, the very notion of a 'Nanny State' and the call to arms by the Tory intellectual colossus, Priti Patel: 'It's time to reject the Nanny-State big government creep that has infected this government and once again embrace our true Conservative values to inspire Britain and deliver a prosperous future'.

The dictionary definition ('a government that tries to give too much advice or make too many laws about how people should live their lives, especially about eating, smoking, or drinking alcohol') could be interpreted charitably by saying that the state ought not to interfere with its citizens' behaviour, even when individual actions are unambiguously detrimental to the individuals themselves. Even a cursory perusal of current conservative thinking (as expressed, for example, by Liz Truss' favourite think-tank – the Institute of Economic Affairs) provides ample evidence that libertarian principles trump evidence of self-harm.



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And yet an uber-conservative like Pigou not only would have found such 'thinking' superficial and incorrect, but also would have advocated a much more interventionist stance. In the pursuit of the common good, Pigou argues, the State may have to prevent individuals from taking actions that are good for them individually.

This apparent contradiction goes to the heart of current poverty of ideas and ideals in the Tory Party, which seems to have forgotten that there is such a thing as 'society' even from a Conservative perspective.

I shall illustrate this point by resorting to one of Pigou's own examples. Suppose that two localities (A and B) are linked by two separate routes: Route 1 is the shorter link between A and B, but travel time depends on congestion, whereas Route 2 is longer, but its travel time of 60 minutes between the two cities is unaffected by traffic. To make computing travel times easier, let's assume that the travel time in hours on Route 1 is the same as the percentage of motorists who choose it. So, if 50% of motorists choose it, it will take 30 minutes to travel between A and B, whereas if 100% of motorists select it, it will take 60 minutes.

The choice of the optimal route for any motorist interested in minimising travel time is a no-brainer: Route 1 will be chosen because even in the worst-case scenario of every motorist travelling on it, travel time will never be longer than on the 60-minute-guaranteed Route 2. No need for the Nanny State to interfere with travel decisions taken by motorists in possession of all the relevant data. Right?

'Wrong!' says Pigou. What is the correct decision by every member of society is not necessarily the correct decision for society as a whole and therefore there is a role for the State to intervene 'for the public good'. How, in our traffic example? By redirecting 50% of motorists to take Route 2 and the remaining 50% to take Route 1. By so doing, the average travel time, that in the laissez-faire scenario was 60 minutes, in the regulated scenario falls to 45 minutes – an unambiguous improvement.

What is the concept that made a thoroughly conservative intellectual like Pigou grasp the basic notion that society is essentially different from the sum of its citizens and that present-day Tory politicians are deaf to? It is the idea that economists label as an 'externality'. An externality is any action taken by an individual which impacts (either beneficially or detrimentally) the welfare of others. In our traffic example, the decision to take the shorter route – which is perfectly reasonable for a single individual – ignores the effect on other motorists' travel time, i.e., the increase in congestion.

Perhaps pseudo-libertarians à la Rees-Mogg or Truss could learn about society not from – God forbid – socialist thinkers, but from fellow Conservatives with a proper intellectual background.

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